Initiative # 83

Legislative
Council Staff
Nonpartisan Services for Colorado's Legislature

INITIAL FISCAL IMPACT STATEMENT

Date: December 31, 2019 **Fiscal Analyst:** Josh Abram (303-866-3561)

LCS TITLE: TAX CREDITS FOR VOTING

Fiscal Impact Summary		FY 2022-23	FY 2023-24	FY 2024-25
Revenue	General Fund	($218,400,000)	-	($335,400,000)
Expenditures	General Fund	$429,045	$484,487	$484,487

Disclaimer. *This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.*

Summary of Measure

The measure creates a refundable tax credit for voting, reducing personal income tax liability. Any Colorado registered voter that casts a ballot in a primary or general election is eligible for a $40 refundable tax credit per election, up to $80 in tax credits if a voter participates in both the primary and general elections. Tax credits are claimed on tax returns for the calendar year in which the elections are held. The measure takes effect for elections after January 1, 2022, and credits will be claimed on returns filed starting in January 2023.

Background

The State of Colorado holds regularly scheduled state elections every two years: a state primary election in June and a general election in November. In presidential election years, the state also holds a presidential primary election in March. There are also local elections and TABOR related elections that may occur in odd years. As of November 2019, there are about 3.9 million registered Colorado voters. Of this amount, 87 percent, or 3,420,775, are considered active voters.

State Revenue

Beginning in tax year 2022, state revenue is reduced in even numbered election years by at least $218.4 million, and by a similar amount every even tax year thereafter. Tax returns for 2022 will be filed between January 1, 2023 and April 15, 2023, which is the second half of FY 2022-23. Using voter data from the Secretary of State, if the same percentages of voters who participated in the general and primary elections in 2018 casts a ballot and claims the tax credit for both the primary and the general election in even numbered years ($80 total tax credits), state revenue is reduced by up to $218,400,000. In presidential election years, state revenue is reduced by up to $335,400,000.

State Expenditures

In FY 2021-22, the bill will increase General Fund expenditures in the Department of Revenue (DOR) by $429,045 and 6.2 FTE. In FY 2022-23 and each year thereafter, the department will require $484,487 and 9.4 FTE. Expenditures are summarized in Table 2 and detailed below.

Table 2
Expenditures Under Ballot Measure #83

	FY 2021-22	FY 2022-23	FY 2023-24
Department of Revenue			
Personal Services	$304,628	$458,648	$458,648
Operating Expenses and Capital Outlay	$78,853	$9,948	$9,948
Computer Programming	$28,860	-	-
Document Management	$16,704	$15,891	$15,891
Total Cost	**$429,045**	**$484,487**	**$484,487**
Total FTE	**6.2 FTE**	**9.4 FTE**	**9.4 FTE**

Personal services. The Department of Revenue expenditure increases are primarily to review and audit tax returns claiming the refundable credit. In FY 2021-22, the department will require 4.8 FTE for tax examiners and 1.3 FTE for tax auditors, starting on January 1, 2022. In FY 2022-23 and each year after, the department will require 6.1 FTE for tax examiners and 3.3 FTE for tax auditors. Tax examiners will primarily perform traditional call center work, initial tax review and resolve mathematical and minor errors committed by taxpayers. Tax auditor workload will include fraud review and taxpayer protests.

Computer programming. For FY 2021-22, the bill will require changes to the department's GenTax software system. Changes are programmed by a contractor at a rate of $250 per hour. These changes will increase General Fund expenditures by $13,500, representing 54 hours of programming. All GenTax programming changes are tested by the department. GenTax testing for this bill will require $15,360 for 640 hours of testing at $24 per hour.

Document management. For FY 2019-20, the department will incur $16,704 in document management costs. This includes adding a new line to the individual income tax form and the workload tasks related to paper returns and electronic forms that are identified for review by the Department of Personnel and Administration's (DPA) optical character recognition software. In FY 2022-23 and beyond, these costs are only related to workload for paper forms and electronic returns that must be reviewed.

Economic Impact

The measure reduces state revenue from income taxes, therefore reducing revenue available to fund governmental functions. This will reduce income to government employees or contractors, and reduce benefits to recipients of state services. Specific funding allocations will be made as a result of future legislative and executive decisions. For voters, the tax credit will increase available income to be spent or saved elsewhere in the economy.

Effective Date

If approved by voters at the 2019 general election, this measure takes effect January 1, 2022, and applies to tax credits claimed after that date.

State and Local Government Contacts

Revenue

Abstract of Initiative 83: TAX CREDITS FOR VOTING

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of December 31, 2019, identifies the following impacts:

State revenue. Beginning in tax year 2022, state revenue is reduced in even numbered election years by at least $218.4 million, and by a similar amount every four years in future non-presidential election years. Starting in tax year 2024 and in presidential election years every four years, state revenue is reduced by up to $335,400,000.

State expenditures. In FY 2021-22, the measure will increase General Fund expenditures by $429,045 and 6.2 FTE for the Department of Revenue (DOR). In FY 2022-23 and each year thereafter, the measure increases DOR expenditures by $484,487 and 9.4 FTE.

Economic impacts. The measure reduces state revenue from income taxes, therefore reducing revenue available to fund governmental functions. This will reduce income to government employees or contractors, and reduce benefits to recipients of state services. Specific funding allocations will be made as a result of future legislative and executive decisions. For voters, the tax credit will increase available income to be spent or saved elsewhere in the economy.