Colorado
Legislative
Council
Staff

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MEMORANDUM

February 3, 2009

TO: Representative Joe Miklosi

FROM: Jason Schrock, Economist, (303-866-4720)

SUBJECT: Fiscal Assessment of Proposed Amendment **HB1127_L.001**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment to **HB09-1127**. This fiscal assessment is for the impact of the bill with inclusion of this amendment **only**. Any other added amendment could influence the fiscal impact.

Summary of Proposed Amendment

L.001 makes the amount of the income tax credit created by HB 09-1127 equal to a percentage of the total amount of wages paid to new full-time Colorado-based employees hired by a business over the three-year investment period instead of a percentage of the investment amount. The percentage is still based on the number of new full-time employees hired by the business over the three-year period. For example, if a business receiving investments employed 15 new workers by the third year of the investment period and paid them an average salary of $50,000, the amount of the credit would be $150,000 (15 employees x $50,000 x 20%).

L.001 also makes the credit available through tax year 2015. HB 09-1127 as introduced does not contain a repeal date for the credit.

Fiscal Impact of Amendment

L.001 reduces the General Fund revenue impact of HB 09-1127 to $8 million in FY 2010-11 (half-year impact) and $16 million in FY 2011-12.

Bill's Revised Fiscal Impact with Amendment

State Revenue. With L.001, this fiscal analysis estimates that General Fund revenue will be reduced by $8 million in FY 2010-11 (half-year impact) and $16 million in FY 2011-12. These estimates are based on the number businesses that receive venture and angel investments in the state (estimated to be a little over 1,000 on average annually), the proportion of these that are expected to survive for at least three years and receive investments over a three-year period, the average new jobs created by these firms (between 8 and 15 over a three-year period), and an average salary for the new jobs of $50,000.

State Expenditures. **Department of Revenue: $29,980 in FY 2010-11.** The Department of Revenue will incur information technology costs to adjust the state's computer systems and forms for the new credit. While the department identified a need for data entry and tax-related services associated with the credit, these costs are assumed to be minimal.

Although information from the **Office of Economic Development** is currently unavailable, the office may incur costs to implement the bill. This fiscal note will be revised once that information becomes available.

Other State Impacts

Based on the December 2008 Legislative Council Staff revenue forecast, there is enough money to at least partially fund the annual diversion to the Highway Users Tax Fund (HUTF) under the provisions of SB 97-1 beginning in FY 2010-11 and in FY 2011-12. This bill is estimated to reduce General Fund revenue and thus reduce funding for the SB 97-1 diversion in FY 2010-11 and in FY 2011-12. However, the General Assembly's budget decisions for this year and FY 2009-10 could change this outlook such that this bill would reduce the amount of money available to fund 6 percent appropriations growth.