

Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 and STATUTORY PUBLIC ENTITY
 FISCAL IMPACT**

Drafting Number: LLS 13-0119	Date: January 9, 2013
Prime Sponsor(s): Rep. Gerou; Levy Sen. Roberts; Nicholson	Bill Status: House Finance
	Fiscal Analyst: Alex Schatz (303-866-4375)

TITLE: CONCERNING THE EXTENSION OF FINANCIAL INCENTIVES FOR WILDFIRE MITIGATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund - <i>reduction</i>	(Up to \$28,938)	(Up to \$57,875)
State Expenditures		
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill is recommended by the **Lower North Fork Wildfire Commission**. The bill extends two statutes that provide financial assistance for forest health activities, including activities that mitigate wildfire risk.

Under current law, homeowners in the wildland-urban interface may deduct half of up to \$5,000 in costs for wildfire mitigation measures (a maximum potential deduction of \$2,500) from their Colorado taxable income. Wildfire mitigation measures include establishing defensible space around a residence (e.g., fuel breaks, thinning vegetation, other site work). This deduction is set to expire after tax year 2013. This bill extends the wildfire mitigation income tax deduction to tax year 2024.

The bill also extends the authority of the Colorado Water Resources and Power Development Authority (CWRPDA) to issue up to \$50,000,000 in bonds to fund watershed protection and forest health projects by governmental agencies. Under current law, the CWRPDA bonding authority expires as of July 1, 2013. The bill extends this bonding authority to July 1, 2023.

Background

The wildfire mitigation income tax deduction was created by House Bill 08-1110. This deduction was claimed by 642 taxpayers in 2009, 467 taxpayers in 2010, and 467 taxpayers in 2011. It appears that taxpayers claiming the deduction typically claimed nearly the full allowance of \$2,500; however, due to aggregation of statistics on income tax deductions, it is not possible to determine the average or total amount of income tax deductions under HB 08-1110.

CWRPDA bonding authority for watershed protection and forest health projects was enacted by Senate Bill 08-221. Local, state, and federal agencies may apply distributions from bond proceeds to projects identified by the Colorado Clean Energy Development Authority or the Colorado State Forest Service. While the CWRPDA has provided financial assistance for forest health projects using other financial resources, it has yet to issue bonds pursuant to SB 08-221. According to CWRPDA, governmental agencies have recently expressed interest in seeking funding through the bond program.

State Revenue

Extending the wildfire mitigation income tax deduction reduces General Fund revenue to the state for tax years subsequent to the current expiration date of the deduction on January 1, 2014.

It is estimated that the bill reduces General Fund revenue by a maximum of \$28,938 in FY 2013-14 (half-year impact) and \$57,875 in FY 2014-15 and subsequent years through 2024. This fiscal note assumes that 500 taxpayers per year will claim the maximum deduction of \$2,500 annually. This reduces total taxable income by \$1,250,000 per year, and total income tax collections by \$57,875 each tax year given Colorado's state income tax rate of 4.63 percent.

State Expenditures

Under current law, the Department of Revenue has developed forms and procedures to receive taxpayer claims for the wildfire mitigation income tax deduction. These existing practices will be continued and no new appropriations are required.

Statutory Public Entity Impact

The fiscal impact of the bonding authority has not changed since its original enactment in SB 08-221. At the time of bond issuance, the CWRPDA will incur costs of approximately \$10,000 per bond series. Thereafter, the CWRPDA will have annual costs for trustee fees, accounting and auditing, and arbitrage rebate calculation fees. These CWRPDA costs would be built into loans to government agencies from bond proceeds.

Local Government Impact

Municipal water providers, local government land management agencies, and other local governments may apply for and receive funding for watershed protection and forest health projects through a CWRPDA loan. The amount received initially as an increase to local government revenue will be repaid, with interest and costs, by appropriately scheduled increases in local government expenditures. Financing for large projects may prompt local governments to raise water rates, tap fees, or other surcharges.

Departments Contacted

Revenue
Agriculture
Local Affairs

Public Safety
Public Health and Environment

Natural Resources
Higher Education