

STATE
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 13-0449
Prime Sponsor(s): Sen. Kerr
Rep. DelGrosso

Date: January 28, 2013
Bill Status: Senate Finance
Fiscal Analyst: Ron Kirk (303-866-4785)

TITLE: CONCERNING THE VOLUNTARY CONTRIBUTION DESIGNATION BENEFITING THE HABITAT FOR HUMANITY OF COLORADO FUND THAT APPEARS ON THE STATE INDIVIDUAL INCOME TAX RETURN FORMS.

| Fiscal Impact Summary | FY 2012-2013 | FY 2017-2018** | FY 2018-2019 |
|--|---------------------|--------------------------|--------------------------|
| State Revenue | | | |
| Cash Funds Habitat for Humanity of Colorado Fund | | greater than \$30,000 | greater than \$30,000 |
| State Expenditures | | | |
| Cash Funds Habitat for Humanity of Colorado Fund | | \$8,000* | |
| Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed. | | | |
| Appropriation Summary for FY 2013-2014: See State Appropriation section. | | | |
| Local Government Impact: None. | | | |

* These costs may be initially paid from the General Fund, then reimbursed from contributions received.
** This fiscal note assumes that the new checkoff will appear on the 2017 income tax form.

Summary of Legislation

This bill creates a new income tax return checkoff to collect donations for the Habitat for Humanity of Colorado Fund, a registered Colorado-based 501 (c) (3) public charity organization. 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 organization affiliates of Habitat for Humanity to provide home-ownership to low-income families.

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 29 different checkoffs have raised nearly \$41.5 million in donations since the program's inception in FY 1977-78.

The 15 income tax checkoffs on the 2011 individual state income tax return received \$1.5 million in contributions from nearly 137,000 donations. According to state law, the total amount contributed to a checkoff must be at least \$75,000 between January 1 and September 30 during the period for which moneys are collected in the third and subsequent income tax years the program appears on the form in order to remain on the form another 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 current checkoff programs.

| Tax Checkoffs | Number of Donations | Total Donation | Average Donation |
|--|----------------------------|-----------------------|-------------------------|
| Colorado Nongame and Endangered Wildlife Fund | 14,210 | \$172,986 | \$12.17 |
| Military Family Relief Fund | 11,064 | 168,514 | 15.23 |
| Pet Overpopulation Fund | 12,677 | 145,352 | 11.47 |
| Colorado Domestic Abuse Fund | 12,681 | 142,734 | 11.26 |
| Colorado Homeless Prevention Activities Fund | 11,162 | 124,512 | 11.15 |
| Make-A-Wish Foundation of Colorado Fund | 9,972 | 108,508 | 10.88 |
| Special Olympics Colorado Fund**** | 9,691 | 107,143 | 11.06 |
| Alzheimer's Association Fund | 9,111 | 100,401 | 11.02 |
| Colorado Healthy Rivers Fund | 9,895 | 96,225 | 9.72 |
| Unwanted Horse Fund | 9,056 | 93,365 | 10.31 |
| Colorado Breast and Women's Reproductive Cancer Fund | 8,897 | 85,239 | 9.58 |
| Goodwill Industries Fund* | 4,311 | 54,427 | 12.63 |
| Families In Action For Mental Health Fund* | 5,189 | 42,330 | 8.16 |
| Western Colorado State Veterans' Cemetery Fund*** | 4,746 | 33,879 | 7.14 |
| Colorado 2-1-1 First Call For Help Fund | 3,259 | 16,366 | 5.02 |
| Totals** | 136,784 | \$1,501,980 | \$10.98 |

* *These income tax checkoffs are new and reflect collections from January 2012 through June 2012. (A program in its third year is required to receive at least \$75,000 to remain on the subsequent year's tax form.)*

** *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 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 2012 form because it was not extended by the General Assembly and sunset in tax year 2011. The Multiple Sclerosis Fund was added to the 2012 form to replace the Special Olympics Fund.*

Newly created programs and the queue. During the 2011 session, the legislature made changes to the income tax checkoff programs 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 2013 and subsequent tax year forms should programs on the 2012 form drop off due to low donation levels or legislative changes.

| Order in Queue | Program | Signed into Law | |
|------------------------|--------------------------------------|------------------------|-------------|
| | | Date | Time |
| (1) Senate Bill 11-109 | Public Education Fund | 06/02/11 | 5:17 p.m. |
| (2) House Bill 11-1071 | Roundup River Ranch Fund | 06/06/11 | 4:35 p.m. |
| (3) Senate Bill 12-055 | 9Health Fair Fund | 04/16/12 | 2:13 p.m. |
| (4) House Bill 12-1290 | Colorado For Healthy Landscapes Fund | 04/26/12 | 1:26 p.m. |
| (5) House Bill 12-1006 | American Red Cross Fund | 04/26/12 | 1:33 p.m. |

State Revenue

The number and value of contributions to an income tax checkoff that would benefit the Habitat for Humanity of Colorado Fund is unknown, but is expected to be more than \$30,000 per year.

State Expenditures

Expenditures by the Department of Revenue for programming costs and data entry are expected to increase \$8,000 when the department is ready to implement the bill. Since it is unknown when the Habitat for Humanity of Colorado checkoff program will be placed on the tax form, the \$8,000 cost will likely increase based on the fact that the checkoff program in this bill would not appear on the income tax form until after the five programs in the queue (Table 2) are implemented.

Conditional impact. The impacts in this bill are considered conditional because there is no guarantee that this checkoff will appear on the income tax form in any given year, as it is dependent on the position of the Habitat for Humanity of Colorado Fund in the queue. Furthermore, if the General Assembly adopts other new checkoff programs during the 2013 session, the checkoff program in this bill could fall further behind other new programs that are added to the queue.

It is assumed that the \$8,000 in programming costs could occur in FY 2017-18. 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 sixth position in the queue. The bill specifies that these costs are to be paid by an annual appropriation from the Habitat for Humanity of Colorado 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.

State Appropriation

No appropriation in FY 2013-14 is required.

Departments Contacted

Revenue