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Fiscal Note

Drafting Number: LLS 24-1128 Date: April 9, 2024
Prime Sponsors: Rep. Bird Bill Status: House Finance
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Bill Topic: EXPAND AFFORDABLE HOUSING TAX CREDIT

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

This bill expands the Colorado Affordable Housing Tax Credit by allowing the Colorado Housing Finance Authority (CHFA) to allocate additional tax credits through 2031. This bill decreases state General Fund revenue beginning in FY 2025-26, and minimally increases workload for state agencies and CHFA.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under HB 24-1434

Table with 4 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, and Out Year FY 2030-31\*. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

\*The bill is projected to decrease General Fund revenue over a 15-year period from FY 2024-25 through FY 2038-39. Peak revenue loss is expected in FY 2030-31. See State Revenue section and Figure 1 for more information.

## Summary of Legislation

This bill increases the amounts that the Colorado Housing and Finance Authority (CHFA) can allocate for the state affordable housing income tax credit. The bill increases the amount CHFA can allocate for the following tax years:

- \$20 million in credits for 2024;
- \$20 million in credits for 2025;
- \$20 million in credits for 2026;
- \$16 million in credits for 2027;
- \$16 million in credits for 2028;
- \$16 million in credits for 2029;
- \$10 million in credits for 2030; and
- \$10 million in credits for 2031.

As under current law, the credit amounts allocated can be claimed by taxpayers for each of six tax years. This results in a total of at least \$768 million in additional tax credits that can be allocated by CHFA over eight years. For these expanded credits only, the bill allows a qualified taxpayer to claim 70 percent of the credit in the first year of the credit period and six percent in each of the second through the sixth year of the credit period. Under current law, the taxpayer must claim the credit in equal proportions over a six-year credit period.

## Background

Colorado's Affordable Housing Tax Credit Program was originally established in 2001 and was renewed in 2014 under House Bill 14-1017, which allowed CHFA to issue \$30 million in state income tax credits in both 2015 and 2016. The bill also allowed CHFA to allocate credits above the \$5 million annual cap to support affordable housing developments in counties impacted by natural disasters. House Bill 16-1465 authorized an additional three years of \$30 million allocations. Senate Bill 18-007 authorized an additional five years (2020 through 2024) of \$30 million allocations. House Bill 19-1228 increased the annual allocation cap to \$10 million for tax years 2020 through 2024. Finally, House Bill 22-1051 extended the credit for an additional seven years (2025 through 2031) at \$10 million per year, and removed the aggregate cap for credits for qualified developments in a county impacted by a federally declared natural disaster for the purposes of leveraging state and federal natural disaster funds for recovery efforts.

The Affordable Housing Credit can be applied to either a taxpayer's state income tax (individual and corporate) or their insurance premiums tax liability, but not both. The credit may be applied to reduce the insurance premium tax paid by any entity that is not liable for Colorado income taxes. Revenue from the insurance premium tax is credited to the state General Fund.

**Credit Allocation.** Credits are required to be allocated over six years, and yearly allocations may not exceed the annual cap. For example, under current law, CHFA is allowed to allocate \$60 million in tax year 2025, from which taxpayers may claim \$10 million annually for each year over a six-year period. Under the bill, and only for the credits in the bill, a taxpayers may claim

70 percent of their credit in year one, and the remaining 30 percent in increments of 6 percent annually over the next five years. Under current law, CHFA may allocate up to \$625.0 million in state affordable housing tax credits in tax year 2024 through 2036 to developers of qualifying housing projects. Table 2 shows current law allocations of Colorado’s affordable housing tax credit

**Table 2**  
**Current Law Allocation of Colorado’s Affordable Housing Tax Credit**  
**Allocation per Calendar Year**  
*Dollars in Millions*

<b>Allocation Year and Amount</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>
<b>2019:</b> \$30 million (HB 19-1228)	\$5.0												
<b>2020:</b> \$60 million (HB 19-1228)	\$10.0	\$10.0											
<b>2021:</b> \$60 million (HB 19-1228)	\$10.0	\$10.0	\$10.0										
<b>2022:</b> \$60 million (HB 19-1228)	\$10.0	\$10.0	\$10.0	\$10.0									
<b>2023:</b> \$60 million (HB 19-1228)	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0								
<b>2024:</b> \$60 million (HB 19-1228)	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0							
<b>2025:</b> \$60 million (HB 22-1051)		\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0						
<b>2026:</b> \$60 million (HB 22-1051)			\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0					
<b>2027:</b> \$60 million (HB 22-1051)				\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0				
<b>2028:</b> \$60 million (HB 22-1051)					\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0			
<b>2029:</b> \$60 million (HB 22-1051)						\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0		
<b>2030:</b> \$60 million (HB 22-1051)							\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	
<b>2031:</b> \$60 million (HB 22-1051)								\$10.0	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0
<b>Calendar Year Totals</b>	<b>\$55.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$60.0</b>	<b>\$50.0</b>	<b>\$40.0</b>	<b>\$30.0</b>	<b>\$20.0</b>	<b>\$10.0</b>

**Claiming the credit.** While the amount allocated is capped each year, the amount of credits claimed by taxpayers in any tax year is not capped. Therefore, the revenue impacts of the tax credit will not necessarily follow the same pattern or timing as the allocation schedule shown in Table 2. A taxpayer cannot claim the low-income housing tax credit until the qualified development is placed in service, which can delay the claiming of the credit by one or more years relative to when the credit is allocated. Additionally, any portion of the credit that exceeds a taxpayer’s income tax liability in any given tax year may be carried forward for up to eleven years.

