


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0907
Prime Sponsor(s): Rep. Acree
 Sen. Newell

Date: April 18, 2011
Bill Status: House Finance
Fiscal Analyst: Ron Kirk (303-866-4785)

TITLE: CONCERNING VOLUNTARY CONTRIBUTIONS ON THE STATE INDIVIDUAL INCOME TAX RETURN FORM, AND, IN CONNECTION THEREWITH, REQUIRING THE DEPARTMENT OF REVENUE TO PERIODICALLY POST THE AMOUNT OF DONATIONS RECEIVED AND REQUIRING THAT A VOLUNTARY CONTRIBUTION DESIGNATION LINE FOR THE COLORADO MULTIPLE SCLEROSIS FUND APPEAR ON THE STATE INDIVIDUAL INCOME TAX RETURN FORM.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
Cash Funds		
Multiple Sclerosis Fund	greater than \$5,000	greater than \$5,000
State Expenditures		
Cash Funds		
Multiple Sclerosis Fund	\$29,600*	
Effective Date: Upon signature of the Governor.		
Appropriation Summary for FY 2010-2011: See State Appropriation section.		
Local Government Impact: None.		

* *The General Assembly shall appropriate money annually from the Multiple Sclerosis Fund for the Department of Revenue to recover its data programming costs and expenses to administer moneys designated as contributions to the fund. In the event that moneys in the fund are insufficient to cover these costs, the fiscal note assumes that the General Fund will offset the amount of any deficiency. Any amounts "loaned" to the fund will be reimbursed to the General Fund when available.*

Summary of Legislation

This bill reinstates the Multiple Sclerosis Fund income tax checkoff to collect donations to promote the growth and success of the National Multiple Sclerosis Society. For the most recent 2010 income tax year, there are 15 checkoff programs on the state income tax form. State law limits the number of income tax checkoffs that may appear on the form to 15 checkoffs. By reinstating this program, the Multiple Sclerosis checkoff would become the 16th program on the state income tax form if at least one of the 15 checkoff programs on the 2010 form does not drop off in 2011.

For income tax years 2011 through 2015, the checkoff would be added to the Colorado individual income tax form as a voluntary contribution. After subtracting the Department of Revenue's costs to administer contributions, the remaining money would be transferred to the Multiple Sclerosis Fund.

Currently, the department posts information on the amount of donations received for each income tax checkoff program on its official web site. Each year, donation information is updated in the department's annual report. This bill requires that the department post and periodically update this information annually. This bill will be repealed on January 1, 2017.

History of donations. The Multiple Sclerosis income tax checkoff appeared on the state income tax form for four tax years — 2006 through 2009. Initially, the checkoff was established for three years. Subsequently, **SB09-126** extended the program from tax year 2009 through tax year 2011. Whenever a checkoff is extended by the General Assembly, state law requires that it must have \$75,000 in donations to remain on the form each year thereafter. For the 2009 tax year, donations for the Multiple Sclerosis checkoff were \$69,821 during the eligibility period (January 1 through September 30), slightly below the \$75,000 threshold. Thus, the checkoff dropped off the tax form in 2010. Table 1 provides a history of donations.

Table 1. Multiple Sclerosis Fund

Tax Years	Tax Returns With Donations	Total Donations*	Average Donations
2006	10,794	\$105,092	\$9.74
2007	11,404	116,656	10.23
2008	9,331	86,978	9.32
<u>2009</u>	<u>7,661</u>	<u>70,544</u>	<u>9.21</u>
(4-year avg.)	9,798	\$94,817	\$9.68

*Total donations are for the full fiscal year and include late filers and amended returns.

Background

The 14 income tax checkoffs on the 2009 individual state income tax return received \$1.5 million in contributions from nearly 150,000 donations. According to state law, the total amount contributed to a checkoff must be greater than or equal to \$75,000 between January 1 and September 30 during the period for which moneys are collected for the third income tax year in which the contribution appears on the Colorado income tax form. Otherwise, the checkoff will not appear on the form in the following year. Table 2 provides summary information on current checkoff programs.

Table 2: Value of Individual Income Tax Checkoffs for FY 2009-10 (2009 tax year)

Tax Checkoffs	Number of Donations	Total Donations	Average Donations
Military Family Relief Fund	12,479	\$187,799	\$15.05
Colorado Nongame and Endangered Wildlife Fund	15,835	173,332	10.95
Pet Overpopulation Fund	14,330	153,853	10.74
Colorado Domestic Abuse Fund	13,887	141,468	10.19
Colorado Homeless Prevention Activities Fund	12,709	135,599	10.67
Special Olympics Colorado Fund	11,228	116,105	10.34
Make-A-Wish Foundation of Colorado Fund	10,297	95,768	9.30
Breast and Women's Reproductive Cancer Fund	10,570	95,021	8.99
Alzheimer's Association Fund	9,647	91,893	9.53
Colorado Healthy Rivers Fund	10,424	88,585	8.50
Multiple Sclerosis Fund***	7,661	70,544	9.21
Adult Stem Cells Cure Fund*	8,033	58,965	7.34
9Health Fair Fund*	6,756	50,283	7.44
Western Colorado State Veterans' Cemetery Fund	5,235	34,204	6.53
Totals**	149,470	\$1,494,679	\$10.00

* *These income tax checkoffs are new and reflect collections from January 2010 through June 2010.*

** *The category totals include the number and amount of checkoffs that no longer meet the criteria for inclusion on the state income tax form. These checkoffs are not listed in this table.*

*** *This income tax checkoff dropped off the 2010 form because donations were \$69,820 between January 1 and September 30, 2010. It has since been replaced by the Unwanted Horse Fund Program.*

State Revenue

The number and value of contributions to an income tax checkoff that would benefit the Multiple Sclerosis Fund is unknown but is expected to be more than \$5,000 per year.

State Expenditures

Expenditures for the Department of Revenue are expected to increase \$29,600 in FY 2011-12 to add a new checkoff to the income tax form, assuming this checkoff is one of the 15 allowable programs on the 2011 form. The bill specifies that these costs are to be paid by an annual appropriation from the Multiple Sclerosis Fund. In the event that moneys in the fund are insufficient to cover these costs, this fiscal note assumes that the General Fund will offset the amount of any deficiency. Any amounts "loaned" to the fund will be reimbursed to the General Fund when available.

Additional expenditures are triggered if the legislature approves more than 15 checkoff programs in any given tax year. Because of space limitations on the form, if at least one of the 15 checkoff programs on the 2010 form does not drop off in 2011, the Multiple Sclerosis Fund checkoff will become the 16th program and require the tax form to be modified. This change will trigger additional programming costs for the Department of Revenue above the identified expenditure of \$29,600 in this fiscal note. If the General Assembly adopts this measure and it becomes the 16th checkoff:

- a statutory change to Section 39-22-1001 (6) C.R.S., is needed to amend the limitation on the number of voluntary contributions that are authorized to appear on the Colorado income tax return in any income tax year; and
- the Department of Revenue will have additional one-time costs of \$27,400 in the first year, or FY 2011-12, to create an additional schedule to handle the entire group of checkoffs. These costs would be shared between OIT and Fast Enterprises as follows: OIT — 100 hours of computer programming at \$74.00 per hour; and Fast Enterprises — 100 hours of computer programming at \$200 per hour. In addition to these one-time expenditures, the Central Department Operations Division will incur annual data entry costs of \$3,656 beginning in FY 2011-12.

State Appropriation

The Department of Revenue will require an appropriation of \$29,600 from the Multiple Sclerosis Fund in FY 2011-12.

Departments Contacted

Revenue

Education