



Fiscal Note

Legislative Council Staff

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HB 25B-1004: SALE OF TAX CREDITS

Prime Sponsors:

Rep. Stewart R.; Camacho

Sen. Marchman; Snyder

Fiscal Analyst:

Louis Pino, 303-866-3556

louis.pino@coleg.gov

Published for: Senate Second Reading

Drafting number: LLS 25B-0005

Version: Third Revised Note

Date: August 24, 2025

Fiscal note status: This revised fiscal note reflects the reengrossed bill, as amended by the Senate Appropriations Committee.

Summary Information

Overview. Beginning in FY 2025-26, the bill authorizes the State Treasurer to sell insurance premium tax credits and corporate income tax credits.

Types of impacts. The bill is projected to affect the following areas through FY 2033-34:

- State Revenue
- State Expenditures
- State Transfers
- TABOR Refunds

Appropriations. The bill requires and includes an appropriation of \$3,173,500 to the Treasury Department for the current FY 2025-26 and requires an appropriation of \$39,547 to the Department of Revenue for FY 2026-27.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	up to \$103.2 million	up to -\$75 million	up to -\$50 million
State Expenditures	\$3,173,500	\$39,547	\$8,626
Transferred Funds	up to \$100.0 million	\$0	\$0
Change in TABOR Refunds	\$0	up to -\$75 million	Not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Fund sources for these impacts are shown in the tables below. The timing of lost revenue may differ from this estimate depending on taxpayer behavior. Up to \$125 million in tax credits may be claimed through FY 2033-34.

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Table 1A
State Revenue

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	up to -\$75 million	up to -\$50 million
Tax Credit Sale Proceeds Cash Fund	up to \$103.2 million	\$0	\$0
Total Revenue	\$0	\$0	\$0

Table 1B
State Transfers

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$100,000,000	\$0	\$0
Tax Credit Sale Proceeds Cash Fund	-\$100,000,000	\$0	\$0
Net Transfer	\$0	\$0	\$0

Table 1C
State Expenditures

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$39,547	\$8,626
Cash Funds	\$3,173,500	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	\$3,173,500	\$39,547	\$8,626
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Beginning in FY 2025-26, the bill authorizes the State Treasurer to sell insurance premium tax credits to insurance companies and income tax credits to C corporations that do business in Colorado, subject to procedures established by the Treasury Department.

The State Treasurer is authorized to issue insurance premium and state income tax credit certificates up to \$125 million in total certificate face value, or total sales proceeds of up to \$100 million plus any administrative costs associated with the issuance of the credits incurred by Treasury Department.

Each month, the State Treasurer shall credit proceeds from the sale of insurance premium and income tax credits into the newly created Tax Credit Sales Proceeds Cash Fund, which are transferred to the General Fund after payment of any administrative costs incurred by the Treasury Department associated with the issuance of the credits.

The Department of Treasury is required to offer insurance companies that qualify as a regional home office in the state the first right to purchase the tax credits.

The State Treasurer may contract with an independent third party entity to conduct or consult on the bidding process. The purchase price for insurance premium and income tax credit certificates must be set either as a percentage determined in a matter consistent with market conditions as of the offer date established by the State Treasurer or independent third-party, or 80 percent of the certificate amount.

For tax credit certificates issued in FY 2025-26, the Treasury Department, in consultation with the Governor's Office of State Planning and Budget (OSPB), may determine the calendar years in which the taxpayer may claim the credit. The insurance premium and income tax credits are nonrefundable but may be carried forward through calendar year 2033.

The Treasury Department is required to provide a list of eligible taxpayers to the Department of Regulatory Agencies (DORA) and the Department of Revenue within thirty days after the close of the fiscal year.

The bill allows the Treasury Department to cover consultation and administrative costs with the issuance of the credits with the proceeds from the sale of the insurance premium and income tax credits.

Assumptions

Sale of Insurance Premium and Income Tax Credits

The fiscal note assumes the bill's maximum (\$125 million) allowable insurance premium and corporate income tax credits will be sold by the Treasury Department, generating approximately \$103.2 million in state revenue to the General Fund in FY 2025-26. If sales volumes are less than assumed, the bill will increase revenue by a smaller amount in FY 2025-26, and decrease revenue by a smaller amount in future fiscal years.

Claiming of Insurance Premium and Income Tax Credits

The timing and amount of tax credits that can be claimed is determined by the Treasury Department in consultation with OSPB. The fiscal note assumes that 60 percent (\$75 million) of the total face value of credits issued in FY 2025-26 will be claimed in FY 2026-27, with the remainder of the credits being claimed in FY 2027-28 or future fiscal years through FY 2033-34. If the timing of credit claims differs, the state revenue impacts described below could be less or more than estimated for any given fiscal year.

State Revenue

Based on the assumptions above, the bill increases state revenue by up to \$103.2 million in the current FY 2025-26 and decreases state revenue by up to \$75 million in FY 2026-27 and up to \$50 million in FY 2027-28. State revenue could potentially decrease through FY 2033-34 if taxpayers carry forward unused tax credits, or if taxpayers are not allowed to claim the credit as assumed in the section above. Regardless of the exact timing of when credits are claimed, the total reduction in revenue will not exceed \$125 million through FY 2033-34. The bill affects insurance premium tax revenue and corporate income tax revenue, both of which are subject to TABOR.

