



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25B-1004: SALE OF TAX CREDITS

Prime Sponsors:

Rep. Stewart R.; Camacho

Sen. Marchman; Snyder

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Fiscal note status: This revised fiscal note reflects the reengrossed bill.

Summary Information

Overview. Beginning in FY 2025-26, the bill permits 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
- TABOR Refunds

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

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)	up to \$100 million	up to -\$75 million	up to -\$50 million
State Expenditures (General Fund)	\$3,173,500	\$39,547	\$8,626
Transferred Funds	\$0	\$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

Note: 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.

Summary of Legislation

Beginning in FY 2025-26, the bill permits the State Treasurer to sell insurance premium tax credits to insurance companies and income tax credits to C corporations that are authorized to 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.

The proceeds from the sale of insurance premium and income tax credits must be deposited into the General Fund.

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 75 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 \$100 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 \$100 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 2032-33 if taxpayers carry forward unused tax credits, or if taxpayers are not allowed to claim the credit as assumed in the section above. The bill affects insurance premium tax revenue and corporate income tax revenue, both of which are subject to TABOR.

State Expenditures

The bill increases General Fund 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 deposited to the General 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 General Fund 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 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

The bill requires the following General Fund appropriations:

- \$3,173,500 to the Treasury for FY 2025-26; and
- \$39,547 to the Department of Revenue for FY 2026-27, 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	

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](#).