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HB 20B-1017

FISCAL NOTE

Drafting Number: LLS 20B-0046
Prime Sponsors: Rep. Holtorf

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Bill Status: House Public Health Care
Fiscal Analyst: Elizabeth Ramey | 303-866-3522
Elizabeth.Ramey@state.co.us

Bill Topic: TAX CREDIT UNPAID RENTAL PAYMENTS

**Summary of
Fiscal Impact:** State Revenue TABOR Refund
 State Expenditure Local Government
 State Transfer Statutory Public Entity

For 2020 through 2022, this bill creates a nonrefundable income tax credit for landlords for rental payments owed but not paid due to an eviction moratorium. This bill will decrease state revenue and increase state expenditures through FY 2020-21.

**Appropriation
Summary:** For FY 2020-21, the bill requires an appropriation of \$16,039 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 20B-1017

		FY 2020-21	FY 2021-22
Revenue	General Fund	(\$152,400,000)	-
Expenditures	General Fund	\$16,039	-
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

For tax years 2020 through 2022, the bill creates an income tax credit equal to the amount of rental payments owed but not paid to landlords due to an evictions moratorium. The tax credit is nonrefundable but may be carried for up to 5 years.

Landlords who claim the credit and later receive rental payments must refund the amount of the credit equal to those rental payments. To be eligible for this tax credit, a landlord is required to provide required documentation to Department of Revenue.

Assumptions

Based on information from the Census Bureau's 2018 Rental Housing Finance Survey, the Department of Housing and Urban Development, and the Department of Local Affairs Division of Housing, this fiscal note assumes that up to 8,000 landlords will be eligible for and claim the credit for tax year 2020, including 1,200 business entity or corporate landlords and 6,800 individuals.

Based on information from the Census Bureau's November 2020 Household Pulse Survey as well as Colorado's Special Eviction Prevention Task Force Report, between 7 percent and 13 percent of renter households in Colorado will be at risk of eviction by December 31, 2020, and the average amount of rent owed by these households will be \$3,000.

This fiscal note assumes that all federal, state, and local evictions moratoria will be allowed to expire by December 31, 2020, at the latest, so that the credit may be claimed for the 2020 tax year only.

This fiscal note assumes that all tax credits will be applied to reduce tax liability in the year when they are allowed. To the extent that tax credits are carried forward, the bill's revenue impact will differ across fiscal years relative to the estimates published here.

State Revenue

The bill is expected to decrease state General Fund revenue by \$152.4 million in FY 2020-21. The bill reduces income tax revenue, which is subject to TABOR. To the extent that evictions moratoria continue into 2021 and/or 2022, revenue impacts may be larger and ongoing in future fiscal years.

State Expenditures

The bill is expected to increase General Fund expenditures by \$16,039 in FY 2020-21. To the extent that evictions moratoria continue into 2021 and/or 2022, expenditure impacts may continue into future years. Expenditures are summarized in Table 2 and described below. The bill is expected to incrementally increase existing workload for tax audit and compliance. The workload increase can be accomplished within existing appropriations.

Table 2
Expenditures Under HB 20B-1017

	FY 2020-21	FY 2021-22
Department of Revenue		
GenTax Programming	\$12,375	
Implementation and Testing	\$2,800	
Document Management	\$864	
Total Cost	\$16,039	

Computer programming. The bill requires one-time expenditures to program and test changes to DOR's GenTax software system. Programming is performed by a contractor and tested by the department. Programming is expected to require \$12,375, or 55 hours at the contract rate of \$225 per hour.

Implementation and testing. Testing to ensure that programming is operating correctly in the tax administration system and ensuring proper reporting capability is expected to require \$2,800, or 80 hours at the rate of \$35 per hour.

Document Management. The bill requires one-time expenditures of \$864, or \$216 per form for four forms, to change and print tax forms.

TABOR refund. The state is not expected to collect revenue above the TABOR limit in FY 2020-21, FY 2021-22, or FY 2022-23, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers. A forecast of state revenue subject to TABOR is not available beyond FY 2022-23.

Effective Date

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

State Appropriations

For FY 2020-21, this bill requires a General Fund appropriation of \$16,039 to the Department of Revenue. From this amount, \$864 should be reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Information Technology

Local Affairs

Personnel

Revenue