Fiscal Note

Legislative Council Staff

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HB 26-1362: REPEAL DECARBONIZATION TAX CREDITS ADMIN FUND

Prime Sponsors:
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Published for: House Appropriations
Drafting number: LLS 26-0985

Version: Initial Fiscal Note
Date: April 2, 2026

Fiscal note status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee as a part of its FY 2026-27 budget package.

Summary Information

Overview. The bill repeals the Decarbonization Tax Credits Administration Fund, effective July 1, 2027.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	$0	$0
State Expenditures	$0	$0
Transferred Funds	$0	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill repeals the Decarbonization Tax Credits Administration Fund. It takes effect only if House Bill 26-1405 also becomes law.

Background

The state's severance tax is imposed on the production or extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal. Severance tax revenue is subject to TABOR. Revenue is distributed to several cash funds under current law.

Decarbonization Tax Credits Administration Fund

House Bill 23-1272 created several tax credits and established the Decarbonization Tax Credits Administration Fund to pay for administration of the bill's tax credits in the Colorado Energy Office (CEO) and the Department of Revenue (DOR), subject to annual appropriation. The fund consists of increased severance tax revenue attributable to a decrease in the allowable ad valorem credit taken against oil and gas severance tax liability for tax years 2024 to 2026, impacting revenue in FY 2023-24 to FY 2026-27. Under current law, the state Treasurer is required to transfer all unexpended money, less a minimum fund balance, to the General Fund on June 30 each year from 2024 to 2026. Additional revenue received after June 30, 2026, will remain in the cash fund and be available for the CEO and the DOR for ongoing tax credit administration expenses through FY 2034-35. Any amount remaining in the fund is scheduled to be transferred to the General Fund on July 1, 2036. About $13.7 million and $24.0 million was diverted to the fund in FY 2023-24 and FY 2024-25, respectively. An estimated $39.4 million is expected to be diverted to the fund for FY 2025-26.

Severance Tax Revenue Distribution

After diversions of severance tax revenue to the Decarbonization Tax Credits Administration Fund and the Just Transition Cash Fund, 50 percent of severance tax revenue is credited to the Department of Natural Resources through the Severance Tax Trust Fund, and 50 percent is credited to the Department of Local Affairs through the Local Government Severance Tax Fund.

State Expenditures

The bill has no net impact on state expenditures. Expenditures in the CEO and the DOR for administration of decarbonization tax credits will be paid from the General Fund, rather than the Decarbonization Tax Credits Administration Fund, beginning in FY 2027-28. While this bill repeals the Decarbonization Tax Credits Administration Fund, the fiscal note assumes that expenditures would need to be paid from the General Fund regardless of whether this bill passes, since House Bill 26-1405 transfers the balance of the Decarbonization Tax Credits Administration Fund to the General Fund on June 30, 2027, and since current law does not credit any revenue to the fund after that date. Across both agencies, expenditures are expected to total between $1.2 million and $1.5 million per year.

Effective Date

The bill takes effect only if House Bill 26-1405 becomes law, in which case the bill takes effect upon passage of this bill or on the effective date of House Bill 26-1405, whichever is later.

State and Local Government Contacts

Joint Budget Committee Staff