

JBC Staff Fiscal Analysis
Senate Appropriations Committee

Concerning the requirement for certain taxpayers to add back an amount equal to their federal deduction for qualified business income allowed under section 199A of the federal "Internal Revenue Code of 1986" for purposes of determining their state taxable income.

Prime Sponsors:

Representative Sirota
Senators Hinrichsen; Cutter

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Fiscal Impacts

Appropriation Not Required/, No Amendment in Packet

General Fund/TABOR Impact

Fiscal Note Status

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 08/21/25.

No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill.

Amendments in This Packet

None.

Current Appropriations Clause in Bill

The bill does not require or contain an appropriation clause for FY 2025-26.

Points to Consider

The July 2025 revenue forecast updates from the Office of State Planning and Budgeting (OSPB) and Legislative Council Staff (LCS) anticipate that state revenues will fall short of the TABOR limit in FY 2025-26. The update from OSPB projects that revenues will fall \$742.2 million below the TABOR limit in FY 2025-26 and then be \$411.4 million above the TABOR limit in FY 2026-27. Legislative Council Staff

projects a shortfall of \$661.8 million below the TABOR limit in FY 2025-26 and a surplus of \$758.8 million above the TABOR limit in FY 2026-27. TABOR surpluses must be refunded to taxpayers out of the General Fund.

The required General Fund reserve for the fiscal year ending June 30, 2026 is 15.0 percent of FY 2025-26 General Fund appropriations. Based on the July 2025 revenue forecast updates, both the OSPB and LCS anticipate the General Fund reserve will end the current fiscal year below the reserve requirement. OSPB anticipates a deficit of \$783.1 million and LCS anticipates a deficit of \$691.9 million below the statutory reserve requirement.

General Fund Impact

This bill is estimated to increase General Fund revenues by \$41.4 million in FY 2025-26 and \$84.7 million in FY 2026-27. Based on the July 2025 forecast updates, the bill would increase the TABOR refund liability by \$86.1 million in FY 2026-27.