



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 22-0595	Date:	January 18, 2022
Prime Sponsors:	Rep. Ransom Sen. Sonnenberg	Bill Status:	House SCMVA
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Bill Topic: REDUCE STATE INCOME TAX RATE

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill reduces the state income tax rate from 4.55 percent to 4.40 percent beginning in tax year 2022. The bill will decrease state revenue beginning in FY 2021-22, and increase state expenditures in FY 2021-22 and FY 2022-23.

Appropriation Summary: The bill requires General Fund appropriations to the Department of Revenue of \$9,197 in the current FY 2021-22, and \$1,600 in FY 2022-23.

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

**Table 1
State Fiscal Impacts Under HB 22-1021**

		Current Year FY 2021-22	Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	General Fund	(\$194.0 million)	(\$401.3 million)	(\$420.4 million)
Expenditures	General Fund	\$9,197	\$1,600	-
Transfers		-	-	-
Other Budget Impacts	TABOR Refund	(\$194.0 million)	(\$401.3 million)	(\$420.4 million)
	General Fund Reserve	\$1,232	\$240	-

Summary of Legislation

Beginning in tax year 2022, the bill reduces the state income tax rate from 4.55 percent to 4.40 percent. The rate reduction applies to both individual and corporate income taxes.

State Revenue

The bill reduces general fund revenue by \$194.0 million in the current FY 2021-22, \$401.3 million in FY 2022-23, and \$420.4 million in FY 2023-24 and thereafter. The amount for the current FY 2021-22 represents a half-year impact for tax year 2022 on an accrual accounting basis.

Beginning in tax year 2022, this fiscal note assumes that individual and corporate income tax revenue will each be reduced by 3.3 percent, the proportion by which this bill reduces the income tax rate. Revenue reductions are applied to expectations published in the December 2021 Legislative Council Staff forecast. This fiscal note does not account for any potential dynamic effects attributable to a tax rate reduction.

State Expenditures

The bill is expected to increase General Fund expenditures by \$9,197 in FY 2021-22 and \$1,600 in FY 2022-23. Expenditures are presented in Table 2 and discussed below.

Table 2
Expenditures Under HB 22-1021

	Current Year FY 2021-22	FY 2022-23	FY 2023-24
Department of Revenue			
GenTax Programming	\$450	-	-
Computer and User Acceptance Testing	\$8,747	-	-
Data Reporting	-	\$1,600	-
Total Cost	\$9,197	\$1,600	-

Department of Revenue (DOR). The department will have one-time costs of \$9,197 in FY 2021-22 and \$1,600 in FY 2022-23 to implement this bill. The bill requires changes to the department's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of \$225 per hour. Approximately two hours of computer programming will be required to implement this bill, totaling \$450. Additional computer and user acceptance testing are required to ensure programming changes function properly, resulting in additional costs of \$8,747. The Office of Research and Analysis within DOR will have costs of \$1,600 to update reporting processes, SQL code, worksheets, report templates, and GenTax database testing.

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. 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.

General Fund reserve. Under current law, an amount equal to 13.4 percent of General Fund appropriations must be set aside in the General Fund statutory reserve in FY 2021-22, and 15 percent in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$1,232 in FY 2021-22 and \$240 in FY 2022-23.

Technical Consideration

Under current law, if the TABOR refund is sufficiently large, the state income tax rate is temporarily reduced from 4.55 percent to 4.5 percent as a TABOR refund mechanism. This fiscal note assumes that this bill will effectively eliminate this TABOR refund mechanism.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. The income tax rate reduction is effective January 1, 2022.

State Appropriations

The bill requires General Fund appropriations to the Department of Revenue of \$9,197 in the current FY 2021-22, and \$1,600 in FY 2022-23.

State and Local Government Contacts

Information Technology

Law

Personnel

Revenue