COLORADO CENTER
on LAW & POLICY
Forging Pathways from Poverty
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Chair Leslie Herod
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Representative Shane Sandridge
Representative Marc Snyder
Representative Tom Sullivan
Representative Mark Weissman

Honorable Chair and members of the House Finance Committee, the Colorado Center on Law and Policy (CCLP) submits this comment in support of HB20-1420. CCLP is a nonprofit, nonpartisan organization that stands with diverse communities across Colorado in the fight against poverty through research, legislation, and legal advocacy. Our vision is a Colorado where everyone has what they need to be successful.

We appreciate the great pains the Joint Budget Committee took to craft a budget that minimizes the human impact of cutting $3.3 billion from our state budget.Yet, there is no denying that there will be human impact from the final decisions that were made.

CCLP recently released a report, developed in partnership with the Colorado Rural Health Center, that illustrates the type of harm we can expect. The report describes how the cuts to the Colorado Department of Health Care Policy and Financing (HCPF) will harm access to health care, especially in rural Colorado, and how reduced access to care will harm our economic recovery.

Reduced access to care is just one example of the harm. The budget also cuts critical disability support programs, education programs that help address education disparities, cash grants to seniors, programs that help prevent the criminalization of mental illness, programs that put people on a successful path to employment, child welfare programs, and more.

The impacts of these cuts will be the most devastating for our communities that face the greatest barriers to health and wellbeing - including people experiencing poverty, which disproportionately affects Coloradans of color, Colordans living with disabilities, and Coloradans living in rural areas of the state. Coloradans experiencing poverty already struggle to afford

groceries if they pay for an appointment at the primary care clinic, the tank of gas that will get them to work if they pay a copay for their insulin, or their rent if they pay a monthly health care premium.
Economic insecurity puts health out of reach for too many, and poor health, in turn, impacts the ability of our neighbors to be economically secure. COVID-19 has made these circumstances more severe for Colorado families and deep cuts to government programs will constitute yet another blow. Our communities cannot afford this.

We support HB20-1420 because it will generate the revenue we need to avoid some of the worst cuts our state is facing, this year and in the years to come.

We also support the increase of the state's earned income tax credit (EITC). Tax credits for working families lift millions of people out of poverty every year. For Colorado kids in low income households, the EITC improves health at birth, improves educational outcomes, and increases lifetime earnings. Research by the Centers for Disease Control and Prevention (CDC) identified the EITC as one of 14 evidence-based interventions that can significantly improve health outcomes in five years or less.

In addition, we strongly support the provision of HB20-1420 that extends this earned credit to people that file taxes with an ITIN. Immigrants are essential workers and they work in industries that are critical to our economy and way of life in Colorado. Every day, we benefit from the investments they make in our community: they make our tourism industries run, they provide in-home care to our seniors, they nurture our children, and their hands bring food to our tables, whether that table is in a home or at a restaurant.

Like the rest of us, immigrants work hard to support their families and contribute to society. But the way society treats them in return belies the notion that we believe everyone who works hard should be able to get ahead. With HB20-1420 we have the opportunity to begin rewriting that story in Colorado. For the health and wellbeing of our neighbors, and the health and strength of our local economies, and our state, this is a necessity.

Our economy already advantages Coloradans who start out with more resources over those who start life in poverty. Our upside down tax code - a system in which the lowest income tax payers pay a higher percentage of their income than the richest - only reinforces that unfair advantage. Please vote yes on HB20-1420 so we can rebalance the advantages of our tax system in favor of the working families that will be critical to a full and equitable Colorado recovery.

Contact:
Allison Neswood
Deputy Director of Strategic Priorities
Colorado Center on Law and Policy
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AURORA
ECONOMIC DEVELOPMENT COUNCIL

June 9, 2020

Colorado General Assembly
200 E. Colfax Avenue
Denver, CO 80203

RE: HB20-1420 *Adjust Tax Expenditures for State Education Fund*

Dear Members of the Colorado General Assembly:

The Aurora Economic Development Council (AEDC) strongly opposes House Bill 1420: *Adjust Tax Expenditures for State Education Fund*. As an economic development organization, we support measures that assist and encourage business development within the state, as those are key factors that employers consider when looking for a new home. To that end, we look at the big picture to ensure our continued economic prosperity while at the same time maintaining a high quality of life for our residents. Aurora's, and Colorado's, high quality of life is due in large part to the fact that Colorado is, and has been, a business-friendly state.

However, HB20-1420 would change that. Increasing taxes on businesses, who are already struggling financially due to COVID-19 and the resulting economic downturn, would send a message that Colorado's business-friendly climate is coming to an end. And while we fully understand the need to make up budget shortfalls somehow, placing that financial burden on businesses cannot be the answer. These tax increases will certainly hamper some small business efforts to hire back their workers or hire additional workers, or worse, could cause them to close altogether. This is not the solution to put Colorado back on the right fiscal track. The bill will undoubtedly generate some short-term budgetary relief for the state, but once those businesses close or move out of Colorado, that money leaves our state forever.

Colorado already competes with several of our neighboring states to attract new employers, and one of our advantages has been the creative pro-business solutions we have implemented over the years. In fact, for the past few years, Colorado's economy has been ranked #1 nationally by US News and World Report. That is mainly due to the contributions the business sector makes to our great state. Detrimental tax policies like those proposed in HB20-1420 will not help Colorado's economy or our residents, but they will contribute to a further statewide economic decline, cause unneeded economic harm to our residents, and destroy any advantages we have in attracting new employers to our state.

We strongly urge you to consider these points as you weigh your decision on HB20-1420.

Sincerely,

Wendy Mitchell
President and CEO

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info@auroraedc.com | www.auroraedc.com

CBHC | Colorado Behavioral Healthcare Council

Testimony in Support of Tax Expenditures Bill

Hello: I am Doyle Forrestal, the CEO of Colorado Behavioral Healthcare Council, and I am supplying this testimony on behalf of Colorado's 17 community mental health centers, 4 managed service organizations and 2 specialty clinics in support of the Tax Expenditures Bill. This bill will help ensure that our state can effectively respond to the public health, economic and behavioral health impacts of the COVID-19 pandemic and offset some of the dramatic state budget cuts we are currently facing.

