



Legislative Council Staff

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FISCAL NOTE

Drafting Number: LLS 20-0938 Date: February 24, 2020
Prime Sponsors: Rep. Bockenfeld, Sen. Priola Bill Status: House Finance
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Bill Topic: TAX CREDIT DONATION HUMAN TRAFFICKING VICTIMS

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

For 2020 through 2024, this bill creates an income tax credit for taxpayers who make monetary donations to a nonprofit organization that provides services to victims of human trafficking in Colorado. It is expected to decrease state revenue and increase state expenditures through FY 2024-25.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$68,556 to the Department of Revenue.

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

Table 1 State Fiscal Impacts Under HB 20-1189

Table with 5 columns: Category, Sub-category, FY 2019-20 (current year), FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

Summary of Legislation

For tax years 2020 through 2024, the bill creates a tax credit for donations to nonprofit organizations that provide services to victims of human trafficking in Colorado. The credit is equal to 25 percent of donations, up to a maximum of \$100,000 per year.

Donations qualify for the credit if the nonprofit organization certifies that:

- it has either its headquarters, or 50 percent of its employees, in Colorado, and the donation was received for the purpose of eradicating human trafficking; or
- it provides at least 25 percent of its services in Colorado to victims of human trafficking.

The credit certificate issued by the nonprofit must be filed with the taxpayer's income tax return.

The credit is available in addition to the charitable contributions deduction for which the donation qualifies under federal law. The amount by which the credit exceeds a taxpayer's income tax liability is nonrefundable, but may be carried forward for up to five years.

State Revenue

The bill is expected to decrease state General Fund revenue by \$187,500 in the current FY 2019-20, \$375,000 in each of FY 2020-21 through FY 2023-24, and \$187,500 in FY 2024-25. The estimates for FY 2019-20 and FY 2024-25 represent half-year impacts for tax years 2020 and 2024, respectively, on an accrual accounting basis. The bill reduces income tax revenue, which is subject to TABOR.

Assumptions. The bill allows a tax credit only for contributions to organizations providing services to victims of human trafficking in Colorado. This fiscal note estimates that there are no more than 15 such organizations in the state, that these organizations have an average annual budget of \$0.5 million each, and that they are primarily funded by grants from foundations. Qualifying nonprofits are expected to receive 20 percent of their funding from individual donors.

Based on these assumptions, the bill is expected to allow tax credits for \$1.5 million in donations annually beginning in tax year 2020. Based on the ratio between donations and donors observed for other, similar tax credits, the bill is expected to allow credits to 550 taxpayers per year.

This fiscal note assumes that all tax credits will be applied to reduce tax liability in the year when they are allowed. To the extent that tax credits are carried forward, the bill's revenue impact will differ across fiscal years relative to the estimates published here.

State Expenditures

The bill is expected to increase General Fund expenditures by \$69,860 in FY 2020-21 and \$7,321 in FY 2021-22 through FY 2024-25. Expenditures are summarized in Table 2 and described below.

Table 2
Expenditures Under HB 20-1189

	FY 2020-21	FY 2021-22
Department of Revenue		
Personal Services	\$3,876	\$4,651
GenTax Programming and Testing	\$60,360	-
Data Reporting	\$4,320	\$1,296
Centrally Appropriated Costs*	\$1,304	\$1,374
Total Cost	\$69,860	\$7,321
Total FTE	0.1 FTE	0.1 FTE

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

Tax administration. The bill is expected to require 0.1 FTE annually for a Tax Examiner I in the Department of Revenue (DOR) Taxpayer Services Division to review credit applications and communicate with taxpayers. For FY 2020-21 only, personal services costs are prorated for the bill's August 5 effective date and the General Fund payday shift.

Computer programming. The bill requires one-time expenditures to program and test changes to DOR's GenTax software system. Programming is performed by a contractor and tested by the department. Programming is expected to require \$45,000, or 200 hours at the contract rate of \$225 per hour. Costs are primarily driven by the credit's applicability to individual, corporate, fiduciary, and partnership taxpayers, which are treated separately in GenTax. Testing will require 640 hours at a rate of \$24 per hour.

Data reporting. Costs for database management and reporting in DOR's Office of Research and Analysis are estimated at \$4,320 in FY 2020-21 and \$1,296 annually thereafter.

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 \$1,304 in FY 2020-21 and \$1,374 in FY 2021-22.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$187,500 in the current FY 2019-20 and by \$375,000 in each of FY 2020-21 and FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2020, 2021, and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires a General Fund appropriation of \$68,556 to the Department of Revenue and 0.1 FTE.

State and Local Government Contacts

Information Technology Personnel Revenue