HB 23-1189

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated May 4, 2023)

Drafting Number:	LLS 23-0469	**Date:**	May 5, 2023
Prime Sponsors:	Rep. Bird; Weinberg Sen. Zenzinger	**Bill Status:**	Senate Second Reading
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Bill Topic: **EMPLOYER ASSISTANCE FOR HOME PURCHASE TAX CREDIT**

Summary of Fiscal Impact:

☒ State Revenue
☒ State Expenditure
☐ State Transfer
☒ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

For tax year 2024 through tax year 2026, the bill creates a state income tax credit for employers who make a contribution to an employee for purchasing a primary residence. The bill reduces state revenue and increases state expenditures from FY 2023-24 through FY 2026-27.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the reengrossed bill, as amended by the Senate Finance Committee.

Table 1
State Fiscal Impacts Under HB 23-1189

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	($413,000)	($874,000)	($978,000)
	Total Revenue	**($413,000)**	**($874,000)**	**($978,000)**
Expenditures	General Fund	-	$154,680	$7,328
	Centrally Appropriated	-	$15,251	-
	Total Expenditures	**-**	**$169,931**	**$7,328**
	Total FTE	**-**	**0.9 FTE**	**-**
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	($413,000)	($874,000)	not estimated
	General Fund Reserve	-	$23,202	$1,099

Summary of Legislation

Starting in tax year 2024 through tax year 2026, the bill creates a state income tax credit for employers who make a contribution to an employee for purchasing a primary residence. The amount of the credit is 5 percent of an employer's contribution, and is capped at $5,000 per employee per year and $500,000 per employer per year. The credit is nonrefundable but may be carried forward for up to five years. The employer must open a savings account to deposit contributions for each employee, and an employee may authorize an employer to withhold contributions to the account from the employee's income. If the funds in the account are not used for eligible expenses or the employee terminates employment, any credit previously taken by the employer for that employee is subject to recapture. The amount contributed by the employer may be subtracted from the employee's federal taxable income for the purpose of determining their state taxable income. The employee must use the money for eligible expenses which include a down payment and closing costs, including fees for appraisals, mortgage origination, and inspections and must maintain employment with the employer in order to receive the full benefit of the contribution.

Assumptions

Based on data for similar employer tax credits as well as on employee relocation allowances, the fiscal note assumes that up to 100 employers will claim the tax credit in tax year 2024, with increasing numbers in future years, and that the average contribution per employee will be $15,000, for an average of 10 employees per employer. The fiscal note further assumes that the home purchase allowance supplements the salary the employee would otherwise receive rather than replacing it so that there is no or minimal fiscal impact due to the tax deductibility of the contribution. To the extent that the home purchase allowance replaces part of the salary the employee would otherwise receive, the revenue reduction in the bill will be greater than estimated when accounting for the credit alone.

State Revenue

Based on the assumptions above, the bill will decrease General Fund revenue by $413,000 in FY 2023- 24 (a half-year impact), by $874,000 in FY 2024-25, and by $978,000 in FY 2025-26, with the final half-year impact occurring in FY 2026-27. If the credit is utilized more extensively than assumed, the bill will decrease state revenue by a greater amount than estimated.

State Expenditures

The bill increases General Fund expenditures by about $170,000 in FY 2024-25, and by about $7,000 in FY 2025-26 and FY 2026-27. These costs represent administrative expenses in the DOR to implement the new tax credit. Expenditures are shown in Table 3 and detailed below.

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Table 3
Expenditures Under HB 23-1189

	FY 2024-25	FY 2025-26
Department of Revenue		
Personal Services	$56,955	-
Operating Expenses	$1,215	-
Capital Outlay Costs	$6,670	-
Computer Programming and Testing	$68,838	-
Research and Analysis	$7,392	$7,328
Document Management	$13,610	-
Centrally Appropriated Costs[1]	$15,251	-
Total Cost	**$169,931**	**$7,328**
Total FTE	**0.9 FTE**	**-**

Personal services. In FY 2024-25, the DOR will require additional staff in the Systems Support Office to support the Gen Tax programming effort. Operating expenses include telephone, computers, and other supplies for these staff.

Computer programming and testing. The DOR will have one-time costs of $67,690 in FY 2024-25 for computer programming and testing. Programming costs are estimated at $39,398, representing 170 hours of contract programming at a rate of $231.75 per hour. Costs for user acceptance testing at the department are estimated at $29,440, representing 920 hours at $35 per hour.

Research and analysis. Expenditures in the Office of Research and Analysis are required for changes in related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at $7,392, or 231 hours for data management and reporting at a rate of $32 per hour starting in FY 2024-25 and similar amounts in future years.

Document management. The DOR will have one-time costs of $13,610 in FY 2024-25 for form changes and the creation of new forms. These services are performed in the Department of Personnel and Administration using reappropriated DOR funds.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Information Technology Personnel Revenue