The COVID-19 pandemic has led to heightened stress, anxiety, depression and substance misuse and abuse. CBHC members are extremely concerned about the coming "second wave" of need that will place unprecedented demands on our behavioral health system in Colorado. Two of the primary issues impacting behavioral health and well-being is the COVID-19 virus itself and the economic consequences associated with the emergency public health response. We already know that alcohol sales have surged over the past few months, and people are struggling with isolation, and uncertain economic challenges. Throughout this pandemic, CBHC members have kept their doors open and successfully transitioned to provide many outpatient services through telehealth. The community mental health centers have already experienced steady demand for services from both existing clients and community members who may not previously have had behavioral health needs.

Unfortunately, this is only the beginning. According to a survey conducted by Colorado Health Foundation, 53% of all respondents said the stress and worry related to the coronavirus has negatively impacted their mental health. A recent national study by the Well Being Trust predicted the pandemic could lead to 75,000 additional "deaths of despair" from substance misuse and suicide. As we work to support our communities, it is critical that those in need of behavioral health services have the access they need. For those already receiving services for anxiety, depression, psychosis, and other forms of mental illness or SUD, the need will be even greater as their conditions are exacerbated by the pandemic. As community behavioral health organizations prepare to flatten the mental health and addiction curve, we need the State of Colorado to do everything it can to minimize state budget cuts to critical programs and services that support Coloradans.

This proposed legislation will close tax loopholes and help protect our communities when we need it most. This is not the first economic downturn that has financially hit the community behavioral health system; yet, this is the system that needs the most support when people are suffering. This bill is one way lawmakers can help to rebuild our economy, and ensure that needed supports and services remain available.

Each year CBHC members serve hundreds of thousands to children, families, and adults with mental health and substance use disorders. In order to continue doing so, we must sustain critical state funding. I urge you to support the Tax Expenditures Bill to help minimize state budget cuts and invest in our state's public health and community behavioral health infrastructure.

If you have any questions, or need more information, please contact me at dforrestal@cbhc.org, or my cell (303) 885-4097. Thank you.

Dear Members of the Finance Committee

The American Property Casualty Insurance Association of America (APCIA) opposes HB 1420 and specifically the repeal of the regional home office tax credit. Insurance companies provide high-paying, stable, green jobs for many workers in Colorado. APCIA represents nearly sixty percent of the property casualty insurance industry.

Tax incentives, like the regional home office tax credit, are key considerations for companies when deciding where to locate their business. There are strict requirements companies must meet to qualify for this tax credit. In order to qualify for this tax credit an insurance company must have a variety of levels of employees such as executive-level, technical functions, customer service representatives, and provide support for multi-state operations. Insurers apply for this tax credit and are subjected a rigorous inspection and audit process through the Division of Insurance. This tax credit is not automatically given to any insurer.

Nearly fourteen thousand hard-working Coloradans are employed by eighty seven companies in thirty four locations across the state that are designated regional home offices. Insurers pay wages in excess of $815 million to Colorado workers according to the US Bureau of Labor Statistics. The regional home office tax credit is tied to jobs in Colorado which also leads to greater investment in commercial real estate, residential real estate, and community investments including municipal bonds and charitable giving. The investment insurers make in Colorado goes far beyond wages paid. It includes over $7 billion in municipal bonds, thousands of square feet of office space, and charitable contributions and volunteer hours. Many companies are reconsidering their physical office/space needs in light of the recent pandemic and a move like this could further tip the scales away from maintaining such real estate and jobs in Colorado.

The State Auditor's office completed an audit of the regional home office tax credit earlier this year. This report indicates the regional home office tax credit serves it purpose (of creating jobs and economic growth), but "only to a limited extent." As an industry, we believe this is inaccurate. As noted in the report, few companies responded to the survey. Lack of response by insurance companies was due to how the questions in the survey were presented and concerns about the ability to keep strategic business information confidential. It does not reflect a lack of importance of the tax credit. A property and casualty industry survey indicates the regional home office tax credit was a "significant" factor in companies choosing to locate their businesses in Colorado.

The potential economic impact of eliminating the regional home office tax credit may be much more than just the increased tax bill for companies. Jobs and community investments will also be impacted. Taking away the regional home office tax credit could also deter other companies from investing in Colorado in the future. APCIA is asking you to look beyond the fiscal note and to the full investment that insurance companies are making in Colorado. APCIA respectfully requests a no vote on HB 1420.

Kelly Campbell
303.886.1629

Testimony in Strong Support of House Bill 1420: Make Our State Tax Code Fairer

My name is Karla Gonzales Garcia. I am the Policy Director for the Colorado Organization for Latina Opportunity and Reproductive Rights (COLOR). COLOR works to engage and empower the Latino community to speak out about the policies that impacts our community. We are committed to ensuring that Latinas and our families are able to make personal decisions about health, have access to affordable health services and that we are each able to live our lives with dignity.

COLOR strongly supports House Bill 1420, which would close certain state tax loopholes to reduce some of the devastating budget cuts and make our tax code fairer.

One of the changes this bill would make is focused on capital gain taxes in order to end preferential treatment. A historically large share of the nation's wealth is concentrated in the hands of a few. As a result of systemic barriers to educational and economic opportunity, wealthy people are overwhelmingly white. This extreme wealth concentration reinforces barriers that make it harder for people of color to make gains.

One way states can build more broadly shared prosperity is by strengthening taxes on capital gains. Right now 99% of the benefit of the capital gains provision goes to the top 1% of filers by income. This costs Colorado up to $20 million dollars per year. So at a time when we are facing huge and harmful cuts to key state programs, the state is losing money by giving a break to a tiny percentage of people who are not struggling to get by in the way so many of us are right now.

