



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

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Prime Sponsors: Rep. Pelton Bill Status: House Finance
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Bill Topic: GENERAL FUND SURPLUS REBATES TO TAXPAYERS

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

This bill provides a rebate to taxpayers in income tax year 2022 totaling the amount of the projected FY 2021-22 General Fund surplus. It increases state expenditures to issue rebates to taxpayers in FY 2022-23, which will reduce available funds to spend or save in FY 2022-23 or future years.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$69,040 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 22-1129

Table with 4 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund), Transfers, and Other Budget Impacts (General Fund Reserve\*).

\*The bill impacts the amount of General Fund available to be held in reserve, as well as future appropriations that impact the reserve requirement, and the exact impacts cannot be estimated.

## **Summary of Legislation**

This bill provides a rebate to qualifying income taxpayers in tax year 2022. The total amount to be refunded is the projected state General Fund surplus for FY 2020-21, equal to \$1,846,400,000, which will be allocated in the same method as the six-tiered TABOR sales tax refund mechanism. The rebates are only for the FY 2021-22 General Fund surplus and will be distributed through the 2022 state income tax returns. If the total amount of the rebates allocated is less than \$1,846,400,000, no additional rebates are required in the next income tax year.

## **Background**

The December 2021 Legislative Council Staff Economic and Revenue Forecast expects the General Fund to end FY 2021-22 with a \$1.85 billion surplus above than the statutorily required reserve. The actual surplus amount may be higher or lower depending on actual state revenue collections and fiscal policy decisions affecting the General Fund in FY 2021-22.

## **State Expenditures**

The bill increases spending on taxpayer rebates and administration in the Department of Revenue (DOR), as discussed below.

**Taxpayer rebates.** The bill will increase expenditures by \$1.85 billion in FY 2022-23 to issue taxpayer rebates. In turn, this will reduce the amount of General Fund available to spend or save in FY 2022-23 or future budget years. By reducing the surplus reserve held in the General Fund at the end of FY 2021-22, future spending in FY 2022-23 may be lower, spending across multiple years may be lower, or the ending General Fund balance left over at the end of one or more fiscal years may be lower, depending on future budgeting decisions by the General Assembly with and without the bill. It is assumed that the State Controller will set aside the required amount in the General Fund for the DOR to refund to taxpayers as specified in the bill, and that an appropriation is not required for this purpose.

**Department of Revenue.** For FY 2022-23 only, the bill will require changes to DOR's GenTax software system and additional testing. Changes are programmed by a contractor at a cost of \$225 per hour. Approximately 120 hours of computer programming will be required to implement this bill, totaling \$27,000. Additional computer and user acceptance testing are required to ensure programming changes are tested and functioning properly, resulting in an additional \$36,253 in expenditures by the department. Finally, the bill requires changes to one tax form (DR 0104) at a cost of \$5,787. Expenditures for form changes occur in the Department of Personnel and Administration using funds reappropriated from the Department of Revenue.

**Taxpayer impacts.** Table 2 provides estimates for the amounts to be refunded to taxpayers via the six-tier sales tax refund mechanism for tax year 2022. Estimates are based on the taxpayer population and inflation assumptions from the December 2021 Legislative Council Staff forecast. Consistent with the six-tier sales tax refund mechanism, identical amounts are allocated to taxpayers within each of the six adjusted gross income tiers, with joint filers receiving double the amount received by single filers.

**Table 2**  
**Estimated Rebates under HB 22-1129**

Taxpayer Distribution by Adjusted Gross Income		Single Filers	Joint Filers	
	up to	\$45,000	\$361	\$722
\$45,001	to	\$91,000	\$481	\$962
\$91,001	to	\$144,000	\$554	\$1,108
\$144,001	to	\$200,000	\$658	\$1,316
\$200,001	to	\$254,000	\$708	\$1,416
\$254,001	and up		\$1,139	\$2,278

*Source: Legislative Council Staff calculations based on the assumptions in the December 2021 forecast for the six-tier sales tax refund mechanism.*

### Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. This bill will reduce the starting balance of the General Fund in FY 2022-23, which will require other funds to be set aside to meet the statutory reserve in its place. To the extent that this bill results in lower General Fund appropriations in one or more years, the bill will result in a lower required General Fund reserve. These impacts to the statutory reserve depend on future fiscal policy decisions and therefore is not estimated in this fiscal note.

### Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

### State Appropriations

For FY 2022-23, the bill requires a General Fund appropriation of \$69,040 to the Department of Revenue. Of this amount, \$5,787 is reappropriated to the Department of Personnel and Administration.

As stated above, it is assumed that no appropriation is required to issue rebates under the bill using the six-tier sales tax refund mechanism.

### State and Local Government Contacts

Information Technology  
 State Auditor

Personnel  
 Treasury

Revenue