



Legislative
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HB 20-1109

FINAL FISCAL NOTE

Drafting Number:	LLS 20-0290	Date:	August 25, 2020
Prime Sponsors:	Rep. Van Winkle; Garnett Sen. Gardner	Bill Status:	Signed into Law
		Fiscal Analyst:	Louis Pino 303-866-3556 louis.pino@state.co.us

Bill Topic: **TAX CREDIT EMPLOYER CONTRIBUTIONS TO EMPLOYEE 529S**

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

This bill extends the state income tax credit for employers who contribute to an employee's 529 qualified state tuition program through tax year 2031. This bill decreases state revenue beginning in FY 2021-22 through FY 2031-32.

**Appropriation
Summary:** No appropriation is required.

**Fiscal Note
Status:** This fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under HB 20-1109**

		FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenue	General Fund	-	(\$44,379)	(\$92,758)	(\$100,758)
Expenditures		-	-	-	-
Transfers		-	-	-	-
TABOR Refund	General Fund	-	(\$44,379)	Not Estimated	Not Estimated

Summary of Legislation

This bill extends the state income tax credit for employers who contribute to an employee's 529 qualified state tuition program, administered by CollegenInvest, through tax year 2031. Under current law, the credit is available through tax year 2021.

Background

House Bill 18-1217 created a state income tax credit for employers who contribute to an employee's 529 qualified state tuition program administered by CollegenInvest. The amount of the credit is equal to 20 percent of the contribution, up to \$500, for each employee per year. The credit is available for tax years 2019 through 2021. The credit is neither transferable nor refundable, but may be carried forward on the employer's return for up to three years. In 2019, 83 companies contributed a total of \$403,791 to their employee 529 plans, generating a total of \$80,758 in state income tax credits.

State Revenue

This bill will decrease General Fund revenue by \$44,379 (half-year impact) in FY 2021-22, \$92,758 in FY 2022-23, and \$100,758 in FY 2023-24. As shown in Table 2, the revenue impact will continue through FY 2031-32.

Assumptions. The fiscal note assumes the level of 2019 contributions will continue through 2031. In addition, it is assumed that eight additional companies will participate in the program each year, with each company contributing a total of \$5,000 per year.

Table 2
Estimated Revenue Impacts of HB 20-1109

Fiscal Year	General Fund Revenue Impact
FY 2021-22*	(\$44,379)
FY 2022-23	(\$92,758)
FY 2023-24	(\$100,758)
FY 2024-25	(\$108,758)
FY 2025-26	(\$116,758)
FY 2026-27	(\$124,758)
FY 2027-28	(\$132,758)
FY 2028-29	(\$140,758)
FY 2029-30	(\$148,758)
FY 2030-31	(\$156,758)
FY 2031-32*	(\$80,379)

*Half-year impact.

State Expenditures

This bill will increase workload for the Department of Revenue and CollegenInvest, as described below.

Department of Revenue (DOR). The DOR can accomplish the additional workload to administer the credit with existing appropriations given the small number of taxpayers that are expected to claim the state income tax credit.

CollegenInvest. This bill may result in a workload increase to CollegenInvest that can be accommodated within existing resources within the Employer Plan Program.

TABOR refunds. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$44,379 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly decrease the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax year 2022. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill was signed into law by the Governor on June 29, 2020, and takes effect September 14, 2020, assuming no referendum petition is filed.

State and Local Government Contacts

Higher Education

Revenue