Tax cuts are often talked about as being part of helping to encourage investment and fuel economic growth in the state, but studies have shown that just isn't the case when it comes to capital gains in general, but especially when it comes to state tax code, since people are benefitting even if the property is held outside of the state. That means any possible economic benefit wouldn't necessarily go to our state for giving this tax break.

This is just one of the areas of our tax code that would be changed by House Bill 1420. There are also changes around business' tax deductions and other provisions that benefit businesses when we know our people are truly hurting.

The fact is that racism helped shape the development of the state and federal tax code in ways that still impact the code now.

Wealth is concentrated in white families. People of color owned businesses are often too small and their budget means they may not benefit from the policies that are supposed to help businesses. And let's be frank – people of color and low-income families are really hurting and struggling right now. We need to find ways to get more revenue into the state budget to benefit education and health care and all of the critical public and safety net functions that our state government serves. This bill has been referred to as the "Tax Fairness Act" and for us that name is very accurate. Let's get a little more fairness and equity into our state tax code. We urge you to pass House Bill 1420. Thank you.

Submitted by: Karla Gonzales Garcia, Policy Director, Colorado Organization for Latina Opportunity and Reproductive Rights (COLOR), 303-393-0382

1700 Lincoln St.
17th Floor
Denver, CO. 80203
303-831-6099
NFIB.com

June 9, 2020

To: Members of House Finance Committee

From: A.F. Tony Gagliardi, State Director

Re: HB 20-1420, Adjust Tax Expenditures for State Education Fund

NFIB Colorado Position: OPPOSE

NFIB is an incorporated nonprofit association with about 300,000 members across America. NFIB protects and advances the ability of Americans to own, operate, and grow their businesses and ensures that the governments of the United States and of the fifty states hear the voice of small businesses. Our members operate businesses in every imaginable industry.

"As states begin to reopen, small businesses continue to navigate the economic landscape rocked by COVID-19 and new government policies," said NFIB's Chief Economist Bill Dunkelberg. "It's still uncertain when consumers will feel comfortable returning to small businesses and begin spending again, but owners are taking the necessary precautions to reopen safely."

So, to be faced with a major change in how their income is taxed would very likely cause a slowdown in re-investment, expansion, and job creation.

Now is not the time for extreme changes to our tax system which affect small business.

At the heart of the federal Tax Cuts and Jobs Act, passed in 2017, is the 199A small-business tax deduction of 20% of business income. Because state taxes are tied to the final taxable income on an individual's federal forms, many Colorado small-business

owners also had less state taxes to pay. Most commonly, the savings in tax liability is reinvested into the business.
It is the opinion of NFIB de-coupling state tax calculations from the federal government's is effectively a twenty percent tax increase. The 20 percent small-business tax deduction helped produce record highs in hiring, employee compensation, and business expansion per the data from NFIB's Small Business Economic Trends reports, a 46-year report provided by NFIB Research.
Up until the onset of the coronavirus the record setting performance of small business would have likely continue.

We're asking small-business owners to re-open and re-hire while we're threatening them with a tax increase, providing them no liability protection from COVID-19 lawsuits, and still asking them to conform to the taxing regulations of more than 700 entities."

- The money small-business owners take out of their business in the form of salary, profit, dividends, etc., constitutes 95 percent or more of their annual income in 72 percent of cases.
- The amount they take out constitutes 75 percent or more of their household income in 78 percent of cases.
- While a slight majority (51%) of small businesses has a sole owner, who obtains income from the business, another 34 percent have two owners who do. Nine percent have three or more owners who draw income from it. Four percent of small businesses provide no income of any type to any owner.
- One-third (32%) of small-business owners have other adult members of the household who also draw income from the business.
- The median amount an owner of a small employing business draws from his/her firm in a year is about $72,500.
- At the extremes, 6 percent earn less than $12,500 and 5 percent earn $250,000 or more.
- Forty-six (46) percent of small-business owners obtain 95 percent or more of their entire household income from a business. The median income of a household headed by a small-business owner is about $100,000.

(Source: 411sbfacts.com)

Please OPPOSE Hb 20-1420.

Respectfully submitted by EMAIL,

A.F. Tony Gagliardi

CPGA

Colorado Propane Gas Association

June 9, 2020

To The Honorable Members of the General Assembly:

Let it be known that the Colorado Propane Gas Association vigorously opposes HB 20-1420. The imposing of sales and use tax on energy use for industrial use will add material cost to doing business in Colorado and will place Colorado businesses at a competitive disadvantage. This bill makes every gallon of propane sold subject to sales tax, adding to the financial burdens of consumers throughout the state and especially to rural consumers who use propane to heat their homes, cook their food, heat their water and dry their clothes.

Dan Binning

Executive Director

Colorado Propane Gas Association

House Energy & Environment Testimony Liz Peetz
June 9, 2020 – OPPOSE HB 1420

Good morning members of the Energy & Environment Committee. My name is Liz Peetz and I'm here on behalf of the Colorado Association of REALTORS®. We represent more than 26,000 members across the state and are the voice of homeowners. We are OPPOSED to **House Bill 1420**.

We're very disappointed that policymakers would consider such an ill-advised piece of legislation that could dampen our collective efforts to focus on economic recovery post Covid-19. Moreover after the JBC and House and Senate worked diligently to craft a budget that involved shared sacrifice for all industries in the state budget as a result of Covid-19, but this late bill would seek to harm small businesses who tried to get PPP loans from the federal government.

From media reports we know that 41,635 businesses received PPP loans, yet analysis shows that many of these were large businesses. Independent contractors, sole-proprietors, were told to wait --applications were not open to them yet, then the federal money was depleted.

According to the SBA, small businesses comprise over 48% of the Colorado economy and if this legislation is passed, small businesses would pay higher taxes for the next 6 years. In Colorado there are over 611,000 small businesses and many of them still have not received any financial support to allow them to keep their employees and prevent layoffs and furloughs. Over 1 Million Coloradans are employed by these small businesses, and the federal legislation that was supposed to help them stay in their jobs, stay in their homes and meet their family budget needs leaves many Coloradans at risk. Now the Legislature wants to pursue legislation that will harm those same Coloradans such as your local hairstylist, your barber, restaurant, and retailer. The qualified business income deduction for these independent contractor and sole proprietorships could help these small businesses who employ millions of Coloradans remain stable for the future after more than two months of being unable to operate as we all sheltered in place.

