HB 24-1268

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 24-0919	**Date:**	March 7, 2024
Prime Sponsors:	Rep. Weissman; Ortiz Sen. Exum; Fields	**Bill Status:**	House Finance
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Bill Topic: **FINANCIAL ASSISTANCE FOR CERTAIN LOW-INCOME INDIVIDUALS**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☐ Local Government
☒ State Expenditure ☒ TABOR Refund ☐ Statutory Public Entity

Starting with tax year 2025, the bill ends the property tax, rent, and heat rebate for persons with a disability and replaces it with an income tax credit. It decreases state revenue and expenditures starting in FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1268

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	($3.2 million)	($6.5 million)	($6.7 million)
	Total Revenue	**($3.2 million)**	**($6.5 million)**	**($6.7 million)**
Expenditures	General Fund	($1,400,123)	($2,561,751)	($2,472,380)
	Centrally Appropriated	-	$26,738	$18,225
	Total Expenditures	**($1,400,123)**	**($2,535,013)**	**($2,454,155)**
	Total FTE	**-**	**1.6 FTE**	**1.1 FTE**
Transfers		-	-	-
Other Budget Impacts	TABOR Refunds	($3.2 million)	($6.5 million)	Not estimated
	General Fund Reserve	-	$23,760	$10,519

Summary of Legislation

Under current law, Colorado residents over the age of 65 and those with a disability are eligible for a property tax and rent assistance rebate and a heat and fuel expenses rebate, if they meet certain conditions. These are commonly known as the PTC rebates. Starting in tax year 2025, this bill ends the PTC rebate for individuals with a disability and replaces it with a refundable income tax credit. Credit amounts and thresholds for tax year 2025 are shown in Table 2, and are adjusted thereafter for inflation. Taxpayers who may be eligible for both the PTC rebate for seniors as well as the income tax credit for individuals with a disability may claim only one of these.

Table 2
Colorado Income Tax Credit for Individuals with a Disability Under HB 24-1268
Tax Year 2025

Single Filers		Joint Filers	
Federal AGI*	**Amount of Credit**	**Federal AGI***	**Amount of Credit**
Up to $10,000	$1,200	Up to $16,000	$1,200
$10,001 to $12,500	$1,000	$16,001 to $20,000	$1,000
$12,501 to $15,000	$800	$20,001 to $24,000	$800
$15,001 to $17,500	$600	$24,001 to $28,000	$600
$17,501 to $20,000	$400	$28,001 to $32,000	$400

The bill combines the property tax and rent assistance rebate grants and the heat and fuel expenses grants into one statutory section and updates dollar values used to calculate the PTC rebates to their current (2023) values.

Background

The PTC rebate is designed to provide cash benefits to low-income seniors, surviving spouses, or people with a disability. The cash benefit is a rebate of property tax, rent, and heat paid during the previous year. For calendar year 2023, the maximum rebate amount for both grants is $1,112. In order to qualify for the rebate, individuals and spouses must have an annual income from all sources less than or equal to $18,026 and $24,345, respectively. Rebates begin to decline from the maximum rebate as income for individuals and spouses rises above $9,692 and $15,668, respectively. Rebates decline by 10 percent of a claimant’s income above this threshold, to the minimum rebate amount of $374. The income limits and credit amounts are adjusted for inflation each year. The Department of Revenue (DOR) administers the PTC rebate program while the Department of Human Services provides outreach activities. According to Department of Revenue preliminary data, for calendar year 2022, about 16,000 rebate applications were approved, with about 6,000 applications from persons with a disability and 10,000 from seniors or surviving spouses, with a total estimated cost of $8.2 million. Rebates may be claimed for up to two calendar years after expenses are incurred.

Assumptions

The fiscal note assumes inflation and economic activity consistent with the December 2023 LCS forecast, as well as changes in the PTC claimant population and expenditures consistent with recent historical trends. Utilization rates for the new income tax credit are assumed to be consistent with those of similar tax credits. Due to lack of data regarding the population of people with a disability in Colorado, the fiscal note assumes a distribution of income that is similar to that of the senior population. Based on these assumptions as well as data from the American Community Survey and the U.S. Social Security Administration on residents with a disability and workers receiving Social Security disability payments in Colorado, the fiscal note assumes that approximately 12,500 people will claim the new tax credit, while 6,000 fewer people will claim the PTC grant in tax year 2025.

