Fiscal Note

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HB 26-1014: EXTEND COLORADO JOB GROWTH INCENTIVE TAX CREDIT

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Fiscal note status: The fiscal note reflects the introduced bill

Summary Information

Overview. The bill extends the Job Growth Incentive Income Tax Credit through income tax year 2034.

Types of impacts. The bill extends an income tax credit set to expire in tax year 2026, which will continue existing impacts beginning in FY 2026-27 through at least FY 2034-35, in the following areas:

- State Revenue
- State Expenditures
- TABOR Refunds

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30	Out Year FY 2030-31
State Revenue (General Fund)	-$355,000	-$1.5 million	-$4.1 million	-$8.6 million	-$13.8 million
State Expenditures	$0	$0	$0	$0	$0
Transferred Funds	$0	$0	$0	$0	$0
Change in TABOR Refunds	-$355,000	-$1.5 million	not estimated	not estimated	not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill extends the Job Growth Incentive Income Tax Credit from tax year 2027 through tax year 2034. The credit is currently set to expire after tax year 2026.

Background

The Job Growth Incentive Tax Credit was created in House Bill 09-1001 and provides a state income tax credit to businesses that create new jobs in the state for a project that encourages and stimulates economic development in key economic sectors. New jobs must pay at least 100 percent of the county's average annual wage and be retained for at least one year to qualify for the credit. The amount of the credit is equal to 50 percent of the Federal Insurance Contributions Act (FICA) contributions paid by the business for each new job.

The Economic Development Commission (commission), within the Office of Economic Development and International Trade (OEDIT), administers and approves the total amount of credits for which a business is eligible over an eight-year credit period. Once the initial credit application has been approved, businesses are required to file an annual application for each year's credit with documentation of actual number of jobs created and retained during that year. Each year the commission is required to show they meet the credit requirements and issue a tax certificate in the amount of the credit earned by the business, who in turn must submit the certificate with their income tax return to the Department of Revenue (DOR). No business may receive more in tax credits than was initially agreed upon by the commission during the eight-year credit period.

The credit is nonrefundable, meaning that the amount claimed cannot exceed a taxpayer's income tax liability for a given year. A taxpayer can carry forward the excess credit for application toward their tax due for ten subsequent tax years.

Assumptions

The fiscal note assumes the commission will certify about $29.5 million in credits for the 2027-2034 credit period. Of this certified amount, it is assumed 60 percent ($17.7 million) of the credits will be claimed, consistent with the historical utilization rate as some companies never claim the credit. These credits will be claimed in portions over multiple tax years, following patterns from current projects. The fiscal note assumes 4 percent of the credits will be claimed in tax year 2027, increasing annually to peak at 27 percent by year four of the eight-year period and gradually decline thereafter.

In 2028, the EDC is expected to certify an additional $31.5 million in Job Growth Incentive Tax Credits, claimed over the 2028–2035 credit period. An additional $32.2 million is expected to be certified in total for the 2029-2038 credit period. Total certified credits are projected to increase gradually through 2034, which could be certified and claimed through the 2034-2041 credit period.

Significant uncertainty exists regarding the amount of job growth incentive credits the commission will certify. If actual amounts differ from these assumptions, state impacts may change proportionally. Finally, the actual timing between the commission issuing a tax credit certificate and the business claiming that credit is uncertain. The timing of claiming the tax credit depends on each business's tax liability.

The number of jobs created directly by the bill is not estimated, so the state revenue impact below excludes potential revenue from job creation. If this tax credit is the sole reason jobs are created, sales and income tax revenue from those jobs would partially offset the estimated revenue loss.

State Revenue

Based on the assumptions above, the bill is estimated to reduce General Fund revenue by $355,000 in FY 2026-27 (a half-year impact for tax year 2027), $1.5 million in FY 2027-28, and larger amounts each year until reaching $13.8 million in FY 2030-31.

Revenue losses are expected to continue annually through at least FY 2041-42, with varying amounts, as the commission can approve projects until 2034, during which taxpayers may claim these credits over the following eight years. Finally, future revenue declines may be compounded if carry-forwards from any credit period are pushed into years beyond the eight-year credit period.

The bill reduces individual and corporate income tax revenue, which is subject to TABOR.

State Expenditures

Office of Economic Development

OEDIT is currently responsible for managing and administering the Job Growth Incentive Tax Credit, and this work will continue under this bill from extending the credit. The initial implementing legislation for the credit did not include any appropriations to OEDIT and the staff managing this tax credit do so as part of a broader portfolio of work. Thus, it is assumed that OEDIT can continue administering the credit within existing resources and no change in appropriations is required.

Department of Revenue

The DOR currently processes the Job Growth Incentive Tax Credit when administering the state income tax. This bill extends the program, which will result in ongoing workload impacts. Given that the credit is currently programmed into the GenTax system and OEDIT is responsible for management and verification related to the tax credit, no change in appropriations to DOR is required to continue this existing tax credit. The initial implementing legislation identified programming costs only, and did not include an appropriation for personnel.

Office of the State Auditor

The OSA performs an evaluation of all tax expenditures. It can evaluate this tax credit within its existing appropriations.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by $355,000 in FY 2026-27 and $1.5 million in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. 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, FY 2027-28, 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 and Local Government Contacts

Information Technology	Personnel
Office of Economic Development	Revenue