And when employers can stay open, we can provide wages to millions of Coloradans. Moreover, the business interest deduction limitation would help increase business liquidity and employee retention. Keeping businesses in business keeps employees in their jobs and keeps people in their homes.

We respectfully ask the bill sponsors to please go back to the drawing board and develop a concept that doesn't harm small businesses. Because HB 1420 today would harm the very working families employed by small businesses. **Please vote no on 1420!**

503 N Main, Suite 657, Pueblo, CO 81002
719-560-9897, admin@action22.org
www.action22.org

09-June-2020

Re: HB20-1420 Adjust Tax Expenditures for State Education Fund

Dear Colorado Legislators:

The mission of Action 22 is to give a strong voice to Southern Colorado communities. We have heard an immediate and tremendous amount of concern from our members regarding this bill. On behalf of the Action22 Board of Directors, please accept this letter as Action 22's statement that it is adamantly opposed to HB20-1420 which will revoke long standing sales tax exemptions and further cripple already suffering businesses.

This historical exemption provides value to our entire economy. From its inception, the exemption has served Colorado's tax policy goal of avoiding levying the sales use tax on inputs to a producer's goods and taxable services. Colorado has led the nation with a robust economy in recent years, an economy heavily reliant on small business. Coloradans in our communities depend on the exemption to *keep their cost's competitive with those in other states*. In turn, those businesses support local communities through property taxes paid to local government, school districts, roads, bridges, public safety, and other public investment. Many of these businesses are the primary employers in our region.

Concern over already tiny operating margins, a lack of stakeholder input on this bill and the fact this would put Colorado at a competitive disadvantage for attracting or retaining companies begs consideration of other approaches. Adding more burden to our businesses will only serve to exacerbate Colorado's budget problems in the long run. Instead, let us first consider eliminating recent or new programs which we will not be able to sustain until we get our economy back on solid footing. At a time when Colorado businesses are trying to recover from this unprecedented health, social and economic crisis, bolstering our businesses, who will be the vehicle for long term recovery, must be priority.

Thank you for considering the dire impact HB20-1420 would have on our economy and communities. We respectfully ask you to oppose and consider other alternatives to helping education in our state.

Sincerely,

Sara Blackhurst
Executive Director, Action22
admin@action22.org

Madam Chair and Members of the Committee,

My name is Jade Woodard, Executive Director of Illuminate Colorado. Illuminate is a statewide nonprofit working to strengthen families, organizations, and communities to prevent child maltreatment. I am writing this letter in support of HB20-1420, particularly section 12, on behalf of Illuminate, the Colorado Chapter of Prevent Child Abuse America.

The bill includes numerous mechanisms for increasing state revenue, which could fund the programs and services that directly benefit children and families across the state. My testimony will specifically address section 12 of the bill focused on expanding the state's earned income tax credit (EITC).

EITC prevents child abuse and neglect: Enacting and expanding state EITC is one of Prevent Child Abuse America's highest policy priorities. EITC is a strategy to increasing parental resilience and concrete support in times of need, which are two of the Protective Factors to reduce the likelihood of child abuse and neglect **[1]**. This is crucial because we know that child abuse and neglect costs the United States two trillion dollars a year in lifetime economic costs associated with investigated and substantiated cases of maltreatment **[2]**.

Abusive head trauma, also known as shaken baby syndrome, is one of the leading causes of fatal physical child abuse in the U.S. A study reviewed nonfatal abusive head trauma hospital admission rates from 27 states across 18 years (1995-2013) and revealed that states with EITC had 13% fewer abusive head trauma admissions than states without EITC **[3]**. This reduction was likely due in large part to decreased parental stress.

Financial security improves family wellbeing: EITC is associated with reductions in infant mortality and low birth weight, reduced rates of maternal smoking during pregnancy, reduced maternal stress and mental health problems, increased health insurance coverage, improvements in the home environment, improved school performance and behavior, and reductions in accidents and unintentional injuries among children **[3]**. EITC helps low income families increase yearly income and offset the costs of child care. High-quality child care, or even adequate child care to ensure a child's health and safety, is not accessible or affordable for many working families. High-quality child care reduces parental stress and isolation **[4]**. Many parents cannot find or afford adequate child care thus may be forced to leave their children alone or with caregivers who do not have the capacity to provide safe and appropriate supervision, leaving them vulnerable to endangerment, neglect or abuse.

EITC will provide long-term relief for families who have been most affected by the pandemic: EITC puts money right into the pockets of people who are most likely to spend it in their communities. Families use their EITC dollars for everything from paying for car repairs to buying clothes for their kids. When families have access to meet their basic needs, we strengthen the foundations of families and communities. EITC is associated with a wide range of physical and mental health benefits, which is important now more than ever as the pandemic exasperates stress and risk factors. We need to build a Colorado where all parents are supported by communities, programs, and policies that make it possible to parent their children to the best of their ability.

We must consider ITIN filers: Despite being an integral part of our communities, undocumented immigrants have been left out of most of the COVID-19 relief efforts. Undocumented Coloradans pay

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illuminate
Building Brighter Childhoods

well over $100 million in state and local taxes every year [5]. Including ITIN filers in the EITC immediately is just one way Colorado can make sure relief extends to people of all different races, geographies, and immigration statuses.

Please join Illuminate Colorado in our support of HB20-1420. EITC is a critical and effective investment in preventing child maltreatment and creating the conditions in which children and families thrive.

Thank you for your consideration. Please let me know if you have questions or comments, as I am available for any follow up.

