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Revised Fiscal Note

(replaces fiscal note dated February 29, 2024)

Drafting Number: LLS 24-0958 Date: May 2, 2024
Prime Sponsors: Rep. Joseph; Weinberg Bill Status: Senate Finance
Sen. Rich; Exum Fiscal Analyst: Emily Dohrman | 303-866-3687
emily.dohrman@coleg.gov

Bill Topic: AMERICORPS EDUCATION AWARD TAX SUBTRACTION

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

The bill creates an income tax subtraction for Segal AmeriCorps Education Awards for tax years 2026 through 2033. The bill reduces General Fund revenue beginning in FY 2025-26, and increases state expenditures beginning in FY 2026-27.

Appropriation Summary: The bill does not require an appropriation.

Fiscal Note Status: The fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under HB 24-1240

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates an income tax subtraction equal to the amount received from a Segal AmeriCorps Education Award for tax years 2026 through 2033. Segal AmeriCorps Education Awards are awarded to AmeriCorps alumni and may be used to pay educational expenses or repay student loans.

Background

After completing an AmeriCorps term of service, AmeriCorps alumni are eligible to receive a Segal AmeriCorps Education Award (education award) which may be used to pay current education expenses or to repay student loans. The maximum amount of the award is equal to the maximum Pell Grant award for the year in which the term of service is approved. The award may be less than the maximum for those who served part-time.

All payments from Segal AmeriCorps Education Awards are subject to federal and Colorado income taxes. The bill provides a state income tax subtraction for the amount awarded from the Segal Education Award. For FY 2024-25, the maximum Pell grant award is \$7,395. For a taxpayer who claims a deduction of \$7,395, income tax liability will be reduced by \$325 ($\$7,395 \times 4.4$ percent).

Assumptions

According to the [AmeriCorps National Service in Colorado 2023 Year in Review Report](#), AmeriCorps members who completed service in Colorado were eligible for \$9.3 million in education awards in 2023. The fiscal note assumes that 90 percent of AmeriCorps alumni will claim the education awards for which they are eligible, and that alumni who claim the award will claim the state income tax subtraction in this bill. The fiscal note also assumes that the total amount of education awards will increase at the same rate as increases in the maximum Pell grant award.

State Revenue

The bill reduces General Fund revenue by \$210,000 in FY 2025-26 (half-year impact) and \$425,000 in FY 2026-27. Revenue will be reduced by similar amounts annually until a final half-year impact in FY 2033-34, when the subtraction is repealed. The bill reduces individual income tax revenue, which is subject to TABOR.

State Expenditures

The bill increases General Fund expenditures in the Department of Revenue by \$40,016 in FY 2026-27 and by \$7,328 per year beginning in FY 2027-28 through FY 2033-34. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under HB 24-1240**

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue			
GenTax Programming	-	-	\$30,128
User Acceptance Testing	-	-	\$2,496
Data Reporting	-	-	\$7,392
Total Cost	\$0	\$0	\$40,016

Computer programming and testing. In FY 2026-27 only, this bill requires expenditures of \$32,624 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$30,128, representing 130 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$2,496 for 78 hours of user acceptance testing at a rate of \$32 per hour.

Data reporting. Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392, representing 231 hours for data management and reporting at \$32 per hour.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

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 Personnel Revenue State Auditor

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).