


 Colorado *Legislative Council Staff Fiscal Note*
FINAL
FISCAL NOTE

Drafting Number: LLS 11-0256 **Date:** July 14, 2011
Prime Sponsor(s): Rep. DelGrosso **Bill Status:** Signed into Law
 Sen. Roberts; Hudak **Fiscal Analyst:** Ron Kirk (303-866-4785)

TITLE: CONCERNING THE REPEAL OF A LIMITING TRIGGER ASSOCIATED WITH THE CHILD CARE CONTRIBUTION INCOME TAX CREDIT.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
State Revenue General Fund*		(\$11.6 million)	(\$29.8 million)	(\$27.6 million)
State Expenditures General Fund**		\$34,040		
FTE Position Change				
Effective Date: The bill was signed into law by the Governor on June 2, 2011, and takes effect on August 10, 2011, assuming no referendum petition is filed.				
Appropriation Summary for FY 2011-2012: None.				
Local Government Impact: None.				

* A forecast for whether General Fund revenue will be sufficient to allow General Fund appropriations to increase by 6 percent beginning in FY 2013-14 is not available. During any year beginning in FY 2013-14 for which revenue is sufficient to do so, this bill will not change state revenue. It will reduce revenue during years General Fund revenue is not sufficient to do so.

** Expenditures for FY 2012-13 reflect a preliminary estimate that may be adjusted for increased future programming costs as required.

Summary of Legislation

This bill repeals the trigger for the child care contribution income tax credit beginning in tax year 2013. Under current law, the credit is not available for any income tax year when General Fund Revenue for the fiscal year is forecast to be insufficient to allow General Fund appropriations to grow by 6 percent. The credit was established in 1999 and is authorized by state statute through tax year 2019. Currently, the trigger is based on the December Legislative Council Staff revenue forecast. In December 2010, revenue was not forecast to be sufficient for appropriations growth of 6 percent in FY 2010-11. Therefore, the tax credit will not be available for tax year 2011 and, under current law, is not expected to be available through the forecast period that extends through tax year 2013. This bill would make the credit available for income tax years 2013 through 2019, regardless of the revenue forecast.

While the bill does not reduce the total amount that may be claimed for a contribution, it does defer the availability of a portion of the amount that may be claimed in tax years 2013 and 2014. For any credit that is allowed to be claimed in 2013 for contributions made in 2011 through 2013, at least one half of the allowable amount must be carried forward to future tax years beginning in tax year 2014. For any credit that is allowed to be claimed for the first time in 2014, at least one quarter of the allowable amount must be carried forward to future tax years beginning in tax year 2015.

Background. State income taxpayers, both individual and corporate filers, who contribute money to promote child care in Colorado can claim an income tax credit of 50 percent of the total contribution. (Non-monetary donations do not qualify for the credit.) The amount of the credit cannot exceed \$100,000. Further, any credit amount in excess of a taxpayer's annual income tax liability may be carried forward to future income tax returns for up to five years.

Colorado's child care contribution income tax credit is one of six tax incentives that are not available whenever General Fund revenue is forecast to be insufficient to allow appropriations to grow by at least six percent during the year. Based on the 2010 December forecast, an additional \$226.2 million in General Fund revenue would have been needed above the forecast amount to grow appropriations by six percent over the prior year. Thus, the credit will not be available during tax year 2011. Taxpayers who would otherwise qualify for the credit in 2011 will be able to claim any accrued credits during the next tax year that revenue growth is forecasted to allow appropriations to grow by six percent.

Although Colorado is on a path of slow and gradual recovery, revenue growth is not expected to be sufficient to allow General Fund appropriations to grow by 6 percent.

State law requires the Colorado Department of Revenue to give notice on its website as to when the credit is available based on the December LCS forecast.

State Revenue

This bill will reduce General Fund revenue by \$11.6 million in FY 2012-13, \$29.8 million in FY 2013-14 and \$27.6 million in FY 2014-15. These estimates are based on 2009 data for the credit as reported by the Department of Revenue which were increased by the most recent Legislative Council Staff forecast of Colorado personal income growth. Taxpayers claimed \$11.4 million in child care contribution credits in 2009. Prior to 2009, the department did not track the child care contribution credit and thus, historical data on the credit are not available.

This fiscal note assumes that 50 percent of credits generated from child care contributions made in 2011, 2012, and 2013 will be claimed in tax year 2013, with the remaining 50 percent carried forward to future tax years beginning in tax year 2014. In addition, it is assumed that 75 percent of the credits generated from contributions made in 2014 will be claimed in tax year 2014, with the remaining 25 percent carried forward to future years beginning in tax year 2015. The estimate for FY 2012-13 represents a half-year impact.

This bill will not affect state revenue for any year for which the credit is available beginning in FY 2013-14 that the December Legislative Council Staff revenue forecast shows that revenue is sufficient to allow appropriations to increase by 6 percent.

State Expenditures

Department of Revenue. The Department of Revenue will incur costs of \$34,040 in FY 2012-13 to comply with the carry forward requirements in HB 11-1014. Specifically, these costs are to process and edit child care contribution investment carry over schedules. Expenditures are based on programming changes of 460 hours by an IT Professional III to modify the state's income tax system called GenTax, at a rate of \$75.00 per hour. No appropriation is necessary in FY 2011-12. This fiscal note assumes that the Department of Revenue's cost would be paid from the General Fund in FY 2012-13.

Departments Contacted

Revenue