State Transfers

The bill requires the State Treasurer to transfer any money from the Tax Credit Sales Proceeds Cash Fund, less any administrative costs associated with the issuance of the credits incurred by Treasury Department, to the General Fund. The fiscal note estimates \$100.0 million will be transferred to the General Fund in FY 2025-26.

State Expenditures

The bill increases state expenditures in the current FY 2025-26 by \$3.2 million in the Treasury Department to manage, administer, and issue the insurance premium and income tax credits. These costs may be paid from the proceeds from the sale of the tax credits, which are paid from the Tax Credit Sales Proceeds Cash Fund. In addition, the Department of Revenue will incur General Fund expenditures of \$39,547 in FY 2026-27 for computer programming, testing, income tax form modifications, and reporting requirements. Annual reporting requirements costs of \$8,626 are expected through FY 2033-34.

Table 2
State Expenditures – All Agencies

Department	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Department of Treasury	\$3,173,500	\$0	\$0
Department of Revenue	\$0	\$39,547	\$8,626
Total Costs	\$3,173,500	\$39,547	\$8,626

Treasury Department

The bill will increase cash funds expenditures in the Treasury Department to administer, manage, and pay issuance costs for the insurance and income tax credits. Costs are shown in Table 2A and discussed below.

Table 2A
State Expenditures
Treasury Department

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Consultant Services	\$48,500	\$0	\$0
Tax Credit Issuance Costs	\$3,125,000	\$0	\$0
Total Costs	\$3,173,500	\$0	\$0
Total FTE	0.0 FTE	0.0 FTE	\$0.0 FTE

Consultant Services

For FY 2025-26 only, the bill will require a consultant to create procedures for eligible taxpayers to apply for the credit and serve as a liaison to both potential taxpayers of the credits and to the tax credit broker. The administrator will also be responsible for issuing a list of qualified taxpayers that may claim the insurance and income tax credits to DORA and the Department of Revenue. Finally, the consultant will be responsible for notifying each taxpayer if they have been approved as a purchaser of the income tax credit.

Tax Credit Broker

The fiscal note estimates \$3,125,000 in issuance costs for selling the insurance and income tax credits. These include legal costs, documentation (term sheet and contracts) compliance with IRS regulations and mitigating potential penalties and recaptures. The costs of selling tax credits can vary depending on the complexity and terms of the sale. Issuance costs can range from 2 percent to 5 percent of the total face value of the credit. The fiscal note assumes a 2.5 percent issuance fee calculated on the \$125 million face value, which is paid by the proceeds received from selling the tax credits. If the issuance fee is higher than assumed in the fiscal note, the costs in Table 2A will be higher than estimated. Conversely, if the fees are less than 2.5 percent, the issuance costs will be lower than estimated in Table 2A.

Department of Revenue

The department will have computer programming and testing requirements, form changes to the corporate income tax returns, and reporting and analysis costs for FY 2026-27 to implement the bill. Reporting and analysis costs will continue through FY 2033-34. Department expenditures are paid from the General Fund and are presented in Table 2B and detailed below.

Table 2B
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
GenTax Programming	\$0	\$14,651	\$0
Computer and User Acceptance Testing	\$0	\$12,423	\$0
Data Reporting	\$0	\$8,702	\$8,626
Document Management	\$0	\$3,771	\$0
Total Costs	\$0	\$39,547	\$8,626
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Computer Programming and Testing

The department will have one-time costs of \$27,074 in FY 2026-27 computer programming and testing. The bill requires changes to the department's GenTax software system. Changes are programmed by a contractor at a cost of \$244.19 per hour. Approximately 60 hours of computer programming will be required to implement this bill, totaling \$14,651. Additional computer and user acceptance testing are required to ensure programming changes function properly, resulting in additional costs of \$12,423, including 202 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at \$41 per hour and 101 hours of user acceptance testing at \$41 per hour.

Form Changes and Document Management

Document management costs to make changes to the corporate paper tax forms and process paper returns are estimated at \$3,771 in FY 2026-27. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated DOR funds.

Reporting and Analysis

The Office of Research and Analysis within DOR will have costs of \$8,702 in FY 2026-27 to update reporting processes, SQL code, worksheets, report templates, and GenTax database testing. These costs are ongoing through FY 2033-34.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$75 million in FY 2026-27. The state is not projected to have a refund obligation for the current FY 2025-26. This estimate assumes the [July update to the June 2025 LCS revenue forecast](#). A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. 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 in FY 2026-27 and any future years when the state is over its revenue limit.

Effective Date

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

State Appropriations

For FY 2025-26, the bill requires and includes an appropriation of \$3,173,500 from the Tax Credit Sales Proceeds Cash Fund to the Treasury Department.

For FY 2026-27, the Department of Revenue will require an appropriation of \$39,547, of which \$3,771 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Governor

Revenue

Information Technology

State Auditor

Personnel

Treasury

Regulatory Agencies