



Colorado Legislative Council Staff

SB16-175

FINAL FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

BILL TOPIC: E-15 GASOLINE INCOME TAX CREDIT FOR RETAIL DEALERS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>(\$27,062)</u>	<u>(\$54,357)</u>
General Fund	(27,062)	(54,357)
State Expenditures	<u>\$36,480</u>	
General Fund	36,480	
TABOR Impact		(\$54,357)
Appropriation Required: \$36,480 - Department of Revenue (FY 2016-17)		
Future Year Impacts: Ongoing revenue and workload impact.		

Note: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

This bill creates an income tax credit that fuel retailers can claim for selling fuel blended to include at least 15 percent ethanol (E-15). The refundable credit is equal to 3 cents for each gallon of E-15 sold and is claimed on the retailers corporate or individual income tax return. The credit is available for fuel sold in 2017 through 2020.

State Revenue

This bill will reduce General Fund revenue by \$27,062 in FY 2016-17, \$54,357 in FY 2017-18, and similar amounts each year thereafter.

Assumptions. Iowa has a similar income tax credit for fuel retailers that sell E-15 fuel. Based on data published by the state of Iowa, the credit was claimed for approximately 0.08 percent of all gasoline sold in 2012 in the state. Applying this percentage to the number of gallons of fuel sold in Colorado and the using the growth rates from the Legislative Council Staff March forecast for fuel excise taxes, retailers will be able to claim a credit equal to \$54,123 in 2017, \$54,590 in 2018, and similar amounts in 2019 and 2020. The credits may be claimed by retailers on either individual or corporate income tax returns.

Accounting for state fiscal years, the tax credit will reduce General Fund Revenue by \$27,062 in FY 2016-17, \$54,357 in FY 2017-18 and similar amount in future fiscal years.

TABOR Impact

This bill reduces state revenue from income taxes, which will reduce the amount of money required to be refunded under TABOR for FY 2017-18. TABOR refunds are paid out of the General Fund. TABOR refund obligations are not expected for FY 2015-16 or FY 2016-17. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

State Expenditures

The Department of Revenue (DOR) will require an additional \$38,493 General Fund in FY 2016-17 to administer the new credit.

Table 1. Expenditures Under SB 16-175		
Cost Components	FY 2016-17	FY 2017-18
Computer Programming and Testing	\$31,680	
Form Imaging Equipment	\$4,800	
TOTAL	\$36,480	\$0

** Centrally appropriated costs are not included in the bill's appropriation.*

Department of Revenue. This bill requires changes to the DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$200 per hour. The changes in this bill are expected to increase General Fund expenditures by \$24,000, representing 120 hours of programming. All GenTax programming changes are tested by DOR staff. Testing for this bill will require expenditures for contract personnel totaling \$7,680, representing 320 hours of testing at a rate of \$24 per hour.

The DOR contracts with the Department of Personnel and Administration (DPA) to process the state's tax returns. Scanning equipment must be reprogrammed whenever a tax form changes to capture information about the credit. Four forms will need to be revised to allow corporate and individual income taxpayers to claim the credit, which will require \$4,800 in programming.

Effective Date

The bill was postponed indefinitely by the Senate Finance committee on April 14, 2016.

State Appropriations

For FY 2016-17, the Department of Revenue requires a General Fund appropriation of \$36,480. Of this, \$4,800 will be reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Information Technology Personnel Revenue