State Revenue

The bill is assumed to reduce General Fund revenue by $3.2 million in FY 2024-25 (a half-year impact), $6.5 million in FY 2025-26, $6.7 million in FY 2026-27, and increasing amounts in future years as credit amounts and utilization rates rise. These amounts reflect the assumptions stated above; however, the bill’s actual impact may be higher or lower depending on the rate at which the credit is utilized. The bill decreases revenue from income taxes, which are subject to TABOR.

State Expenditures

The bill decreases General Fund expenditures in the Department of Revenue (DOR) by $1.4 million in FY 2024-25, $2.6 million in FY 2025-26, $2.5 million in FY 2026-27 and similar amounts in future years. These amounts reflect the net impact of reducing PTC rebates and costs for DOR to manage the new tax credit, as shown in Table 3 and detailed below.

Table 3
Expenditures Under HB 24-1268

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue			
PTC Rebates	($1,400,123)	($2,720,154)	($2,542,505)
Personal Services	-	$88,933	$59,461
Operating Expenses	-	$2,048	$1,408
Capital Outlay Costs	-	$13,340	-
Computer Programming and Testing	-	$32,865	-
Research and Analysis	-	$7,392	$7,328
Document Management	-	$13,825	$1,928
Centrally Appropriated Costs[1]	-	$26,738	$18,225
Total Cost	**($1,400,123)**	**($2,535,013)**	**($2,454,155)**
Total FTE	**-**	**1.6 FTE**	**1.1 FTE**

[1] Centrally appropriated costs are not included in the bill's appropriation.

PTC Rebates. The bill reduces expenditures for PTC rebates for persons with a disability. These expenditure reductions are estimated at $1.4 million in FY 2024-25 (a half-year impact), $2.7 million in FY 2025-26, $2.5 million in FY 2026-27, and declining amounts in future years, reflecting an expected decline in the number of persons with a disability among PTC recipients.

Staff. The DOR will require an additional 1.6 FTE for tax examiners starting in FY 2025-26, prorated for a November 2025 start date, and 1.1 FTE in FY 2026-27 and ongoing. Standard operating and capital outlay costs are included, and account for the bill's effective date. Tax examiner workload is required to process and review additional returns claiming the new tax credit and to resolve errors in returns, and is net of the anticipated decline in the workload required for processing PTC applications.

Computer programming and testing. For FY 2025-26 only, the DOR will have one-time costs of $32,865 for computer programming and testing. Programming costs are estimated at $23,175 representing 100 hours of contract programming at a rate of $231.75 per hour. Costs for testing to ensure that programming changes are functioning properly are estimated at $9,690, representing 190 hours for the Innovation, Strategy, and Delivery section in the Executive Director's Office at $35 per hour, and 95 hours of user acceptance testing at a rate of $32 per hour.

Research and analysis. Beginning in FY 2025-26, the Office of Research and Analysis within DOR will expend $7,392 each year to collect and report data on the new tax credit.

Tax form changes. For FY 2025-26 and FY 2026-27, the bill requires $13,825 and $1,928, respectively, in expenditures to implement tax form changes and manage paper returns. These expenditures will take place in the Department of Personnel and Administration using reappropriated funds from the DOR.

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 include employee insurance and supplemental employee retirement payments, are shown in Table 3.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease 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 December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. 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.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes. PTC rebates are not subject to appropriation, so the decrease in PTC rebates under the bill has no impact on the reserve requirement.

Technical Note

Maintenance of effort requirement. The U.S. Social Security Administration enforces a maintenance of effort (MOE) requirement for the Supplemental Security Income (SSI) Program, which requires that the state spend a certain amount of non-federal funds on benefits to qualifying Coloradans in any given year. Those payments typically come from Old Age Pension (OAP), Aid to the Needy Disabled (AND), Home Care Allowance (HCA) benefits, and PTC Rebates. If state appropriations for these programs do not otherwise satisfy the federal MOE requirement, the bill will require increased expenditures to offset any decline in the utilization of the PTC rebate to meet the MOE. The tax expenditures on the new tax credit created by this bill do not count toward the MOE requirement.

Tax expenditure evaluation. The Office of the State Auditor (OSA) is required to conduct recurring evaluations of each state tax expenditure according to metrics established when the tax expenditure is created or extended. The bill includes metrics to evaluate the performance of the tax expenditure; however, data may not be available in the future to evaluate the performance of this expenditure using these metrics. If data are unavailable, the OSA will evaluate the performance of the tax expenditure based on data available at the time.

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

Human Services	Personnel	Revenue
State Auditor		

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.