Sincerely,

Jade Woodard, MPA
Executive Director
jwoodard@illuminatecolorado.org
(303) 845-0193 cell

House Finance Committee
Date: 6/9/20
Bill: **HB20-1420, Tax Fairness Act**
Position: **Support**
Organization: **Alzheimer's Association**

The Alzheimer's Association strongly supports HB20-1420. This bill protects Colorado's most vulnerable populations, including the 76,000 Coloradans living with Alzheimer's or other dementia, by raising additional revenue to help fill our state's historic budget shortfall. This is funding that would otherwise have to be cut from programs serving Colorado's most needy and vulnerable residents.

The Long Bill, as drafted, already includes cuts to programs and funds that are important to people living with dementia, including decreased funding for:

- The Older Coloradans Cash Fund
- Aid to the Needy and Disabled program
- Program of All-Inclusive Care for the Elderly (PACE)

By raising additional revenue, the Tax Fairness Act can help our state prevent further cuts to critical services like these. It does so by closing tax loopholes that overwhelmingly benefit the highest income Coloradans. We believe this is a better solution than reducing services to our state's most vulnerable residents.

While the COVID-19 pandemic has impacted everyone in some way, older Coloradans with chronic health conditions, such as people living with dementia, are at higher risk for negative outcomes from the virus. This makes it even more important that we protect the services and supports they rely on to stay healthy.

On behalf of the 332,000 Coloradans impacted by dementia today – this includes the 76,000 people living with the disease as well as their 256,000 family caregivers – please vote "yes" on HB20-1420.

Coral Cosway
Senior Director of Public Policy & Advocacy
Alzheimer's Association, Colorado Chapter
455 N. Sherman St., Ste. 500
Denver, CO 80203
ccosway@alz.org | 720-699-9276

Written Testimony as prepared for delivery in support of HB20-1420 – Adjust Tax Expenditures for State Education Fund to the House Finance Committee on June 9, 2020 by Sarah Barnes, Manager of Special Policy Initiatives at the Colorado Children's Campaign

- Madam Chair and members of the committee, my name is Sarah Barnes and I'm the Manager of Special Policy Initiatives at the Colorado Children's Campaign. Thank you for the opportunity to testify today in support of HB 1420. We are grateful to Representatives Sirota and Gray for their leadership on this policy.

- Colorado is in the midst of an unprecedented crisis. As the legislature makes difficult choices about the state budget and how to support Colorado's recovery now and into the future, HB 1420 provides solutions that would bring in revenue to help our state budget and help families who, now more than ever, need support to weather the economic crisis and get back on their feet.

- HB 1420 would generate an estimated $340 million for Colorado's budget by closing or means-testing a set of new and existing tax deductions that overwhelmingly benefit wealthy businesses and wealthy business owners. This will help lessen the need for cuts to important programs that benefit families and communities across Colorado. It will also make Colorado's tax code more fair and equitable for everyone.

- HB 1420 would also expand our state Earned Income Tax Credit (EITC) and make the EITC available to families who file taxes using an ITIN number. This will place more money back into the pockets of working families in Colorado, providing support that families need now more than ever as they work to make ends meet.

- The EITC is one of the most effective anti-poverty tools available. In 2018, the EITC lifted about three million children out of poverty in the United States. Last year, the EITC along with the Child Tax Credit lifted 148,800 Colorado families out of poverty.

- We urge your support of HB 1420, which would make our state tax code fairer and more equitable and would place more money back into the hands of working families in Colorado, lifting children and families out of poverty. HB 1420 will help Colorado and Colorado families weather the current economic crisis. Thank you.

Contact: Sarah Barnes at the Colorado Children's Campaign, sarahb@coloradokids.org or 303-520-9978

June 9, 2020

Chair Leslie Herod ... Vice
Chair Shannon Bird Representative
Adrienne Benavidez Representative Rod
Bockenfeld Representative Richard Champion
Representative Matt Gray
Representative Tracy Kraft-Tharp
Representative Janice Rich
Representative Shane Sandridge
Representative Marc Snyder
Representative Tom Sullivan
Representative Mark Weissman

Honorable Chair and members of the House Finance Committee, Westwood Unidos submits this comment in support of HB20-1420.

Our organization works with the people of the Westwood and surrounding neighborhoods in SW Denver to organize resident leaders and community based organizations to take positive action on the issues residents identify as most important.

I am writing with a message of gratitude during this time of extraordinary challenges for your dedication to your role in the political process with, I am sure, its great weight of responsibility as you have to make difficult decisions related to the budget. At the same time it is with a twofold sense of great urgency coupled with a hopeful perspective about the future of our great state and its good people that I ask you to support HB 1420, the “Fair Tax” legislation. The bill contains elements for relief to families and individuals while addressing critical shortfalls in areas that are critical to our future, in particular the funding for education.

Last month we received the results from a survey we conducted in our area of SW Denver, that I am attaching the main findings to this email. There were 106 respondents, most of them from lower income families, who took time to think about and state what their priorities were during this ongoing crisis. By far the greatest issue was employment, followed by two closely related issues of financial stability and education for adults and/or children. My understanding is that this bill would directly address two of these concerns through funding education and the State EITC program and in particular that it extends this earned credit to people that file taxes with an ITIN. 86% of the respondents to the survey are Spanish speakers and it is worth noting that their first concern is employment and the issue they would least like to have addressed (and it is still an important issue for them) is food. Just like my own father, as immigrants these are hardworking people who want opportunities to work and educate themselves to provide for their families.

Each of these two have a direct bearing on employment: the clear connection between education and employment is undeniable while financial stability may not be so obvious a factor it is certainly an important when considering family systems and how basic financial stability leads to greater outcomes in all areas.

With this reasoning I ask you to support passage of this bill with your vote and with your own influence with other House members to do the same. In return as citizen legislators you all deserve our support for you work, and I believe that passage of HB 1420 will win you widespread and ongoing support from the voters of Colorado who will greatly benefit from its positive impacts toward full recovery.

Sincerely.

Paul Casey

P.S. If you would like a copy of the full analysis of our survey I am happy to send it to you, but I know you are probably limited with your time in session right now.

Paul Casey
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720-299-9702

ACLI
Financial Security...for Life.

