



Fiscal Note
Legislative Council Staff
Nonpartisan Services for Colorado’s Legislature

SB 25-307: DECARBONIZATION TAX CREDITS ADMIN CASH FUND

Prime Sponsors:

Sen. Amabile; Kirkmeyer
Rep. Bird; Sirota

Fiscal Analyst:

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Bill Outcome: Signed into Law
Drafting number: LLS 25-1054

Version: Final Fiscal Note
Date: August 22, 2025

Fiscal note status: The fiscal note reflects the enacted bill, which was recommended by the Joint Budget Committee.

Summary Information

Overview. The bill limits money credited to the Decarbonization Tax Credits Administration Fund to net oil and gas severance tax collections in FY 2024-25 and FY 2025-26 and makes cash fund transfers in both years.

Types of impacts. The bill is projected to affect the following areas on a one-time basis:

- State Transfers

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0	\$0
State Expenditures	\$0	\$0	\$0
Transferred Funds	\$2.5 million	\$2.5 million	\$0
Diverted Funds	\$5.0 million	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

**Table 1A
State Transfers**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
Energy and Carbon Management Cash Fund	-\$2.5 million	\$2.5 million	\$0
Decarbonization Tax Credits Administration Fund	\$2.5 million	-\$2.5 million	\$0
Net Transfer	\$0	\$0	\$0

**Table 1B
State Diversion¹**

Fund Source	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund (via the Decarbonization Tax Credits Administration Fund)	-\$5.0 million	\$0	\$0
Various Severance Tax Cash Funds	\$5.0 million	\$0	\$0
Net Transfer	\$0	\$0	\$0

¹ The amount diverted from the Decarbonization Tax Credits Administration Fund is based on the March 2025 LCS Economic and Revenue Forecast. The Joint Budget Committee is using the OSPB March 2025 forecast for budget balancing purposes. Under that forecast, the bill will decrease the amount of money allocated to the Decarbonization Tax Credits Administration Fund by \$23.2 million in FY 2024-25, and decrease the unexpended portion that spills over to the General Fund by about \$21 million in the current FY 2024-25. No diversion is expected in FY 2025-26 under either forecast.

Summary of Legislation

For FY 2024-25 and FY 2025-26, the bill specifies that money credited to the Decarbonization Tax Credits Administration (DTCA) Fund from severance tax revenue cannot exceed net oil and gas severance tax revenues. The bill also transfers \$2.5 million from the Energy and Carbon Management Cash Fund to the DTCA Fund in FY 2024-25, then transfers an equal amount of money from the DTCA Fund back to the Energy and Carbon Management Cash Fund in FY 2025-26.

Background

Severance Tax on Oil and Natural Gas

Colorado imposes a severance tax on the value of oil and natural gas that is severed, or removed, from the earth and sold. Taxpayers are allowed a nonrefundable credit against their severance tax liability based on the amount of property taxes they pay. This credit is commonly referred to as the ad valorem credit.

House Bill 23-1272

HB 23-1272 modified the severance tax ad valorem credit and created the DTCA Fund to offset the cost of several income tax credits administered by the Colorado Energy Office. The bill lowered the value of the ad valorem credit from tax year 2024 to tax year 2026, and required the resulting increase in severance tax revenue to be distributed to the DTCA Fund. After paying for administrative costs related to the bill's income tax credits and accounting for a minimum required fund balance, the unexpended money in the fund is transferred to the General Fund on the last day of FY 2023-24, FY 2024-25, and FY 2025-26. Additional severance tax revenue received after FY 2025-26 attributable to the decreased AV credit will remain in the cash fund and be available for ongoing administrative expenses. Any amount remaining in the fund is scheduled to be transferred to the General Fund on July 1, 2036. State law does not currently specify what occurs in a situation where the incremental increase in severance tax revenue due to the reduced ad valorem credit exceeds net oil and gas revenue in a fiscal year due to refunds of prior year's taxes.

OSPB Severance Tax Forecast

The JBC selected the March 2025 forecast from the Office of State Planning and Budgeting (OSPB) for FY 2025-26 budget balancing. The OSPB forecast anticipates net oil and gas severance tax revenue of just \$0.3 million in FY 2024-25, excluding interest, and \$23.5 million in required distributions to the DTCA Fund due to the incremental increase in severance tax revenue under HB 23-1272. Based on the forecast, current law would require the Department of Revenue (DOR) to claw back funds from either the General Fund or other severance tax cash funds in order to make the distribution.

State Transfers

In FY 2024-25, the bill requires the Treasurer to transfer \$2.5 million from the Energy and Carbon Management Cash Fund to the DTCA Fund. In the following year FY 2025-26, \$2.5 million is then transferred back from the DTCA Fund back to the Energy and Carbon Management Cash Fund. These transfers are shown in Table 1A above.

State Diversions

Based on the March 2025 Legislative Council Staff Revenue Forecast, net oil and gas severance tax revenue is expected to total \$18.6 million, less than the estimated \$23.5 million increase in severance tax revenue due to HB 23-1272's reduction in the ad valorem credit. Limiting money credited to the DTCA Fund to net oil and gas severance tax revenue will reduce the estimated distribution of severance tax revenue to the fund in FY 2024-25 by about \$5 million and increase distributions to various other severance tax funds by an equivalent amount, as shown in Table 1B above.

Because unexpended money in the fund must be transferred to the General Fund at the end of FY 2024-25 under current law, reducing the distribution to the DTCA Fund will correspondingly reduce this required General Fund transfer by \$5 million. In FY 2025-26, net oil and gas severance tax revenue is forecast to exceed money credited to the DTCA Fund, and no change in distribution is expected.

Note: under the OSPB March 2025 Forecast, the bill will decrease the amount of money allocated to the Decarbonization Tax Credits Administration Fund by \$23.2 million in FY 2024-25, and decrease the unexpended portion that spills over to the General Fund by about \$21 million in the current FY 2024-25. Under the OSPB forecast, the transfer from the Energy and Carbon Management Cash Fund is necessary to pay administrative costs since the bill limited the distribution to less than the expected costs supported from the Decarbonization Tax Credits Administration Fund.

Effective Date

This bill was signed into law by the Governor and took effect on June 3, 2025.

State and Local Government Contacts

Office of State Planning & Budgeting

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).