HB 24-1312

Legislative Council Staff

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Revised Fiscal Note

(replaces fiscal note dated April 24, 2024)

Drafting Number:	LLS 24-0944	**Date:**	April 30, 2024
Prime Sponsors:	Rep. Sirota; Garcia Sen. Rodriguez	**Bill Status:**	House Third Reading
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Bill Topic: **STATE INCOME TAX CREDIT FOR CAREWORKERS**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☐ Local Government
☒ State Expenditure ☒ TABOR Refund ☐ Statutory Public Entity

The bill creates an income tax credit for tax years 2025 through 2028 for workers in the care workforce. The bill decreases state revenue and increase expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of $47,193 to the Department of Early Childhood.

Fiscal Note Status: This revised fiscal note reflects the engrossed bill.

Table 1
State Fiscal Impacts Under HB 24-1312

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	($21.2 million)	($42.9 million)	($44.4 million)
	Total Revenue	**($21.2 million)**	**($42.9 million)**	**($44.4 million)**
Expenditures	General Fund	$47,193	$452,525	$224,631
	Centrally Appropriated	$3,326	$86,472	$57,076
	Total Expenditures	**$50,519**	**$538,997**	**$281,707**
	Total FTE	**0.2 FTE**	**5.1 FTE**	**3.4 FTE**
Transfers		-	-	
Other Budget Impacts	TABOR Refund	($21.2 million)	($42.9 million)	not estimated
	General Fund Reserve	$7,079	$67,879	$33,695

Summary of Legislation

For tax years 2025 through 2028, the bill creates a state income tax credit for any resident individual earning $75,000 or less ($100,000 or less for joint filers) who meets at least one of the following criteria:

- is a licensee, operator, or employee of an early childhood program or licensed family child care home with at least a level one Colorado Shines quality rating, that worked in that role for at least 720 hours in the relevant tax year and that is registered in the Department of Early Childhood's (CDEC) Colorado Shines Professional Development Information System (PDIS);
- is an informal family, friend, or neighbor child care worker (FFN care worker) that provided at least 720 hours of care in the relevant tax year to children who are five years old or younger and is registered in PDIS; or
- is a direct care worker who is not a Certified Nurse Aide (CNA) and provided home or community-based services (HCBS) or worked at a licensed nursing facility or certified home care facility for at least 1,200 hours in the relevant tax year.

The tax credit is equal to $1,200, or $2,400 for joint filers where both individuals meet the criteria above. Additionally, for taxpayers who were part-year residents, the credit amount is prorated based on the portion of their adjusted gross income that was earned while residing in Colorado in the relevant tax year. The tax credit is fully refundable.

Data and Assumptions

Income threshold. According to income tax data from the Department of Revenue (DOR), approximately 81 percent of single filers had an income below $75,000 and 45 percent of joint filers had an income below $100,000 in 2021. The fiscal note also assumes that all child care workers and direct care workers providing care under HCBS waivers, who file a single tax return will fall under the $75,000 income threshold, but some who file jointly will exceed the $100,000 joint filer income threshold, such that about 72 percent will fall under the income thresholds in the bill.

Child care workers employed at an eligible program. Data from the Quarterly Census of Employment and Wages show that there were 15,541 workers in the child care services industry in Colorado in 2022. This amount is expected to grow in line with the LCS forecast for employment growth in Colorado. The fiscal note assumes that all of these workers who file a single tax return will fall under the $75,000 income threshold, but some who file jointly will exceed the $100,000 joint filer income threshold, such that about 72 percent will fall under the income thresholds in the bill. Of the eligible population, 95 percent are expected to claim the credit.

Informal friend, family, and neighbor care workers. The fiscal note assumes that approximately 2,700 FFN care workers will meet the criteria outlined in the bill and claim the credit, with the number growing in future years. The assumption is based on CDEC stakeholder engagement and reported uptake from prior initiatives affecting this population.

Direct care workers under HCBS and CDASS. Data collected by the Department of Health Care Policy and Financing (HCPF) in 2022 and 2023 indicated that there were approximately 24,000 direct care workers working under HCBS waivers, including home health and personal care workers, and another 5,500 employed as part of Consumer-Directed Attendant Support Services (CDASS). The fiscal note assumes that all of these workers who file a single tax return will fall under the $75,000 income threshold, but some who file jointly will exceed the $100,000 joint filer income threshold, such that about 72 percent will fall under the income thresholds in the bill. Of the eligible population, 95 percent are expected to claim the credit.

Direct care workers in skilled nursing facilities. Based on hourly employment data provided by HCPF, it is estimated that there were approximately 3,800 workers, excluding CNAs, employed at nursing facilities that accept Medicaid in 2022. This number is expected to fall by about 4 percent per year based on historical trends, to about 3,400 in 2025 and 3,200 in 2026. Of this amount, about 1,100 are expected to fall under the income thresholds established in the bill in 2025, falling to 1,000 in 2026. Of the eligible population, 95 percent are expected to claim the credit.

State Revenue

The bill is expected to decrease General Fund revenue by $21.2 million in FY 2024-25 (half-year impact) and $42.9 million in FY 2025-26, with ongoing impacts through FY 2028-29. The bill reduces individual income tax revenue, which is subject to TABOR. The revenue impact is detailed in tables 2 and 3 below.