June 9, 2020

Members of the House Finance Committee,

I hope this note finds you and your families healthy, safe and well. Normally, we would prefer to discuss legislation in person, we are left to communicate electronically and in short order. We write today to respectfully but **strongly oppose HB20-1420**, which would specifically impose new taxes on Coloradans who are looking for alternative ways to save for retirement. Besides the legal implications related to TABOR, this new tax would harm all Coloradans securing their retirement.

ACLI and its member companies provide good jobs and long-term investment capital that spurs economic growth. In Colorado, the annuity and life insurance industry **generates 38,600 jobs**, and **each day pay out $25.6 million** in life insurance and annuities to Colorado families and businesses. Further, the industry **invests $107 billion** in Colorado's economy while providing $13 billion in mortgage loans on farms, residential and commercial property.

Colorado would become one of only 7 states to tax certain annuities. The trend over the last decade has been to **repeal** annuity taxes to encourage retirement savings. Sadly, Colorado is considering enacting a tax that would **make it more expensive for Colorado residents to save for retirement**. Moreover, the proposed tax would discriminate between annuity purchasers. Those who buy through an employer-sponsored plan are not taxed. Those who buy with their own after-tax income would be taxed.

Americans are increasingly fearful about paying for their retirement years. Studies show that for most people Social Security payments and pension income are not enough to maintain an adequate retirement lifestyle. More and more Americans doubt adequate retirement income will be there when they need it. As a result, people recognize the need for additional income for their retirement years.

Taxing certain annuities would directly harm consumers. Here's why:

1. Annuity contributions funded with after-tax dollars have already been taxed once; now they are subject to a second tax that is not imposed on annuities funded with employer sponsored pre-tax dollars.
2. Retired persons often receive a lump sum payout from their pension plans and use the funds to purchase an annuity to ensure a flow of income. These retirees should not be forced to then pay an additional tax.
3. Annuity products sold by insurers compete for the same retirement dollars as banks and other financial institutions. The additional tax on annuities would put insurers at a competitive disadvantage as these other sellers pay no product specific tax, they need not incorporate a tax into their products' costs.
4. Because of tax retaliation by other, non-annuity taxing states, life insurance companies that write annuities will have a strong disincentive to locate in Colorado.
5. Protecting Colorado retirees by opposing a second round of taxation on those purchasing annuities will keep annuities affordable and give them the peace of mind of a steady stream of retirement income.

Farmers, ranchers and small business owners will be the people most impacted by this proposal. These people are the most likely to lack an employer-provided pension and, for retirement, often rely on the funds they receive when they sell their farms, ranches and business. This proposal subjects their life savings to a second round of taxation on already taxed savings. These Colorado citizens will no longer be able to add as much to their retirement nest egg due to the discriminatory tax.

Life insurers are a growing and stable source of tax revenue to Colorado

Premium taxes paid by life insurers are independent of whether a life insurer earned a profit and the natural increase in premium volume ensures that Colorado is guaranteed a stable flow of tax receipts that almost always grow – since 2008 an average of 1.3% per year regardless of the profitability of life insurers. This is because the premium tax is a gross receipts tax. During economic downturns like the current COVID-19 recession, life insurers continue to pay tax while other industries, subject to a profit tax, often pay nothing or generate losses that are off-set against either past or future taxes. For example, in 2009, if life insurers were subject to the income tax, the industry's aggregate tax burden would have been -$2.1 million but, because the industry pays a premium tax, Colorado collected, in aggregate, an estimated $79 million. During this economic and health crisis, it is manifestly unfair to increase the taxes paid by one of the few industries that will owe 2020 taxes to Colorado.

Taxing annuities will punish the domestic industry

Every state except Hawaii has a retaliatory tax statute. These statutes ensure that if a state increases the tax burden on foreign insurers, the domestic insurers may be forced to pay additional taxes in all other states. Colorado domestic insurers will be punished in 49 other jurisdictions by this bill and may be forced to pay additional taxes to other states on all premiums written in those 49 jurisdictions. ACLI estimates that every $1000 of tax collected under this proposal will cost Colorado domestic insurers $250 in taxes that these domestics will need to pay in other states.

This proposal is unfair to Colorado retirees and particularly those without employer-provided retirement plans. As Colorado retirees struggle to overcome the financial impact on their retirement savings, this second tax on funds that already have been taxed will make it far more difficult. Moreover, the premium tax ensures that the tax obligation of life insurers occurs regardless of their profitability and this ensures a stable and dependable revenue stream to Colorado. Again, we urge you to not support HB20-1420 and protect those who are trying to secure their financial future.

Respectfully,

Tyler Laughlin
Regional Vice President – State Relations

Dear Madame Chair and Members of the Colorado House Finance Committee,

I am Dan Jablan, Legislative Director of the Rocky Mountain Insurance Association (RMIA), and our state insurance trade association represents approximately 70% of the Colorado Property and Casualty insurance marketplace.

RMIA is respectfully submitting written testimony in opposition of HB20-1420, Adjusting Tax Expenditure for a State Education Fund, due to the repeal of Colorado's Regional Home Office Insurance Premium Tax Credit, which will have significant consequences to thousands of current and future Colorado jobs, community investments and charitable contributions. Colorado insurance consumers will also pay for it in higher insurance premiums at a time when we can least afford it.

As our state is trying to find a way to bring business back, this move will have long-term implications in driving business and well-paying jobs out of Colorado to neighboring states—who are competing with Colorado to attract business and workforce opportunities by providing a positive, stable workforce environment and incentives.

This bill demands one of Colorado's largest employers—the insurance industry, and our policyholders to shoulder additional taxes at a time when we need to invest in business—not push jobs out of state. This is an expensive band-aid to cover an overall budget shortfall with no stakeholder process, deeper financial analysis and consideration of the potential cost to employment and investment in the state provided by the long-standing RHO insurance tax credit.

Here is the financial bottom line:

The regional home office tax credit is tied to jobs in Colorado which also leads to greater investment in commercial real estate, residential real estate, and community investments including municipal bonds and charitable giving.

