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Revised Fiscal Note

(replaces fiscal note dated April 1, 2024)

Drafting Number: LLS 24-0593 Date: April 17, 2024
Prime Sponsors: Rep. McCormick Bill Status: House Appropriations
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Bill Topic: STATE INCOME TAX CREDIT FOR VETERINARY PROFESSIONALS

Summary of Fiscal Impact: [X] State Revenue [] State Transfer [] Local Government
[X] State Expenditure [X] TABOR Refund [] Statutory Public Entity

For tax years 2026 through 2032, the bill creates a refundable income tax credit for veterinary professionals and purchasers of veterinary practices in underserved areas. It reduces state revenue and increases state expenditures through FY 2032-33.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$53,374 to the Department of Agriculture.

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Agriculture, Water, and Natural Resources Committee and the House Finance Committee.

Table 1
State Fiscal Impacts Under HB 24-1271

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue (General Fund, Total Revenue), Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve, TABOR Refund).

Summary of Legislation

For tax years 2026 through 2032, the bill creates an income tax credit in an amount up to \$15,000, for a qualified veterinary professional working at least half-time in an underserved area or veterinary practice category, or for a veterinarian who buys a veterinary practice, or starts a new veterinary practice in an amount up to \$50,000, in such an area or practice category. The aggregate amount of the tax credit is capped at \$2 million per tax year. The tax credit is refundable, meaning if the amount exceeds the taxpayer's state income tax liability, the balance is refunded to the taxpayer.

The Department of Agriculture (CDA) is required to certify tax credits for eligible veterinary professionals and buyers of veterinary practices, to create rules for issuing tax credit certificates and for determining criteria for identifying underserved areas and tax credit amounts no later than July 1, 2025, using recommendations of an advisory committee chosen by the State Veterinarian.

Assumptions

Based on CDA estimates, the fiscal note assumes that the full \$2 million in tax credits will be claimed each year by up to 150 claimants, with the credit amount averaging about \$4,000 for veterinary professionals or \$50,000 for veterinarians who start or purchase of veterinary practices in underserved areas or underserved practice categories.

State Revenue

The bill is expected to decrease General Fund revenue by \$1.0 million in FY 2025-26 (a half-year impact), \$2.0 million in each year from FY 2026-27 through FY 2031-32, with a final half-year impact of \$1.0 million in FY 2032-33. The bill decreases income tax revenue, which is subject to TABOR.

State Expenditures

The bill increases General Fund expenditures by \$64,052 in FY 2024-25, by \$103,886 in FY 2025-26 by \$73,689 in FY 2026-27, and by similar amounts in future years, until the tax credit expires. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1271

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Agriculture (CDA)			
Personal Services	\$30,958	\$51,596	\$51,596
Operating Expenses	\$384	\$640	\$640
Capital Outlay Costs	\$6,670	-	-
Legal Services	\$15,362	-	-
Centrally Appropriated Costs ¹	\$10,678	\$14,125	\$14,125
FTE – Personal Services	0.3 FTE	0.5 FTE	0.5 FTE
FTE – Legal Services	0.1 FTE	0.0 FTE	0.0 FTE
CDA Subtotal	\$64,052	\$66,361	\$66,361
Department of Revenue (DOR)			
Computer Programming and Testing	-	\$30,133	-
Research and Analysis	-	\$7,392	\$7,328
DOR Subtotal	-	\$37,525	\$7,328
Total Cost	\$64,052	\$103,886	\$73,689
Total FTE	0.4 FTE	0.5 FTE	0.5 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

²

Department of Agriculture. Beginning in FY 2024-25, expenditures will increase in CDA to convene an advisory committee, make rules, review tax credit applications, and administer the tax credit certificates.

- **Personal services.** The CDA will require 0.3 FTE in FY 2024-25, prorated for a November 2024 start date, and 0.5 FTE in FY 2025-26 and future years until the expiration of the tax credit in tax year 2032, to convene an advisory committee as well as to administer, monitor, verify and provide oversight for the income tax credit.
- **Legal services.** The department will require 120 hours of legal guidance regarding rule-making for the tax credits. Legal services are provided by the Department of Law at an hourly rate of \$128.02.

Department of Revenue. Beginning in FY 2025-26, expenditures will increase in DOR to implement and report on the new tax credit.

- **Computer programming and testing.** For FY 2025-26 only, the DOR will have one-time costs of \$30,133 for computer programming and testing. Programming costs are estimated at \$18,540, representing 80 hours of contract programming at a rate of \$231.75 per hour. Costs for testing to ensure programming changes are functioning properly are estimated at \$11,593, representing 227 hours for the Innovation, Strategy, and Delivery section in the

Executive Director's Office at \$35 per hour and 114 hours of user acceptance testing at a rate of \$32 per hour.

- **Research and analysis.** Expenditures in the Office of Research and Analysis are required for changes in related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$7,392, or 231 hours for data management and reporting at a rate of \$32 per hour for FY 2025-26 and ongoing.

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. These costs, which include employee insurance, an indirect cost rate of 10 percent, and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$53,374 to the Department of Agriculture, and 0.3 FTE, of which \$15,362 is reappropriated to the Department of Law, and with an additional 0.1 FTE.

State and Local Government Contacts

Agriculture
State Auditor

Personnel

Revenue