



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

**Drafting Number:** LLS 19-0509  
**Prime Sponsors:** Rep. Wilson

**Date:** January 29, 2019  
**Bill Status:** House Finance  
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**Bill Topic:** TAX CREDIT FOR EMPLOYER-ASSISTED HOUSING PILOT PROGRAM

**Summary of Fiscal Impact:**

|   |   |
|---|---|
| <input checked="" type="checkbox"/> State Revenue     | <input checked="" type="checkbox"/> TABOR Refund            |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government        |
| <input type="checkbox"/> State Transfer               | <input checked="" type="checkbox"/> Statutory Public Entity |

This bill creates a tax credit for donations to sponsors of employer-assisted housing projects. It will reduce state revenue between FY 2018-19 and FY 2022-23 and increase state expenditures for administration over the same period.

**Appropriation Summary:** For FY 2019-20, the bill requires a General Fund appropriation of \$85,655 and 0.4 FTE to the Division of Housing in the Department of Local Affairs and \$22,325 to the Department of Revenue.

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

**Table 1  
State Fiscal Impacts Under HB 19-1075**

|                     |                        | FY 2018-19<br><i>(current year)</i> | FY 2019-20         |
|---------------------|------------------------|-------------------------------------|--------------------|
| <b>Revenue</b>      | General Fund           | (\$218,400)                         | (\$436,800)        |
|                     | <b>Total</b>           | <b>(\$218,400)</b>                  | <b>(\$436,800)</b> |
| <b>Expenditures</b> | General Fund           | -                                   | \$85,655           |
|                     | Centrally Appropriated | -                                   | \$14,600           |
|                     | <b>Total</b>           | -                                   | <b>\$100,255</b>   |
|                     | <b>Total FTE</b>       | -                                   | 0.4 FTE            |
| <b>Transfers</b>    |                        | -                                   | -                  |
| <b>TABOR Refund</b> |                        | (\$218,400)                         | (\$436,800)        |

## **Summary of Legislation**

This bill creates an income tax credit for taxpayers who provide donations to non-profit sponsors of employer-assisted housing projects in rural areas of the state. The credit is available for tax years 2019 through 2022. The credit is calculated as 20 percent of the amount donated to a sponsor to be used for costs associated with employer-assisted housing projects for employees with incomes of less than 120 percent of area median household income. The credit is limited to \$400 per taxpayer and is nonrefundable, meaning it is limited to the taxpayer's income tax liability. Any remaining credits may be carried forward for up to five years.

**Administration.** The Division of Housing in the Department of Local Affairs is required to prepare tax credit certificates to verify donor information. The division may charge a fee to taxpayers who apply for the credit to offset the costs required to verify information submitted by taxpayers. The bill specifies the procedures for documenting and certifying donations and applying for the tax credit through a non-profit sponsor, which may include a housing agency, such as the Colorado Housing and Finance Authority (CHFA), a local government housing authority, or a qualifying nonprofit organization. Sponsors who receive cumulative donations of \$10,000 or more in a calendar year are required to report on the economic activity, usage, and impacts of the employee-assisted housing project(s) funded by qualifying donations

## **Assumptions**

This fiscal note assumes that about 1,200 taxpayers will claim the tax credit each year based on the number of taxpayers that have historically claimed state tax credits limited to rural areas of the state and the incentives created by the maximum tax credit that can be claimed per taxpayer. A majority of taxpayers claiming the credit are expected to claim the maximum tax credit amount of \$400.

## **State Revenue**

This bill is estimated to reduce state revenue by a net of \$218,400 in the current FY 2018-19 (half-year impact); \$436,800 between FY 2019-20, and FY 2021-22, and by \$218,400 in FY 2021-22 (half-year impact). The General Fund revenue reduction attributable to the new tax credit is assumed to be partially offset by an estimated \$43,200 increase in fee revenue. To the extent that taxpayers carry credits forward, revenue reductions may occur through FY 2027-28.

**Fee revenue.** This bill allows the Division of Housing to charge a fee to offset the costs required to verify information submitted by taxpayers seeking to qualify for the tax credit. A \$36 application fee per taxpayer is estimated to generate sufficient revenue to offset the division's administrative costs for personnel only. Higher fees may reduce the likelihood that taxpayers will seek to claim the credit under the bill. Assuming a \$36 fee and that 1,200 taxpayers claim the credit each tax year, annual fee revenue will total about \$43,200 each fiscal year beginning in FY 2018-19. Because the bill does not specify a destination fund for fee revenue, fees are assumed to be credited to the General Fund.

**Fee impact on individuals and businesses.** Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fee amounts will be set administratively by the Department of Local Affairs based on estimated program costs and the number of certificate applications subject to the fee. The table below identifies the fee impact of this bill.