- Nearly 14,000 people are employed by 87 companies in 34 locations that are designated regional home offices. Here is a link to a map of all the regional home offices and the number of employees.
- Health plans employ over 7,000 people and the average wage is $70,569 totaling over $493 million in wages. Additional information about health insurance employment is attached for your reference.
- Insurers apply for this tax credit annually and are subjected a rigorous inspection and audit process. This tax credit is not automatically given to any insurer.
- In order to qualify for this tax credit an insurance company must have a variety of levels of employees (ie executive-level, technical functions, customer service representatives, etc) and provide support for multi-state operations.
- This tax credit is a "significant factor" for several property and casualty companies that choose to make Colorado a home for their business.

Please be aware the State Auditor's office completed an audit of the regional home office tax credit earlier this year. This report indicates the regional home office tax credit serves it purpose (of creating jobs and economic growth), but "only to a limited extent." As an industry, we believe this is inaccurate. As noted in the report, few companies responded to the survey. Lack of response by insurance companies was due to how the questions in the survey were presented and concerns about the ability to keep strategic business information confidential. It does not reflect a lack of importance of the tax credit. **A property and casualty insurance industry survey indicates the regional home office tax credit was a "significant" factor in companies choosing to locate their businesses in Colorado.**

The potential economic impact of eliminating the regional home office tax credit may be much more than just the increased tax bill for companies. Jobs and a variety of community investments will also be impacted which could have a higher price tag for the state.

Thank you for your consideration of RMIA's strong concerns over the elimination of this long-established tax incentive to attract and keep regional insurance home offices in Colorado. We urge a "NO" vote on HB20-1420.

Respectfully,

Dan Jablan, RMIA Legislative Director

CC: Carole Walker, RMIIA Executive Director

SOUTH METRO
DENVER CHAMBER
PROSPER

Dear members of the House Finance Committee;

The South Metro Denver Chamber of Commerce is opposed to HB20-1420 and we respectfully ask for a NO vote. This bill is a significant change in tax policy and deserves a more thoughtful and robust conversation with the businesses, both small and large, that will be impacted by this bill.

The bill limits the Federal 199A deduction which allows for many businesses to deduct 20% of their profit prior to computing the tax. This was included with the 2017 tax bill and has been a huge benefit to many small businesses. In light of current economic realities main street businesses are facing due to the COVID-10 public health emergency, now is not the time to hit taxpayers with higher taxes.

This bill severely limits the ability to carryback losses and recoup tax dollars from prior years. This year businesses of all sizes will see significant losses due to the unprecedented public health emergency. Removing a business's ability to manage these losses through tax policy is short-sighted and should be reconsidered.

We understand the impacts that the devastating cuts in the state budget will have on everyone in Colorado. We are not ignorant to the pressures these budget cuts are putting on our education system. Many of our members found themselves being the teacher of their children overnight when the shut-down forced schools to close. This made us support and appreciate our teachers even more than we already did. We also support and appreciate the small businesses on our main streets. We missed our local restaurants, the consignment clothing store down the street, the craft brewery where we found ourselves after a long bike ride. We must support them as well as they try and crawl their way back from this economic devastation. Please do not make the situation worse by passing this bill.

Our overall view is this is a revenue raising bill where the brunt is carried by business's and their owners at a time when they can least afford it. It will translate to lost jobs and more business closures. Please vote NO on HB20-1420.

Sincerely,

Jeff Keener
President, CEO
South Metro Denver Chamber

6972 South Vine Street, Suite 363 Centennial CO, 80112

Climax Molybdenum
A Freeport-McMoRan Company

Climax Molybdenum
333 North Central Avenue
Phoenix, AZ 85004

Michael J. Kendrick
President

June 8, 2020

Dear Madam Speaker,

I am writing on behalf of the Climax Molybdenum Company to express our concerns with draft tax legislation sponsored by Reps. Sirota and Gray. While we understand and appreciate the very difficult choices legislators have had to make as a result of declining revenues, certain proposed tax changes would further challenge our ability to recover from difficult global market conditions, which recently led to a reduction in our Colorado workforce.

While we are still evaluating the impact of the draft bill, at least one provision (i.e., removal of the exemption on sales tax for energy use) would have a profound impact on our competitiveness.

Climax Molybdenum Company is the world's leading molybdenum producer and supplier. Molybdenum is a naturally occurring essential element that is used in a variety of important applications including renewable energy, national defense, and the removal of sulfur from fuel to improve air quality. In Colorado, we operate two primary molybdenum mines, Climax and Henderson, employing about 800 people. We are a significant economic contributor and community partner in several rural communities.

In late April, we announced revised operating plans in response to the COVID-19 pandemic, which has significantly disrupted the global economy and triggered a sharp decline in the price of molybdenum. At the Climax mine, the revised operating plan included a decrease in production, which unfortunately led to an approximately 25% reduction in workforce.

Market conditions remain unsettled. Thus, we are even more sensitive now to any unanticipated cost increases that negatively affect our ability to compete in a global market.

Thank you again for your leadership during these challenging times, and for your consideration of our concerns about the unintended consequences of certain proposals being put forward.

Respectfully,

TRI-COUNTY HEALTH NETWORK
PO BOX 4222
TELLURIDE, CO 81435

Chair Leslie Herod
Vice Chair Shannon Bird
Representative Adrienne Benavidez
Representative Rod Bockenfeld
Representative Richard Champion
Representative Matt Gray
Representative Tracy Kraft-Tharp
Representative Janice Rich
Representative Shane Sandridge
Representative Marc Snyder
Representative Tom Sullivan
Representative Mark Weissman

Dear Honorable Chair and Members of the House Finance Committee,

Tri-County Health Network respectfully asks you to take action to prevent deep cuts to our state budget. We are running out of time. The Joint Budget Committee took great pains to minimize the human impact of cutting $3.3 billion out of the State General Fund. Even so, the size of the cuts will undo much of the progress of the last few years, will harm rural Colorado, and may set our Colorado communities back for years to come. As an example of what we are facing, a report released on Friday, shows how the cuts to the Department of Health Care Policy and Financing's budget will negatively impact access to health care – particularly in rural Colorado.

