

The aggregate value of credit certificates that may be awarded for a single tax year is capped at \$1.5 million. The board must notify the Department of Revenue (DOR) of the number and amount of credit certificates issued for a given tax year, and the name and social security number of each taxpayer to whom credit is awarded.

Credit in excess of a taxpayer's income tax liability is refunded to the taxpayer and may not be carried forward to subsequent tax years. Individuals to whom credit is awarded may also transfer a portion of their credit, up to the full amount, to one or more other taxpayers. In this case, both the transferor and each transferee must submit forms indicating the transfer when filing their income tax returns. For these transactions, the transferor is designated as the tax matters representative in all correspondence with the DOR.

By January 31 of each year beginning 2016 through 2019, the board must submit a report to the Agriculture and Finance committees of the Senate and House of Representatives describing the status of the program and any credits issued for the preceding calendar year.

Watershed health project grant program. The bill establishes a watershed health project grant program (grant program) to be administered by the board. The board may award grants from a new watershed health project grant program cash fund (cash fund) to a qualified entity for qualified watershed health project expenditures as determined by the board in relation to the tax credit, as well as for outreach or education programs aimed at demonstrating the benefits of watershed health protection. Qualified entities include:

- local governments; and
- private nonprofit entities that are exempt from the state income tax.

Qualified entities must submit a grant application in order to be considered for participation in the grant program. Moneys in the cash fund are continuously appropriated for grants. The aggregate amount of grants that the board may award from the cash fund for a single calendar year is capped at \$500,000. The grant program sunsets at the end of calendar year 2017.

State Revenue

General Fund revenue will decrease by up to \$750,000 for FY 2014-15, and by up to \$1.5 million for each of FY 2015-16 and FY 2016-17. The estimate for FY 2014-15 represents a half-year impact for tax year 2015 on an accrual accounting basis.

Assumptions. The amount by which income tax revenue will decrease depends on the value of credit certificates issued by the board for each tax year. Certificate values are to be determined by the board in its sole discretion. The amount of credit that may be awarded to individual taxpayers is not capped; however, the aggregate amount of certificates that may be issued for a single tax year is capped at \$1.5 million. This analysis assumes that the board will issue the maximum each year. To the extent that the total is less than the maximum, the decrease in General Fund revenue will be lower than estimated.

Because the credit is refundable, it is assumed that the decrease in General Fund revenue will equal the value of certificates issued.

TABOR Impact

This bill decreases state revenue subject to TABOR, which will decrease the amount required to be refunded under TABOR by up to \$750,000 for FY 2014-15 and by up to \$1,500,000 for each of FY 2015-16 and FY 2016-17. TABOR refunds are paid from the General Fund in the year following excess collections.

State Expenditures

General Fund expenditures will increase by up to \$620,529 and 1.0 FTE in FY 2015-16, and by up to \$590,151 and 1.0 FTE in FY 2016-17. Workload continues into future fiscal years for the Departments of Natural Resources and Revenue. Expenditures are summarized in Table 1 and detailed below.

Table 1. Expenditures Under HB15-1380		
Cost Components	FY 2015-16	FY 2016-17
Department of Natural Resources		
Personal Services	\$73,562	\$73,562
FTE	1.0 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
Travel and Meeting Expenses	900	1,272
Centrally Appropriated Costs*	13,774	14,367
Watershed Health Project Grants	up to 500,000	up to 500,000
Department of Revenue		
Programming Costs	26,640	
TOTAL	up to \$620,529	up to \$590,151

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

Department of Natural Resources. General Fund expenditures for the Department of Natural Resources will increase by \$93,889 and 1.0 FTE in FY 2015-16 and by \$90,151 and 1.0 FTE for FY 2016-17. Most of these expenditures are for the addition of 1.0 FTE at the Physical Scientist III level for the administration of the tax credit and grant program, including:

- determination of qualified watershed health project expenditures;
- review of credit and grant applications;
- annual reporting to the Department of Revenue and the General Assembly; and
- attendance at project meetings when necessary.

General Fund expenditures to the watershed health project grant program will increase by up to \$500,000 in each of FY 2015-16 and FY 2016-17 for grants to local governments and nonprofit entities. The bill does not identify a revenue source for the new cash fund; this analysis assumes that it requires a General Fund appropriation. Any revenue collected, appropriated, or transferred to the fund is continuously appropriated for the grant program.

Department of Revenue. One-time General Fund expenditures for the DOR will increase by \$26,640 in FY 2015-16. Of this, \$25,440 is for 120 hours of programming at a cost of \$212 per hour for the addition of the tax credit to the state's GenTax computer system. The remaining costs are for creation of new tax forms; \$1,200 is reappropriated from the DOR to the Department of Personnel and Administration for this purpose.

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.

Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,072	\$8,072
Supplemental Employee Retirement Payments	5,702	6,295
TOTAL	\$13,774	\$14,367

*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

For FY 2015-16, the bill requires the following General Fund appropriations:

- up to \$500,000 to the Watershed Health Project Grant Program Cash Fund in the Department of Natural Resources;
- \$80,115 to the Department of Natural Resources; and
- \$26,640 to the Department of Revenue, of which \$1,200 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Agriculture
Public Health and Environment

Natural Resources
Revenue