HB 20B-1016

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 20B-0037	**Date:**	November 30, 2020
Prime Sponsors:	Rep. Williams D.	**Bill Status:**	House SVMA
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Bill Topic: **TAX CREDITS FOR COSTS OF COVID-19 SCHOOL CLOSURES**

Summary of Fiscal Impact:

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

For tax years 2020 and 2021, this bill creates a state income tax credit for a taxpayer that incurred costs as a result of suspended in-person learning or had to provide care for a child and experienced a loss of income for at least four cumulative weeks during the 2020-21 school year due to the COVID-19 pandemic. The bill will increase state expenditures and reduce state revenue in FY 2020-22 through FY 2024-25.

Appropriation Summary: The bill requires a General Fund appropriation to the Department of Revenue of $54,322 in the current FY 2020-21 and $72,816 in FY 2021-22.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 20-1016

		FY 2020-21 *(current year)*	FY 2021-22	FY 2022-23
Revenue	General Fund	($460.7 million)	($143.5 million)	($62.1 million)
Expenditures	General Fund	$54,322	$72,816	-
Transfers		-	-	-
TABOR Refund	General Fund	($460.7 million)	($143.5 million)	Not estimated.

Summary of Legislation

For tax years 2020 and 2021, the bill creates two new state income tax credits. The first provides a credit to a taxpayer who has incurred costs as a result of suspended in-person learning. To be eligible for the income tax credit, a taxpayer must:

- have had one or more qualified children whose school suspended in-person learning for at least four cumulative weeks during the 2020-21 school year due to the COVID-19 pandemic and;
- have incurred costs as a result of the suspension of in-person learning.

To be eligible for the second income tax credit in the bill, a taxpayer must:

- have provided care for the qualified child due to the suspension of in-person learning or the inability of the daycare center to provide care; and
- as a result of providing such care for the taxpayer's qualified child, was unable to work and experienced a loss of income.

The amount of the credit allowed is either the amount of the costs incurred by the taxpayer as a result of the suspension of in-person learning or $750 for any income tax year, whichever is less; except that the maximum amount of the credit that a taxpayer may claim in the 2020 and 2021 income tax years combined shall not exceed $750 per qualified child and shall not exceed $2,500 total per taxpayer. A taxpayer who claims one credit created in this bill is ineligible to claim the other credit created in the bill. The credit is neither refundable nor transferable but may be carried forward for a period not to exceed three years.

The bill requires the taxpayer to retain certain information to confirm eligibility for the income tax credit and must provide to the Department of Revenue upon request.

The income tax credits are repealed effective December 31, 2025.

State Revenue

The bill is expected to decrease General Fund revenue by $460.7 million in the current FY 2020-21, and $143.5 million in FY 2021-22 through FY 2023-24, with a half-year impact of $31.1 million in FY 2024-25. The FY 2020-21 impact includes a half-year impact for FY 2019-20, which has already passed. The bill reduces individual income tax revenue, which is subject to TABOR.

Assumptions. There are approximately 800,000 students in grades K-12 enrolled in a private or public school in Colorado during the 2020-21 school year. According to the U.S. Census Bureau. there were almost 600,000 families with children under 18 years old. The fiscal note assumes that approximately 70 percent of Colorado families with children in a private or public school will qualify for the income tax credit available under the bill, based on school districts that announced they have or will move to in-person learning during the 2020-21 school year.

A non-refundable income tax credit reduces the taxpayer's liability to zero and does not generate a refund if the amount of the credit exceeds the amount owed. In 2016, the latest data available, the average state tax liability for those with a federal adjusted gross income less than $75,000 was $818. This fiscal note assumes that approximately 20 percent of eligible taxpayers will claim the maximum amount allowed in tax years 2020 and 2021 with the remaining taxpayers claiming the credit through the carry-forward period.

State Expenditures

The bill will increase General Fund expenditures by $54,322 in FY 2020-21 and by $72,816 and in FY 2021-22. The income tax credit is not available after tax year 2022. Expenditures are summarized below.

Computer programing. In FY 2021-22, the Department of Revenue will require changes to the department's GenTax software system. Changes are programmed by a contractor at a rate of $225 per hour. The changes will increase General Fund expenditures by $13,500, representing 60 hours of programming. All GenTax programming changes are tested by the department. Testing will require contract personnel totaling $5,250, representing 150 hours at a rate of $35 per hour.

Document Management. For FY 2020-21 and FY 2021-22, the bill requires the Department of Personnel and Administration (DPA) to update the state individual income tax forms, including the scanning, testing, data entry, and document storage. The DPA will require $54,322 in FY 2020-21 and $54,066 in FY2021-22. Expenditures for form changes and testing occur in the DPA using reappropriated Department of Revenue funds.

TABOR refunds. Under the September 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For the current FY 2020-21, the bill requires a General Fund appropriation of $54,322 to the Department of Revenue, which will then be reappropriated to DPA.

In FY 2021-22, the bill requires a General Fund appropriation of $72,816 to the Department of Revenue, of which $54,066 will be reappropriated to DPA.

State and Local Government Contacts

Information Technology Personnel Revenue