



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

SB 25-026: ADJUSTING CERTAIN TAX EXPENDITURESS

Prime Sponsors:

Sen. Mullica
Rep. Marshall; Joseph

Fiscal Analyst:

Amanda Liddle, 303-866-5834
amanda.liddle@coleg.gov

Published for: House Third Reading
Drafting number: LLS 25-0215

Version: Second Revised Note
Date: May 1, 2025

Fiscal note status: This fiscal note reflects the reengrossed bill, as amended by the House Appropriations Committee. The bill was recommended by the Legislative Oversight Committee Concerning Tax Policy.

Summary Information

Overview. The bill makes adjustments to several tax expenditures.

Types of impacts. The bill is projected to affect the following areas:

- State Expenditures
- State Revenue
- TABOR Refunds

Appropriations. The bill requires and includes an appropriation of \$13,137 for FY 2025-26 to the Department of Revenue.

Table 1
State Fiscal Impacts

Type of Impact ¹	Current Year FY 2024-25	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue (General Fund)	\$65,000	\$70,000	\$135,000
State Expenditures (General Fund)	\$0	\$13,137	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$65,000	\$70,000	\$135,000
Change in State FTE	0.0	0.0	0.0

Summary of Legislation

The bill adjusts several tax expenditures as follows:

- disallows the income tax credit for unsalable alcohol after December 31, 2025, and repeals the credit on December 31, 2030;
- extends the income tax credit for a purchaser who installs an energy storage system in a residential dwelling, currently available through tax year 2024, by two years, through tax year 2026;
- extends the biotechnology sales and use tax refund, currently available through tax year 2025, by one year, through tax year 2026;
- expands the sales and use tax exemption for wholesale sales by amending the definition of “agricultural compounds” beginning January 1, 2026;
- clarifies the purpose of the insolvency assessments paid insurance premium tax credit;
- clarifies the purpose of the state refund income tax deduction;
- clarifies the purpose of the dyed special fuels and off-road fuel tax excise tax exemption;
- clarifies the purpose of the off-road fuel use refund;
- clarifies the purpose of the wholesale sales exemption from sales tax; and
- corrects a technical error in statute related to the assessed value reduction for qualifying seniors.

Background

Each of the tax expenditures adjusted by this bill was presented in the [Office of the State Auditor’s \(OSA’s\) tax expenditure evaluations](#)¹ submitted for review by the Legislative Oversight Committee Concerning Tax Policy.

The revenue impact estimates in the State Revenue section are based on data reported in the OSA evaluations where applicable and based on previous fiscal note estimates where other data are not available.

State Revenue

On net, the bill is expected to increase General Fund revenue by about \$65,000 in FY 2024-25, \$70,000 in FY 2025-26, and \$135,000 in FY 2026-27 as shown in Table 2 below. The bill additionally is expected to increase General Fund revenue by \$0.25 million in FY 2027-28 and future years.

¹ <https://leg.colorado.gov/agencies/office-state-auditor/tax-expenditure-evaluations>

Table 2
State Revenue from Tax Expenditure Changes

Tax Expenditure	FY 2024-25	FY 2025-26	FY 2026-27
Credit for Unsalable Alcohol	\$130,000	\$250,000	\$250,000
Residential Energy Storage Credit	-\$65,000	-\$130,000	-\$65,000
Biotechnology Sales and Use Tax Refund	\$0	-\$50,000	-\$50,000
Wholesales Sales Tax Exemption ¹	\$0	indeterminate	indeterminate
Total Revenue	\$65,000	\$70,000	\$135,000

¹ It is likely the agricultural compounds specified in this bill are already being exempted in practice from sales and use tax.

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$13,137 in FY 2025-26 only, and corrects a technical error related to the state expenditure to reimburse local governments for the assessed value reduction for qualifying seniors, as discussed below.

Department of Revenue

The bill increases state expenditures in the Department of Revenue by \$13,137 in FY 2025-26 only, to make required changes for the alcohol excise tax, as summarized in Table 2 below. Programming costs are estimated at \$8,343 representing 36 hours of contract programming at a rate of \$231.75 per hour. Costs for testing are estimated at \$4,794, representing 94 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at \$35 per hour and 47 hours of user acceptance testing at a rate of \$32 per hour. All other tax expenditure adjustments require minimal programming and administrative effort, and can be addressed within existing resources.

Table 2
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
GenTax Programming	\$8,343	\$0
Programming Support	\$3,290	\$0
User Acceptance Testing	\$1,504	\$0
Total Costs	\$13,137	\$0
Total FTE	0.0 FTE	0.0 FTE

Assessed Value Reductions for Qualifying Seniors

The bill corrects a technical error that was included in state law under Senate Bill 24-233 and clarifies that assessed value reductions for qualifying seniors passed in Senate Bill 24-111 are not contingent on there being sufficient excess state revenue. Under current law, it is unclear whether the reductions would be available if excess state revenue is insufficient. The March 2025 Office of State Planning and Budgeting (OSPB) forecast selected by the Joint Budget Committee for balancing anticipates sufficient excess state revenue for FY 2024-25 to fully fund reimbursements for the property tax year 2025 reduction, and the FY 2025-26 budget passed by the General Assembly funds the reimbursements. Current revenue forecasts from both OSPB and Legislative Council Staff anticipate sufficient state revenue for FY 2025-26 to fully fund reimbursements for the property tax year 2026 reduction.

TABOR Refunds

In FY 2025-26 and FY 2026-27, the bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 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, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

State Appropriations

For FY 2025-26 the bill requires and includes an appropriation of \$13,137 from the General Fund to the Department of Revenue.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Revenue

State Auditor

Information Technology

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](#).