HB11-1014

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 11-0256	**Date:**	February 7, 2011
Prime Sponsor(s):	Rep. DelGrosso	**Bill Status:**	House Finance
	Sen. Roberts; Hudak	**Fiscal Analyst:**	Ron Kirk (303-866-4785)

TITLE: CONCERNING THE REPEAL OF A LIMITING TRIGGER ASSOCIATED WITH THE CHILD CARE CONTRIBUTION INCOME TAX CREDIT.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue General Fund	($6.0 million)	($12.2 million)	($12.7 million)
State Expenditures General Fund			
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: None.			
Local Government Impact: None.			

Summary of Legislation

This bill repeals the trigger for the child care contribution income tax credit that specifies that the credit is not available for any income tax year when General Fund Revenue for the fiscal year is forecast to be insufficient to allow General Fund appropriations to grow by 6 percent. The credit was established in 1999 and is authorized by state statute through tax year 2019. Currently, based on the most recent December revenue forecast, the credit is not available for tax year 2011 and the forecast period that extends through tax year 2013. This bill would make the credit available for income tax years 2011 through 2019.

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.

Colorado's child care contribution income tax credit is one of six tax incentives that are not available whenever General Fund revenue is forecast to be insufficient to allow appropriations to grow by at least six percent during the year. For the child care credit, this is determined by the December Legislative Council Staff (LCS) revenue forecast issued prior to the tax year. Based on the 2010 December forecast, an additional $226.2 million in General Fund revenue is needed

above the forecast amount to grow appropriations by six percent over the prior year. Thus, the credit will not be available during tax year 2011. Taxpayers who would otherwise quality for the credit in 2011 will be able to claim any accrued credits during the next tax year that revenue growth is forecasted to allow appropriations to grow by six percent.

Although Colorado is on a path of slow and gradual recovery, revenue growth will not be sufficient to allow General Fund appropriations to grow at 6 percent during the forecast period. Revenue growth is not expected to be strong enough through FY 2012-13 to allow appropriations to grow by six percent.

State law requires the Colorado Department of Revenue to give notice on its website that the credit will not be available during years in which revenue growth is not sufficient to allow General Fund appropriations to grow by at least six percent.

State Revenue

This bill will reduce General Fund revenue by $12.2 million in FY 2011-12 of which $6.0 million will accrue to FY 2010-11. This estimate is based on limited data from the Department of Revenue (one year of preliminary credits claimed under the new CITA computer system for tax year 2009). Prior to 2009, the department did not track the child care contribution credit and thus, historical data on the credit are not available. The estimate for FY 2012-13 is increased by Legislative Council Staff forecast growth rates for personal income.

Departments Contacted

Revenue