



**Colorado
Legislative
Council
Staff**

HB16-1286

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1004
Prime Sponsor(s): Rep. Becker K.

Date: March 2, 2016
Bill Status: House Finance
Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: INCREASE WILDFIRE MITIGATION INCOME TAX DEDUCTION

| Fiscal Impact Summary | FY 2016-2017 | FY 2017-2018 | FY 2018-2019 | FY 2019-2020 |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| State Revenue | <u>(at least \$43,200)</u> | <u>(at least \$88,000)</u> | <u>(at least \$89,000)</u> | <u>(at least \$45,000)</u> |
| General Fund | (at least \$43,200) | (at least \$88,000) | (at least \$89,000) | (at least \$45,000) |
| State Expenditures | Minimal workload increase. | | | |
| TABOR Impact | (at least \$43,200) | (at least \$88,000) | (at least \$89,000) | Not estimated. |
| Appropriation Required: None. | | | | |
| Future Year Impacts: None. | | | | |

Summary of Legislation

This bill increases the percentage of the wildfire mitigation state income tax deduction from 50 percent to 100 percent of the costs incurred for performing wildfire mitigation on a taxpayer's property. The tax deduction cannot exceed \$2,500 per income tax year or the total amount of the taxpayer's federal taxable income, whichever is less.

The increased income tax deduction will be available for tax years 2017 through 2019. After that, the income tax reduction will return to 50 percent of qualified costs until tax year 2024, as specified in current law.

Background

Under current law, a taxpayer is allowed a state income tax deduction for performing wildfire mitigation measures. The deduction, which is available through tax year 2024, is equal to 50 percent of the costs the taxpayer incurred while performing these measures. To be eligible for the deduction, the taxpayer must own the property upon which the mitigation measures are performed.

State Revenue

This bill will reduce General Fund revenue by at least \$43,200 in FY 2016-17, \$88,000 in FY 2017-18, \$89,000 in FY 2018-19, and \$45,000 in FY 2019-20. The figures for FY 2016-17 and FY 2019-20 represent half-year impacts since the expanded deduction is available beginning in tax year 2017 and expires after tax year 2019.

In 2014, almost 2,000 taxpayers deducted a total of \$1,769,176 under the wildfire mitigation income tax deduction, which implies \$3,538,352 in total out-of-pocket costs. This deduction reduced total state income taxes by \$81,912 in 2014. State income taxes would have declined by another \$81,912 if the allowable deduction had been 100 percent. The 2014 data were adjusted by population growth to obtain estimates for 2017, the first year the income tax credit is available.

It is important to note that the actual impact on state revenue may be higher than estimated because the expanded deduction may incentivize additional taxpayers to perform wildfire mitigation efforts.

TABOR Impact

HB16-1286 will reduce state revenue from the General Fund, which will reduce the amount of money required to be refunded under TABOR. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget.

State Expenditures

For FY 2016-17, the bill increase workload by a minimal amount. Tax form instructions will need to be updated to indicate that 100 percent of qualified mitigation costs could now be deducted. This work can be done with existing appropriations at the Department of Revenue.

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Higher Education Information Technology Revenue