Table 2
Estimated Taxpayer and Revenue Impacts Under HB 24-1312

Tax Year	2025	2026	2027
Eligible Population			
Child Care Workers in Licensed Facilities	11,228	11,363	11,499
Informal FFN Care Workers	2,700	3,700	5,070
Direct Care Workers - HCBS Waivers	16,502	16,502	16,502
Direct Care Workers - CDASS	3,782	3,782	3,782
Direct Care Workers - Nursing Facilities	1,045	960	881
Total Eligible	**35,257**	**36,306**	**37,735**
Revenue Impact			
Child Care Workers in Licensed Facilities	($13.5 million)	($13.6 million)	($13.8 million)
Informal FFN Care Workers	($3.2 million)	($4.4 million)	($6.1 million)
Direct Care Workers - HCBS Waivers	($19.8 million)	($19.8 million)	($19.8 million)
Direct Care Workers - CDASS	($4.5 million)	($4.5 million)	($4.5 million)
Direct Care Workers - Nursing Facilities	($1.3 million)	($1.2 million)	($1.1 million)
Total Revenue Impact	**($42.3 million)**	**($43.6 million)**	**($45.3 million)**

[1] Revenue impacts in Table 2 reflect calendar year impacts. Table 3 below converts these impacts into state fiscal year impacts.

Table 3
Revenue Impacts by Fiscal Year Under HB 24-1312

	FY 2024-25	FY 2025-26	FY 2026-27
General Fund	($21.2 million)	($42.9 million)	($44.4 million)

State Expenditures

The bill increases state expenditures by about $50,000 in FY 2024-25, $540,000 in FY 2025-26, and $281,707 in FY 2026-27 through FY 2029-30, paid from the General Fund. Expenditures are summarized in Table 4 and detailed below.

Table 4
Expenditures Under HB 24-1312

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue			
Personal Services	-	$268,844	$166,003
Operating Expenses	-	$6,016	$3,840
Capital Outlay Costs	-	$40,020	-
GenTax Programming	-	$55,620	-
ISD Software Testing	-	$18,305	-
User Acceptance Testing	-	$8,352	-
Office of Research and Analysis	-	$7,392	$7,328
Document Management	-	$3,590	$3,074
Centrally Appropriated Costs[1]	-	$79,820	$50,424
FTE – Personal Services	-	4.7 FTE	3.0 FTE
DOR Subtotal	**-**	**$487,958**	**$230,669**
Department of Early Childhood			
Personal Services	$10,943	$21,887	$21,887
Salesforce Programming	$25,000	-	-
PDIS Licenses	$11,250	$22,500	$22,500
Centrally Appropriated Costs[1]	$3,326	$6,652	$6,652
FTE – Personal Services	0.2 FTE	0.4 FTE	0.4 FTE
CDEC Subtotal	**$50,519**	**$51,039**	**$51,039**
Total Costs	**$50,519**	**$538,997**	**$281,707**
Total FTE	**0.2 FTE**	**5.1 FTE**	**3.4 FTE**

Department of Revenue. The bill increases costs in DOR for auditing, tax examination, computer programming, document management, and data reporting.

- **Tax credit administration.** The department requires 6.3 FTE tax examiners to review tax credit documentation and communicate with taxpayers in FY 2025-26, prorated to reflect an assumed October 2025 start date. Expenses also reflect standard operating expenses and capital outlay costs. After the first tax year, the department requires 3.0 FTE tax examiners to administer the credit.
- **Computer programming and testing.** In FY 2025-26 only, DOR will have costs of $82,277 to program, test, and update database fields in its GenTax software system. Programming costs are estimated at $55,620, representing 240 hours of contract programming at a rate of $231.75 per hour. Costs for testing at the department include $18,305 for 523 hours of innovation, strategy, and delivery programming support at a rate of $35 per hour, and $8,352 for 261 hours of user acceptance testing at a rate of $32 per hour.
- **Data reporting.** Expenditures in the Office of Research and Analysis are required for changes in the 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, representing 231 hours for data management and reporting at $32 per hour.
- **Document management and tax form changes**. The bill requires changes to tax forms and processing paper returns. These expenditures occur in the Department of Personnel using reappropriated funds.

Department of Early Childhood. The bill increases costs in CDEC to update software and provide technical support for new registrants in PDIS.

- **Staff**. Starting in FY 2024-25, CDEC requires 0.4 FTE to provide technical support to new registrants and certify eligibility for the tax credit for child care workers and FFN caretakers. Staff costs and FTE are prorated in the first year assuming a January 2025 start date.
- **PDIS licenses**. The tax credit is expected to increase the number of FFN providers registered in PDIS. Each new user requires CDEC to purchase an additional license at a cost of $7.50 per license. The tax credit is expected to result in 1,500 new users in FY 2024-25 (half-year) and 3,000 new users in FY 2024-25.

Department of Health Care Policy and Financing. The bill increases workload in HCPF by requiring HCPF to provide an electronic report to DOR of every long-term care employer providing services in the state. The increased workload can be accomplished within existing appropriations.

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.

Technical Note

The fiscal note assumes that direct care workers who are employed at skilled nursing facilities are only eligible if they are employed at skilled nursing facility that accepts Medicaid. If the bill is interpreted to include skilled nursing facilities that do not accept Medicaid, the expenditures and revenue impacts will be greater than what is estimated in this fiscal note.

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 $47,193 to the Department of Early Childhood, and 0.2 FTE.

State and Local Government Contacts

Early Childhood	Information Technology	Public Health and Environment
Regulatory Agencies	Revenue	Health Care Policy and Finance

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.