



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 25B-006: TAX CREDIT FOR HEALTH SAVINGS ACCOUNTS

Prime Sponsors:

Sen. Carson

Fiscal Analyst:

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill creates a new tax credit for individuals contributing to a health savings account that supports a high deductible health plan.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue
- TABOR Refunds

Appropriations. The bill requires an appropriation to the Department of Revenue of \$191,482 in 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 (General Fund)	-\$71.3 million	-\$145.1 million	-\$149.8 million
State Expenditures	\$0	\$228,922	\$84,344
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	-\$145.1 million	not estimated
Change in State FTE	0.0 FTE	1.9 FTE	1.0 FTE

Table 1A
State Expenditures

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$191,482	\$64,749
Centrally Appropriated	\$0	\$37,440	\$19,595
Total Expenditures	\$0	\$228,922	\$84,344
Total FTE	0.0 FTE	1.9 FTE	1.0 FTE

Summary of Legislation

Beginning in tax year 2026, the bill creates a new tax credit for resident individuals making contributions to health savings accounts (HSA) that support high deductible health plans. The credit is equal to 25 percent of the amount contributed to an HSA, except that the credit may not exceed \$500 for single filers and \$1,000 for joint filers, or \$1,500 for contributions to family health plans regardless of single or joint filing status. The credit is nonrefundable and may not be carried forward for future years.

Assumptions

Based on data from the U.S. Bureau of Labor Statistics, the fiscal note assumes that 18.6 percent of Colorado individual income tax filers have an HSA. Of that amount, 75.7 percent are expected to make a qualifying contribution each year based on the Plan Sponsor Council of America's 2024 [HSA Survey](#). The fiscal note also assumes that 85 percent of those eligible will claim the credit. As a result, the fiscal note expects that the credit will be claimed by 389,000 taxpayers in tax year 2026, increasing with population growth each year.

The fiscal note assumes that the average single filer contributes approximately \$1,300 to an HSA in tax year 2026, resulting in an average tax credit of \$315 per single filer, and that 26.8 percent of credits will exceed claimants' tax obligation and will not be refunded. The fiscal note assumes that the average joint filer contributes approximately \$2,500 to an HSA in tax year 2026, resulting in an average tax credit of \$630 per joint filer, and that 10.8 percent of credits will exceed claimants' tax obligation and will not be refunded. Average contribution amounts are assumed to increase with inflation each year.

Lastly, to estimate expenditures for the Department of Revenue to administer the tax credit, the fiscal note assumes that information provided on the IRS form 1040 will be available to alleviate the need for manual review for electronic filers. Paper filers will still require manual review. If data from the IRS form is not available, the tax credit will be substantially more expensive to administer due to the need for manual reviews.

State Revenue

The bill is expected to reduce General Fund revenue by \$71.3 million in FY 2025-26 (representing a half-year impact), \$145.1 million in FY 2026-27, and \$149.8 million in FY 2027-28. Revenue will be reduced by a final half-year impact in FY 2030-31, when the credit is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

The bill may incentivize more Colorado employees to enroll in a high deductible health plan to benefit from the tax credit in the bill. High deductible health plans generally have lower premiums. Therefore, the bill may decrease General Fund revenue from the insurance premium tax, which is assessed on insurance providers based on the amount of their policy premiums collected. Any revenue reduction from higher uptake of high deductible health plans is indeterminate and is not estimated in this fiscal note.

State Expenditures

The bill increases state expenditures in the Department of Revenue by \$228,922 in FY 2026-27 and \$84,344 in FY 2027-28 and ongoing. These costs, paid from the General Fund, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$0	\$106,304	\$54,767
Operating Expenses	\$0	\$2,432	\$1,280
Capital Outlay Costs	\$0	\$20,010	\$0
GenTax Programming and Testing	\$0	\$12,715	\$0
Office of Research and Analysis	\$0	\$8,778	\$8,702
Document Management and Tax Form Change	\$0	\$41,243	\$0
Centrally Appropriated Costs	\$0	\$37,440	\$19,595
Total Costs	\$0	\$228,922	\$84,344
Total FTE	0.0	1.9 FTE	1.0 FTE

Department of Revenue

The department will have staff and programming costs beginning in FY 2026-27 to implement the bill.

Tax Credit Administration

The department requires 2.5 FTE tax examiners to review tax credit documentation and communicate with taxpayers in the first year. Expenditures for FY 2026-27 are prorated to reflect an assumed October 2026 start date and reflect standard operating expenses and capital outlay costs. After the first year, only 1.0 FTE tax examiners are needed.

Computer Programming and Testing

This bill requires expenditures of \$12,715 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$4,844, representing 20 hours of contract programming at a rate of \$244.19 per hour. Costs for testing at the department include \$5,165 for 126 hours of innovation, strategy, and delivery programming support at a rate of \$41 per hour, and \$2,665 for 65 hours of user acceptance testing at a rate of \$41 per hour.

Data Reporting

Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$8,778, representing 231 hours for data management and reporting at \$38 per hour.

Document Management and Tax Form Changes

For FY 2026-27 only, the bill requires one change to tax forms at a cost of \$41,243. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated funds.

Other Agency Impacts

The bill may incentivize more state of Colorado employees to elect a high deductible health plan with an HSA rather than a standard deductible plan. High deductible health plans are less expensive for the state than other plans, which may result in lower expenditures for state employee benefits. Any cost savings from higher uptake of high deductible health plans is indeterminate and is not estimated in this fiscal note.

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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$145.1 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 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires a General Fund appropriation of \$191,482 to the Department of Revenue, and 1.9 FTE.

State and Local Government Contacts

Personnel

State Auditor

Revenue