# HB08-1049

*Colorado Legislative Council Staff Fiscal Note*

# STATE FISCAL IMPACT

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| **Drafting Number:** | LLS 08-0319 | **Date:** | January 22, 2008 |
| **Prime Sponsor(s):** | Rep. Benefield<br>Sen. Groff | **Bill Status:** | House Finance |
| | | **Fiscal Analyst:** | Jason Schrock (303-866-4720) |

**TITLE:** CONCERNING THE EXTENSION OF THE YEARS FOR WHICH A TAXPAYER MAY CLAIM THE INCOME TAX CREDIT FOR CHILD CARE FACILITIES.

| Fiscal Impact Summary | FY 2008-2009 | FY 2009-2010 |
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| **State Revenue**<br>General Fund | $0 | Revenue Reduction |
| **State Expenditures**<br>General Fund | $0 | $0 |
| **FTE Position Change** | 0.0 FTE | 0.0 FTE |
| **Effective Date:** August 6, 2008, if adjournment sine die is on May 7, 2008, unless a referendum occurs. | | |
| **Appropriation Summary for FY 2008-2009:** None required | | |
| **Local Government Impact:** None | | |

**This fiscal note assumes the adoption of HB08-1049_L.001 so that the bill reflects the intent of the sponsor. HB08-1049_L.001 defines the types of child care facilities for which contributions qualifying for the tax credit can be made. This amendment is necessary because the statute referenced in the bill that defined the types of qualifying child care facilities was repealed July 1, 2007. Thus, the adoption of the amendment would allow the credit to continue to be implemented as it currently is. Without the adoption of the amendment, the bill broadens the types of facilities in which monetary contributions could be made to *any* type of child care facility, including those not licensed by the Department of Human Services, thus potentially increasing the fiscal impact of the credit.**

## Summary of Legislation

This bill extends the period for which state income taxpayers can claim a state income tax credit for donating money to promote child care in Colorado for an additional ten years. The credit is currently scheduled to expire January 1, 2010, after the 2009 tax year. This bill extends the credit through the 2019 tax year.

***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.

The credit can only be claimed for donations that promote child care for children 12 years of age or younger. Contributions qualifying for the tax credit include those to establish or operate a child care facility licensed by the Department of Human Services, such as child care centers,[1] child placement agencies, foster care homes, family child care homes, youth shelters, and residential treatment centers. A child care program that is not licensed with the Department of Human Services but that provides child care services similar to those provided by a licensed child care center,[1] such as day care centers, before and after school programs, or summer camps, are also eligible for qualifying contributions. However, these programs must be registered with the Department of Revenue.

Other types of monetary contributions that qualify for the credit include those for programs that provide financial assistance for parents to use child care, for training child care providers, and for child care informational assistance programs. These programs must also be registered with the Department of Revenue for a taxpayer to claim the credit for contributions.[2]

**State Revenue**

The extension of the tax credit for qualifying monetary contributions to promote child care beyond income tax year 2009 will cause a reduction in General Fund revenue that would not have occurred if the credit were allowed to sunset. At the time of the writing of this fiscal note, the Department of Revenue was not able to provide any revenue impact data on the tax credit because the amount of credits claimed is not separately tracked by the department. The credit is lumped together on the income tax form with several other credits. However, the department is working on obtaining data from its computer system on the amount of credits claimed by electronic filers which could be used to derive an estimated revenue impact of extending the credit. Such information will be provided in a revised fiscal note should it become available.

The tax credit is scheduled to expire after the 2009 income tax year. Therefore, on an accrual accounting basis, there would be a six-month impact in FY 2009-10 if the credit were extended, and a full-year impact starting in FY 2010-11.

***General Fund for Highways and Capital Construction.*** Based on the December 2007 Legislative Council Staff revenue forecast, money is available to be transferred to the Highway Users

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[1] A child care center is defined in statute as a facility that provides part of full day care for five or more children who are 18 or younger and who are not related to the facility's owner, operator, or manager, such as day care centers, school-age child care centers, before and after school programs, nursery schools, preschools, and summer or day camps (Section 26-6-102 (1.5), C.R.S.).

[2] HB 04-1119 made modifications to the types of facilities that can receive qualifying contributions. However, the bill contained a provision that allowed the organizations that received donations prior to the law change that were no longer eligible for qualifying contributions under the new law (i.e., child care centers also serving children ages 13 to 18) to continue to receive qualifying contributions as long as they registered with the Department of Revenue to continue to be able to receive such contributions.

Tax Fund (HUTF) and Capital Construction Fund through the mechanism passed in HB 02-1310 each year through at least FY 2011-12. This bill reduces General Fund revenue, thereby reducing the amount available for these transfers starting in FY 2009-10.

**State Expenditures**

Since this bill only extends the period of time in which a taxpayer may claim the existing state income tax credit for child care contributions it will not create any expenditures for the Department of Revenue.

**State Appropriations**

This fiscal note implies that no additional appropriation or spending authority is required in FY 2008-09 to implement the provisions of the bill.

**Departments Contacted**

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| Higher Education | Human Services | Revenue |