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FISCAL NOTE

Drafting Number: LLS 18-0628 Date: January 19, 2018
Prime Sponsors: Sen. Tate; Guzman Bill Status: Senate Finance
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Bill Topic: AFFORDABLE HOUSING TAX CREDIT

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill continues the Colorado low-income housing tax credit that is scheduled to expire after 2019 for an additional five years, resulting in General Fund reductions that will phase-in over at least 12 years.

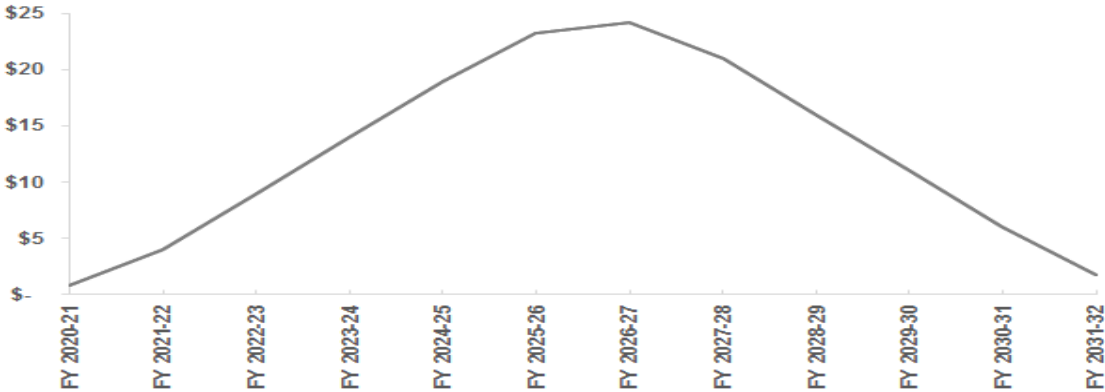
Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 18-007

Table with 4 columns: Category, FY 2018-19, FY 2020-21, FY 2021-22. Rows include Revenue (General Fund, Total), Expenditures, and Transfers.

Figure 1
General Fund Revenue Reductions Under SB 18-007
Dollars in Millions



**Summary of Legislation**

This bill changes the name of the existing low-income housing tax credit to the affordable housing tax credit, and authorizes an additional five years (2019 to 2024) in which the Colorado Housing and Finance Authority (CHFA) may allocate an additional \$150 million in tax credits.

**Background**

**Credit allocation.** Under current law, CHFA may allocate up to \$230 million in state low-income housing tax credits (LIHTC) to developers of qualifying housing projects. Colorado's LIHTC program was originally established in 2001 and was renewed in 2014 under House bill 14-1017, which allowed CHFA to issue \$30 million of state income tax credits for both 2015 and 2016. The bill also allowed CHFA to allocate credits above the \$5 million annual cap to support affordable housing developments in counties impacted by natural disasters. House bill 16-1465 authorized an additional three years of \$30 million allocations. Credit allocations are required to be spread out over six-years, and no more than \$5 million of the \$30 million may be allocated by CHFA each year, except for tax years 2015 and 2016 allocations to areas impacted by natural disasters. Table 2 shows current law allocation of the low-income housing tax credit.

**Table 2**  
**Current Law Allocation of the Low-Income Housing Tax Credit**

Allocation Year and Amount	Allocation per Calendar Year											
	<i>Dollars in Millions</i>											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
2015: \$30 million	\$0.8	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$4.2					
2015: Natural Disaster (\$55.8 million)	\$1.4	\$9.3	\$9.3	\$9.3	\$9.3	\$9.3	\$7.9					
2016: \$30 million		\$1.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$4.0				
2016 Natural Disaster (\$24.5 million)		\$0.8	\$4.1	\$4.1	\$4.1	\$4.1	\$3.2					
2017: \$30 million			\$1.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$4.0			
2018: \$30 million				\$1.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5	\$4.0		
2019: \$30 million					\$1.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$4.0	
<b>Calendar Year Totals</b>	<b>\$2.2</b>	<b>\$16.1</b>	<b>\$24.3</b>	<b>\$29.3</b>	<b>\$34.3</b>	<b>\$37.5</b>	<b>\$31.1</b>	<b>\$19</b>	<b>\$14</b>	<b>\$9.0</b>	<b>\$4.0</b>	

Total Credits Authorized for 2015 through 2019 under Current Law: **\$230 million**

**Claiming the credit.** While the amount allocated is capped each year, the amount of credits claimed by taxpayers in any tax year is not capped. Therefore, the revenue impacts of the tax credit will not necessarily follow the same pattern or timing as the allocation schedule shown in Table 2. A taxpayer cannot claim the low-income housing tax credit until the qualified development is placed in service, which can delay when the credit is claimed by one or more years relative to when the credit is allocated. Additionally, any portion of the credit that exceeds a taxpayer's income tax liability in any given tax year may be carried forward for up to eleven years. Any unused credits are nonrefundable. The owner of a qualified development receiving a credit allocation may distribute the credit among partners, shareholders, members, and any other constituent taxpayers in any manner agreed to by such persons.

**State Revenue**

This bill authorizes an additional five years of state income tax credits, or a total of \$150 million allocated for calendar years 2020 through 2024. As shown in Figure 1 and Table 3, it is estimated that the total revenue impact from the credits under this bill will be phased in over 12 years. General Fund revenue will be reduced by up to \$750,000 in FY 2020-21 (half-year impact), up to \$4 million in FY 2021-22, and up to \$9 million in FY 2022-23, with larger impacts in subsequent years that than taper off over time.

**Assumptions.** The fiscal note assumes that the credits allowed under this bill will be claimed beginning in tax year 2021. On average, 30 percent of qualified low-income housing developments are completed in one year from when CHFA approves the project, while the remaining 70 percent are generally put into service within two years.

The fiscal note also assumes taxpayers will claim credits equal to full allocation amount allowed in each tax year. The amount and timing of carry-forward tax credits are dependent on a number of factors, such as the economy and individual and business tax liabilities in any given year. To the degree that the full amount of tax credit allowed each year is not utilized as early as assumed here, reductions in General Fund revenue will be pushed into future fiscal years.

**Table 3**  
**General Fund Revenue Reduction Under of SB 18-007**

Fiscal Year	General Fund Revenue Reduction
FY 2020-21	(up to \$750,000)
FY 2021-22	(up to \$4 million)
FY 2022-23	(up to \$9 million)
FY 2023-24	(up to \$14 million)
FY 2024-25	(up to \$19 million)
FY 2025-26	(up to \$23.25 million)
FY 2026-27	(up to \$24.25 million)
FY 2027-28	(up to \$21 million)
FY 2028-29	(up to \$16 million)
FY 2029-30	(up to \$11 million)
FY 2030-31	(up to \$6 million)
FY 2031-32	(up to \$1.75 million)
<b>Total</b>	<b>(\$150 million)</b>

**TABOR Refund**

This bill decreases state revenue subject to TABOR beginning in FY 2020-21. If state revenue exceeds the TABOR limit in these future years, TABOR refunds will be reduced by up to an amount equal to the credits claimed under this bill.

**State Expenditures**

The Department of Revenue (DOR) is administering the current low-income housing tax credit. This bill extends existing credits for an additional five years, which will result in ongoing workload.

**Statutory Public Entity Impact**

Colorado Housing Finance Agency (CHFA) will require in ongoing workload to allocate additional credits, which can be accomplished with existing resources.

**Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

**State and Local Government Contacts**

Information Technology

Local Affairs

Revenue