

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0219
Prime Sponsor(s): Rep. Vigil
 Sen. Kefalas

Date: January 21, 2014
Bill Status: House Finance
Fiscal Analyst: Greg Sobetski (303-866-4105)

SHORT TITLE: CREATE CO YOUTH CONSERVATION CORPS TAX CHECKOFF

Fiscal Impact Summary*	FY 2014-2015	FY 2020-2021*	FY 2021-2022
State Revenue			
Revenue Change			
Cash Funds		\$55,000	\$55,000
State Expenditures			
Cash Funds		\$8,240**	
Appropriation Required: None			

* This fiscal note assumes that the new checkoff will appear on the 2020 income tax form.

** These costs may be initially paid from the General Fund, then reimbursed from contributions received.

Summary of Legislation

The bill creates a new income tax return checkoff to collect donations for the Colorado Youth Conservation Corps and creates a fund for the Corps in the state treasury. After subtracting the Department of Revenue's programming costs and expenses to administer contributions, the remaining donated money would be transferred to the fund. Money in the fund would be used by the Colorado Youth Conservation Corps to promote youth development, education, and employment through conservation programs for young people.

Background

In 1977, Colorado was the first state to create a tax "checkoff" program allowing taxpayers to voluntarily contribute to an organization on their income tax form. A total of 30 different checkoffs have raised about \$42.9 million in donations since the program began in FY 1977-78.

The 15 income tax checkoffs on the 2012 individual state income tax return received \$1.4 million in contributions from about 126,000 donations. In order to remain on the income tax form for more than three years, a checkoff must receive at least \$75,000 in contributions between January 1 and September 30 each year. Even if a program is extended by the legislature after it sunsets, it will not appear on the form in the following year if it does not receive at least \$75,000 in donations during its third year on the individual income tax form. Table 1 provides summary information on the current checkoff programs.

Table 1: Value of Individual Income Tax Checkoffs for FY 2012-13 (tax year 2012)			
Tax Checkoffs	Number of Donations	Total Donation	Average
Colorado Nongame Wildlife Fund	13,126	\$156,824	\$11.95
Military Family Relief Fund	10,089	155,592	15.42
Colorado Domestic Abuse Fund	11,821	140,918	11.92
Pet Overpopulation Fund	11,870	134,902	11.36
Colorado Homeless Prevention Activities Fund	10,168	118,249	11.63
Make-A-Wish Foundation of Colorado Fund	9,264	108,806	11.75
Alzheimer's Association Fund	8,132	98,314	12.09
Unwanted Horse Fund	8,746	96,518	11.04
Colorado Healthy Rivers Fund	9,232	91,199	9.88
Breast and Reproductive Cancer Fund	8,142	84,794	10.41
Families in Action for Mental Health Fund	7,603	69,138	9.09
Goodwill Industries Fund	4,445	64,562	14.52
Colorado Multiple Sclerosis Fund*	5,326	51,564	9.68
Western CO State Veterans' Cemetery Fund**	4,359	32,224	7.39
Colorado 2-1-1 First Call for Help Fund***	3,047	14,628	4.80
Totals****	125,974	\$1,425,664	\$11.32

* This income tax checkoff is new and reflects collections from January 2013 through June 2013.

** This income tax checkoff program is not subject to the \$75,000 donation requirement to remain on the income tax form.

*** This income tax checkoff program dropped off the 2013 form because it failed to receive \$75,000 in donations during its third year on the form in 2012. The Public Education Fund was added to the 2013 form to replace the 2-1-1 First Call for Help Fund.

**** In addition to the checkoffs listed in the table, the category totals also 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 individually in this table.

Newly created programs and the queue. During the 2011 session, the legislature made changes to the income tax checkoff program that established a priority order for newly created checkoffs. Currently, there are 15 checkoff programs, the maximum allowed by law.

To ensure that the 15-checkoff cap is not exceeded, the priority order system specifies that continued or renewed programs take precedence over newly created programs. Thus, if a program that has appeared on the form is renewed or continued and has donations of at least \$75,000, the program remains on the form in the subsequent tax year. *Newly created programs can only appear on the tax form when an existing program is removed.* The order of programs in the queue is determined by the date and time that the Governor signs the bill creating the new program. Table 2 shows the order of newly created programs adopted since the 2011 legislative session. The programs in Table 2 may be added to the 2014 and subsequent tax year forms should programs on the 2013 form drop off due to sunsets, low donation levels, or legislative changes.

Table 2: Checkoff Program Queue			
Order in Queue	Program	Signed into Law	
		Date	Time
(1) House Bill 11-1071	Roundup River Ranch Fund	06/06/11	4:35 p.m.
(2) Senate Bill 12-055	9Health Fair Fund	04/16/12	2:13 p.m.
(3) House Bill 12-1290	Colorado Healthy Landscapes Fund	04/26/12	1:26 p.m.
(4) House Bill 12-1006	American Red Cross Fund	04/26/12	1:33 p.m.
(5) Senate Bill 13-029	Habitat for Humanity Fund	03/15/13	3:30 p.m.
(6) House Bill 13-1237	Special Olympics Colorado Fund	04/19/13	3:11 p.m.

State Revenue

The number and value of contributions to an income tax checkoff that would benefit the Colorado Youth Conservation Corps Fund are unknown. Judging by the performance of similar programs, the Colorado Youth Corps Association expects the checkoff to generate \$55,000 in its first year on the tax form. Due to the exposure the program will receive from its placement on the tax form, it is possible that the checkoff will generate more donations in subsequent years.

Annual donations to income tax checkoff programs that have been on the state income tax form for a duration of five to ten years are expected to reach about \$100,000. Donations are dependent on the visibility and promotion that each program receives. For example, the Special Olympics Colorado Fund, which was on the form for 15 years, had an average annual donation level of nearly \$186,000.

This bill will not affect General Fund revenue. Contributions are credited to the Colorado Youth Conservation Corps Fund.

State Expenditures

Expenditures by the Department of Revenue for programming costs and data entry are expected to increase \$8,240 when the department is ready to implement the bill. These costs are attributed to the coding and development of the new checkoff. Since programming costs are based on the FY 2014-15 contracted rate for changes to the Colorado Integrated Tax Architecture system, the \$8,240 figure will likely increase because the checkoff program in this bill will not appear on the income tax form until after the six programs in the queue (Table 2) are implemented.

Assumptions. It is assumed that the \$8,240 in programming expenditures could occur in FY 2020-21 at the earliest. This estimate is based on the department's experience that one checkoff program from the queue moves onto the state income tax form each year and assumes this checkoff maintains the seventh position in the queue. The bill specifies that these costs are to be paid by an annual appropriation from the Colorado Youth Conservation Corps Fund. In the event that the 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 new fund will be reimbursed to the General Fund once sufficient donations arrive.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

No appropriation is required in FY 2014-15.

State and Local Government Contacts

Personnel and Administration Revenue