

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0163
Prime Sponsor(s): Rep. Becker K.
 Sen. Heath

Date: March 10, 2015
Bill Status: House Finance
Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: TAX CREDIT FOR EMPLOYERS THAT PAY STUDENT LOANS

Fiscal Impact Summary*	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
State Revenue	<u>(\$1,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$2,000,000)</u>	<u>(\$1,000,000)</u>
Revenue Change General Fund	(\$1,000,000)	(\$2,000,000)	(\$2,000,000)	(\$1,000,000)
State Expenditures	<u>\$127,213</u>	<u>\$52,530</u>	<u>\$52,530</u>	<u>\$52,530</u>
General Fund	\$120,126	\$45,126	\$45,126	\$45,126
Centrally Appropriated Costs **	\$7,087	\$7,404	\$7,404	\$7,404
FTE Position Change	0.5 FTE	0.5 FTE	0.5 FTE	0.5 FTE
Tabor Set Aside	(\$1,000,000)	(\$2,000,000)	<i>unknown</i>	<i>unknown</i>
Appropriation Required: \$75,126 - OEDIT; \$45,000 - DOR (FY 2015-16)				

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

The bill creates a state income tax credit for employers that help qualified employees repay their student loans. The employee must have earned a bachelor or an associate's degree in science, technology, engineering, or mathematics or a vocational certificate related to industry, manufacturing, or information technology at a Colorado higher education institution after 2010. The bill requires that the employee be retained for one year and be paid less than \$60,000 per year in order for the employer to qualify for the credit.

The employer must seek preapproval from the Office of Economic Development and International Trade (OEDIT) in order to be eligible for the credit. The value of the credit is 50 percent of the amount paid on the employee's student loan. An employer may receive up to \$5,000 per employee for each tax year. Credits are limited to \$200,000 per employer unless it receives a waiver from the Colorado Economic Development Commission. The credit is nonrefundable and may be carried forward for five years,

The credit is available for tax years 2016 through 2019 and is capped at \$2 million per tax year and \$6 million in total. Any unused credits from previous tax years can be issued in tax year 2019.

State Revenue

This bill will reduce General Fund revenue by \$1 million in FY 2015-16, \$2 million in FY 2016-17, \$2 million in FY 2017-18, and \$1 million FY 2018-19, based on the assumptions below. The figure for FY 2015-16 represents a half-year impact.

Assumptions. The fiscal note assumes that about 1,400 employees will receive help in repaying their student loans each year until the credit is exhausted. On average, the monthly payment will average \$242 for each employee, creating a credit each tax year of approximately \$1,450. According to the Survey of Consumer Finance, the average monthly payment on student loans was \$242 in 2011. In addition, the Bureau of Labor Statistics reports that Colorado had the most math and science related job openings in 2013, with an average advertised salary of \$66,000. Finally, according to Benefits USA, a national consultant on employee benefits, the rate at which companies are offering tuition reimbursement to all their employees has been rapidly increasing since 2009.

TABOR Impact

This bill reduces state revenue which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

State Expenditures

The bill will increase state expenditures by \$127,213 and 0.5 FTE in FY 2015-16, and \$52,530 and 0.5 FTE each year until the program ends. Total expenditures are displayed in Table 1 and described below.

Table 1. Expenditures Under HB15-1227				
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services	\$39,299	\$39,299	\$39,299	\$39,299
FTE	0.5 FTE	0.5 FTE	0.5 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	\$2,827	\$2,827	\$2,827	\$2,827
Computer Programming -OEDIT	\$30,000	\$0	\$0	\$0
Computer Programming -DOR	\$45,000	\$0	\$0	\$0
Travel and Marketing	\$3,000	\$3,000	\$3,000	\$3,000
Centrally Appropriated Costs*	\$7,087	\$7,404	\$7,404	\$7,404
TOTAL	\$127,213	\$52,530	\$52,530	\$52,530

* Centrally appropriated costs are not included in the bill's appropriation.

OEDIT. The OEDIT will require 0.5 FTE to manage the program each year the credit is available. The OEDIT will incur one-time programming costs of \$30,000 to build the marketing materials application in their sales force computer program. Also, the OEDIT will require \$3,000 for travel costs to attend an estimated 12 events per year for outreach and education at various human resources conferences and seminars.

Department of Revenue. The Department will incur one-time programming costs of \$45,000 in FY 2016-17 to modify the GenTax system and change tax documents.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB15-1227*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,041	\$4,041
Supplemental Employee Retirement Payments	\$3,046	\$3,363
TOTAL	\$7,087	\$7,404

*More information is available at: <http://colorado.gov/fiscalnotes>

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2015-16, the OEDIT will require an appropriation of \$75,126 General Fund to manage the fund and update their sales force computer program. The OEDIT will also require an allocation of 0.5 FTE.

The DOR will require an appropriation of \$45,000 General Fund for computer programming costs.

State and Local Government Contacts

Higher Education
Personnel

Local Affairs
Revenue

OEDIT