Tri-County Health Network serves the rural counties of San Miguel, Ouray, Delta and Montrose, located in southwestern Colorado, more than 300 miles from Denver. The Health Resources Services Administration identifies this region as a Health Professional Shortage Area, a Medically Underserved Area, and as a Medically Underserved Population. These designations signify an at-risk community with too few providers and pockets of extreme poverty.

TCHNetwork and our partner clinics provide care to the majority of the 83,505 people living in our rural four-county region. Poverty is a key issue in our rural region. Many of our school districts have high percentages of students eligible for free or reduced lunches (55% in the West End of Montrose County, 32% in Norwood, 32% in Ouray, 20% in Ridgway, 19% in Telluride, 59% in Delta). The average weekly earnings for our residents are lower than other Coloradoans ($696 in Delta, $760 in Montrose, $747 in Ouray, and $790 in San Miguel, compared with $1,231 in Colorado). Being a low- income earner is especially challenging in our rural region due to the high cost of living. Families must earn 2-3 times the federal poverty level (or approximately $43,000-54,500 for a family of 2) to make ends meet in our region. One-third of our community members fall under that standard.

Tri-County Health Network
PO Box 4222
Telluride, CO 81435

As you can see our communities are already in crisis and we cannot afford this cut in funding, especially in light of the other cuts we are facing due to the crisis caused by COVID-19.

The Tax Fairness Act will raise over $340 million to avoid some deep cuts to our state budget and increase the fairness of our inequitable tax code. Please vote yes on HB20-1420 so we can rebalance the advantages of our tax system in favor of our hard working rural families.

Sincerely,

Lynn R. Borup
Executive Director

SUBMITTED WRITTEN TESTIMONY

Committee House Finance
Meeting Date 06/09/2020 Upon Adjournment of Energy & Environment

Bill Number	First Name	Last Name	Position on Bill	Representing	Testifying	Text of Testimony
HB20-1420	Allison	Neswood	For	Colorado Center on Law and Policy	Uploaded file	
HB20-1420	Andrea	Wilkins	For	League of Women Voters of Colorado	Uploaded file	
HB20-1420	Cecil	Autry	Against	Liberty Mutual Insurance	Submitted text	Liberty Mutual respectively OPPOSES HB 20-1420. As currently drafted the bill would eliminate and/or reduce certain tax credits for insurers operating in Colorado. Eliminating tax credits undermines the original intent of the legislation that authorizes the credits and eliminates incentives for insurers that ultimately benefit consumers with lower costs and premium rates. Colorado, a Liberty Mutual target state for growth and employee presence expansion, is increasingly becoming a more costly state in which to provide insurance products to consumers. Increasing insurers' costs will make our products more expensive for consumers and threaten the availability of coverage that is either required by law for auto and contract for homeowners' coverage. I welcome questions you may have and can provide the specific financial impact to Liberty Mutual upon request. I urge you to vote NO on HB 20-1420. Thank you.
HB20-1420	Coral	Cosway	For	Alzheimer's Association	Uploaded file	
HB20-1420	Dan	Binning	Against	Colorado Propane Gas Association	Uploaded file	
HB20-1420	Doyle	Forrestal	For	Colorado Behavioral Healthcare Council	Uploaded file	
HB20-1420	Jade	Woodard	For	Illuminate Colorado	Uploaded file	
HB20-1420	Jamee	Allen	Against	Climax Molybdenum	Uploaded file	
HB20-1420	Jeff	Keener	Against	South Metro Denver Chamber	Uploaded file	
HB20-1420	Karla	Gonzales Garcia	For	Colorado Organization for Latina Opportunity and Reproductive Rights	Uploaded file	
HB20-1420	Kelly	Campbell	Against	American Property Casualty Insurance Association of America	Uploaded file	
HB20-1420	Kelly	Campbell	Against	American Property Casualty Insurance Association of America	Uploaded file	
HB20-1420	Kevin	Doran	Against	Aurora Economic Development Council	Uploaded file	
HB20-1420	Lynn	Borup	For	Tri-County Health Network	Uploaded file	

HB20-1420	Martha	Mason	For	Southwest Center for Independence	Submitted text	Dear Senator Coram, Representative McLachlan, Please take action to prevent deep cuts to our state budget. We are running out of time. The Joint Budget Committee took great pains to minimize the human impact of cutting $3.3 billion out of the State General Fund. The nine Centers for Independent Living in the state did our share by taking about a 5% cut. Even so, the size of the cuts will undo much of the progress of the last few years, will harm rural Colorado, and may set our Colorado communities back for years to come. People with disabilities in southwest Colorado are concerned about losing access to the services that allow them to live in the community. As an example of what we are facing, a report released on Friday by the Colorado Center on Law & Policy, shows how the cuts to the Department of Health Care Policy and Financing's budget will negatively impact access to health care – particularly in rural Colorado. We cannot afford this, especially in light of the other cuts we are facing and the crisis caused by COVID-19. We understand that the legislature will consider legislation to close a handful of new and existing tax credits and deductions that benefit wealthy businesses and wealthy business owners, in order to raise over $340 million for our state budget. Please do the right thing for our communities and fight to advance this legislation. More than 130 organizations throughout Colorado have called for revenue solutions to our budget shortfall. We support HB20-1420 as an answer to that call. Do the right thing for Colorado communities As always, thank you, Martha Mason Executive Director Southwest Center for Independence 3473 Main Ave #23 Durango, CO 81301 Cell: 970-903-5848 Office: 970-259-1672 www.swindependence.org www.southwestrides.org
HB20-1420	Sara	Blackhurst	Against	Action 22	Uploaded file	
HB20-1420	Sarah	Barnes	For	Colorado Children's Campaign	Uploaded file	
HB20-1420	Tyler	Laughlin	Against	American Council of Life Insurers	Uploaded file	