HB 22-1418

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 22-1003	**Date:**	September 1, 2022
Prime Sponsors:	Rep. Herod; McCluskie Sen. Hansen; Zenzinger	**Bill Status:**	Signed into Law
		Fiscal Analyst:	Louis Pino | 303-866-3556 louis.pino@state.co.us

Bill Topic: **EXTENSION OF CERTAIN UNUSED TAX CREDITS**

Summary of Fiscal Impact:

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

The bill extends the carry-forward period for unused state job growth incentive and enterprise zone credits income tax credits set to expire in tax years 2021 through 2025. The bill will increase state expenditures and reduce state revenue from FY 2023-24 through FY 2026-27.

Appropriation Summary: For FY 2022-23, the bill includes an appropriation of $18,412 to the Office of Economic Development and International Trade.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 22-1418

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2023-24
Revenue	General Fund	-	(up to $5 million)	(up to $12.5 million)
	Total Revenue	-	**(up to $5 million)**	**(up to $12.5 million)**
Expenditures	General Fund	$18,412	-	-
	Central. Approp.	$3,656	-	-
	Total Expenditures	**$22,068**	**-**	-
	Total FTE	**0.2 FTE**	**-**	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	-	(up to $5 million)	*not estimated*
	GF Reserve	$2,762	-	-

Summary of Legislation

For businesses that operate in a strategic industry and were disproportionally impacted and experienced financial hardship caused by the COVID-19 pandemic, the bill extends the carry-forward period for unused state job growth incentive and enterprise zone credits income tax credits set to expire in tax years 2021 through 2025. The extension is for five years, and the bill caps the total amount of tax credits allowed to be carried forward in the extended period at $0 in tax years 2021 and 2022, $10 million in tax year 2023, $15 million in tax years 2024 and 2025. The extension does not apply to Enterprise Zone Contribution tax credits.

The bill requires the Colorado Economic Development Commission (commission) to establish a process for reviewing, and approving applications submitted by taxpayers. In addition, the commission is responsible for ensuring applicants meet certain eligibility requirements.

State Revenue

The bill is expected to decrease General Fund revenue by up to $5.0 million in the FY 2023-24 (half-year impact), up to $12.5 million in FY 2024-25, up to $15 million in FY 2025-26, and by up to $7.5 million in FY 2026-27 (half-year impact). The bill's actual revenue impact could be lower depending on the extent to which taxpayers meet the eligibility requirements for the extension. The bill reduces income tax revenue, which is subject to TABOR.

State Expenditures

The bill increases state expenditures in Office of Economic Development (OEDIT) by $22,068 in FY 2022-23 only. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 22-1418

	FY 2022-23	FY 2023-24
Office of Economic Development		
Personal Services	$18,412	-
Centrally Appropriated Costs[1]	$3,656	-
Total Cost	**$22,068**	-
Total FTE	**0.2 FTE**	-

Office of Economic Development. The OEDIT will require $22,068 and 0.2 FTE in FY 2022-23 only to assist the commission with establishing a process for reviewing, approving applications, and ensuring applicants meet certain eligibility requirements. The OEDIT is assumed to approve all extensions before June 30, 2023.

Department of Revenue. The DOR currently reviews state job growth incentive and enterprise zone credits income tax credits. This workload can be accomplished within existing appropriations.

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 for FY 2023-24. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. 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 beginning in FY 2022-23. Based on this fiscal note, the bill is expected to decrease the amount of General Fund held in reserve by the amounts shown in Table 1, which increases the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor on June 7, 2022, and it took effect on August 9, 2022.

State Appropriations

In FY 2022-23, the bill includes a General Fund appropriation of $18,412 to the OEDIT and 0.2 FTE.

State and Local Government Contacts

Information Technology	OEDIT
Personnel	Revenue