**Table 2  
Fee Impact of HB 19-1075**

| <b>Type of Fee</b>   | <b>Current Fee</b> | <b>Proposed Fee</b> | <b>Number Affected</b> | <b>Total Fee Impact</b> |
|--|--------------------|---------------------|------------------------|-------------------------|
| Employer-Assisted Housing Tax Credit Certificate Application Fee | \$0                | \$36                | 1,200                  | \$43,200                |
|  |                    |                     | <b>Total</b>           | <b>\$43,200</b>         |

**State Expenditures**

This bill will increase state General Fund expenditures by \$100,255 and 0.4 FTE in FY 2019-20, and by \$48,880 and 0.5 FTE in FY 2020-21, FY 2021-22, and FY 2022-23. Costs include personnel, programming, and form change costs, as summarized in Table 3.

**Table 3  
Expenditures Under HB 19-1075**

|   | <b>FY 2018-19</b> | <b>FY 2019-20</b> | <b>FY 2020-21</b> |
|---|-------------------|-------------------|-------------------|
| <b>Department of Local Affairs</b>          |                   |                   |                   |
| Personal Services                           | -                 | \$27,254          | \$26,394          |
| Operating Expenses and Capital Outlay Costs | -                 | \$2,827           | \$475             |
| Legal Services                              | -                 | \$415             | \$415             |
| Network Administrator                       | -                 | \$1,000           | \$1,000           |
| Computer Programming                        | -                 | \$31,800          | \$1,080           |
| Centrally Appropriated Costs*               | -                 | \$14,600          | \$14,593          |
| FTE – Personal Services                     |                   | 0.4 FTE           | 0.5 FTE           |
| Department of Local Affairs (Subtotal)      |                   | <b>\$77,896</b>   | <b>\$43,957</b>   |
| <b>Department of Revenue</b>                |                   |                   |                   |
| Programming and Form Change Costs           | -                 | \$22,359          | \$4,923           |
| Department of Revenue (Subtotal)            |                   | <b>\$22,359</b>   | <b>\$22,359</b>   |
| <b>Total Cost</b>                           | -                 | <b>\$100,255</b>  | <b>\$48,880</b>   |
| <b>Total FTE</b>                            | -                 | <b>0.4 FTE</b>    | <b>0.5 FTE</b>    |

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

**Department of Local Affairs, Division of Housing.** To verify taxpayer information contained in tax credit certificates, the Division of Housing will require 0.4 FTE in FY 2019-20 and 0.5 FTE each year from FY 2020-21 through FY 2022-23. For FY 2019-20, costs are reduced to 0.4 FTE to reflect the General Fund pay date shift.

These estimates assume that the review of information for each taxpayer averages about one hour, and the review of sponsors averages about two hours. To the extent that more taxpayers apply for the credit than are assumed in this fiscal note, additional FTE may be required to administer the bill. The division will also incur costs for computer programming, network administration, and legal services. These costs will decline over time.

**Department of Revenue (DOR).** This fiscal note assumes that with third party verification provided by the Division of Housing, the DOR will be able to accommodate review and auditing within existing appropriations. This bill requires changes to the DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$250 per hour, and are expected to increase General Fund expenditures by \$3,750, representing 15 hours of programming. All GenTax programming changes are tested by department staff. GenTax testing for this bill will require \$5,593 for 140 hours of testing at a cost of \$39.95 per hour. Additional expenditures to update six tax forms and document management costs will require \$11,958 in the Department of Personnel and Administration expenditures paid from reappropriated DOR funds.

**TABOR refunds.** The bill is expected to decrease state General Fund obligations for TABOR refunds by \$218,400 for the current FY 2018-19 and \$436,000 for FY 2019-20. Under current law and the December 2018 Legislative Council Staff forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds on income tax returns for tax years 2019 and 2020, respectively. The state is not expected to collect a TABOR surplus in FY 2020-21.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$14,600 in FY 2019-20 and \$14,593 in FY 2020-21.

## Local Government and Statutory Public Entity Impacts

This bill may increase workload for CHFA and local government housing agencies to allocate and report on the economic and other impacts of the tax credit.

## Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

## State Appropriations

For FY 2019-20, the bill requires a General Fund appropriation of \$85,655 and 0.4 FTE to the Division of Housing in the Department of Local Affairs and \$22,325 to the Department of Revenue. Of the amount for DOR, \$11,958 will be reappropriated to DPA.

## State and Local Government Contacts

|               |                |                        |
|---------------|----------------|------------------------|
| CHFA          | Counties       | Information Technology |
| Local Affairs | Municipalities | Personnel              |
| Revenue       |                |                        |