## **Assumptions**

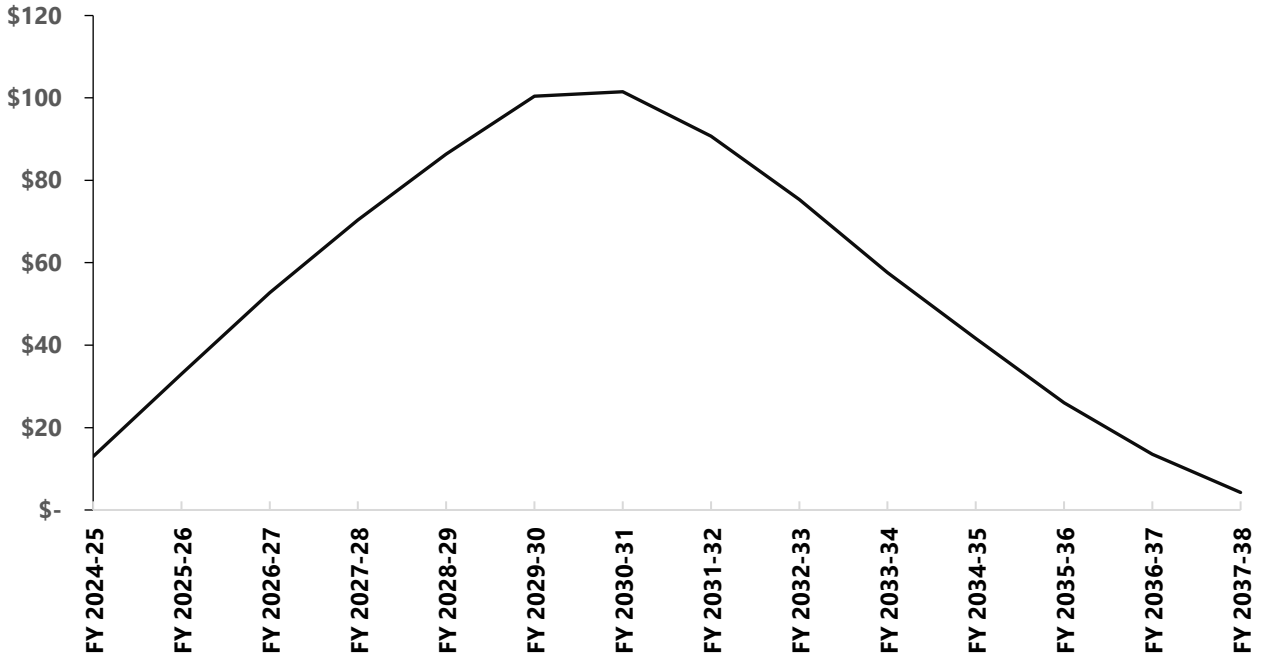
This fiscal note assumes that the additional credits allowed under this bill will be claimed beginning in tax year 2024. On average, 15 percent of qualified low-income housing developments are completed within one year of when CHFA approves the project, while the remaining 85 percent are generally put into service within two years. The credit period begins once the project is complete. The timing of project completion depends on a number of factors including construction and permitting timelines.

This fiscal note also assumes taxpayers will claim credits equal to the full allocation amount allowed in each tax year. The amount and timing of carry-forward tax credits are dependent on a number of factors, such as the economy and individual and business tax liabilities in any given year. If the full amount of the tax credit allowed each year is not utilized as early as assumed here, reductions in General Fund revenue will be pushed into future fiscal years.

## **State Revenue**

The bill authorizes a total of at least \$768 million in state affordable housing credits that CHFA may allocate between calendar years 2024 through 2031. As shown in Figure 1 and Table 3, it is estimated that the total revenue impact from the credits under this bill will be phased in over 15 years, beginning in FY 2024-25. General Fund revenue will be reduced by at least \$6.3 million in FY 2024-25 (half-year impact), and at least \$48.8 million in FY 2025-26, with larger impacts in subsequent years that then taper off over time. The bill decreases income tax revenue, which is subject to TABOR.

**Figure 1**  
**General Fund Revenue Reductions Under HB 24-1434\***  
 Dollars in Millions



**Table 3**  
**General Fund Revenue Reduction Under HB 24-1434\***

<b>Fiscal Year</b>	<b>General Fund Revenue Reduction</b>
FY 2024-25	(\$6.3 million)
FY 2025-26	(\$48.8 million)
FY 2026-27	(\$88.7 million)
FY 2027-28	(\$94.6 million)
FY 2028-29	(\$93.3 million)
FY 2029-30	(\$92.5 million)
FY 2030-31	(\$95.9 million)
FY 2031-32	(\$84.7 million)
FY 2032-33	(\$68.2 million)
FY 2033-34	(\$43.4 million)
FY 2034-35	(\$20.7 million)
FY 2035-36	(\$15.0 million)
FY 2036-37	(\$9.4 million)
FY 2037-38	(\$4.9 million)
FY 2038-39	(\$1.5 million)
<b>Total</b>	<b>(\$768 million)</b>

\* Revenue impacts shown are the minimum reductions and do not include credits above the annual aggregate cap allocated for counties impacted by natural disasters.

## **State Expenditures**

The Department of Revenue administers the current Colorado affordable housing credit and the Department of Personnel and Administration processes paper tax documents. This bill increases the amount of credits that may be claimed by taxpayers, which will result in ongoing workload impacts that can be accomplished within existing appropriations

## **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.

## **Statutory Public Entity Impact**

The bill will increase workload for CHFA on an ongoing basis to allocate additional credits. This workload can be accomplished with existing resources.

## **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## **State and Local Government Contacts**

CHFA	Information Technology	Local Affairs
Personnel	Revenue	

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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](#).