



Colorado Fiscal Institute 2016 Legislative Wrap-Up

A lot of exciting things have happened in Colorado since the start of 2016. The Denver Broncos won the Super Bowl and the Colorado Fiscal Institute completed another legislative session. What do the two have in common? Very little — but here is our legislative wrap in football terms to celebrate both accomplishments.

TOUCHDOWN!

CFI bills that passed in the 2016 session

SB16-203 – Sen. Lambert, Reps. Hamner & Rankin

Evaluation of State Tax Expenditures

Last year, CFI worked with the Pew Center on the States to develop a bill requiring that all state tax expenditures be evaluated to determine if they are meeting their intended purpose and accomplishing their designated goals. The bill narrowly lost in the Senate despite bipartisan support and unanimous passage through the House.

This year, we brought the bill back, and after working in conjunction with business lobbyists hired by the Pew, the bill was introduced with unanimous, bipartisan support from members of the Joint Budget Committee. To our delight, the bill rapidly sailed through both the House and the Senate without a single vote in opposition. It is currently on its way to the governor's desk to be signed.

This is a HUGE win for Colorado taxpayers. Without this bill, taxpayers and lawmakers were in the dark about how more than \$4 billion of taxpayer dollars was being spent through the tax code. This evaluation will help lawmakers determine how to best spend their limited resources and has the potential to create a more efficient and effective tax code in the future.

HB16-1114 – Rep. DelGrosso, Sen. Ulibarri

Repeal Duplicate Reporting Requirements

This bill eliminates a requirement that all Colorado employers attest that they have verified the legal work status of each new employee, have not altered or falsified employee identification documents, and have not knowingly hired a worker who is not authorized to work in the U.S. The requirement was duplicative of federal law, ineffective, misunderstood by employers and a waste of scarce resources at the Colorado Department of Labor and Employment. CFI worked with sponsors and the business community to ensure passage of the bill. The requirement was one of the last holdovers of the anti-immigration bills passed during the 2006 special session on immigration. The repeal bill this year was unanimously approved by the House and Senate and sent on to the governor's office for signature.



SB16-179 – Sens. Roberts & Heath, Reps. DelGrosso, Lee & Saine

CDLE Unemployment Insurance Classification

This bill was the product of a data-driven and collaborative stakeholder process between labor, industry and the Colorado Department of Labor and Employment. It is a compromise bill that requires CDLE to provide more guidance on what defines an independent contractor versus an employee for purposes of unemployment insurance. CFI co-chaired the task force with the Colorado Association of Commerce and Industry, testified in support of the bill and worked with the stakeholders to ensure greater clarity around employee misclassification. The bill passed unanimously in House and Senate and is on its way to the governor's desk.

INCOMPLETE PASS

Bills that didn't pass this year but CFI hopes to see brought back in the future

HB16-1003 – Reps. Young & Pettersen, Sens. Merrifield & Todd

Middle Class College Savings Act

This bill, a CFI priority bill that we brought back from last year, makes an effort to improve Colorado 529 college savings plans by increasing the incentive to save for middle class families. HB 1003 increased the benefits of 529 plans for those earning up to \$250,000 per year, making their tax benefit bigger by increasing the deduction they receive from the state. CFI believes that this would increase the incentive to save and by doing that, not only increase the number of savers, but also the amount that families contribute to their 529 savings plan and have available for college expenses in the future.

This bill was chosen as a caucus priority by the House Democrats. The bill was heard in both House Education and House Finance before passing out of the House on a party-line vote. Unfortunately, the bill again failed in the Senate. We are hoping to bring this bill back next year after an extensive stakeholder process over the summer.

HB16-1045 – Rep. Singer, Sens. Merrifield & Sen. Kefalas

Starting the Child Tax Credit

In 2013, Colorado passed a state Child Tax Credit via Senate Bill 13-001 that provides a refundable tax credit between 5 percent and 30 percent of the federal credit to working families with children ages 5 and under. The credit is targeted to families with young children because that is the time that child care and other expenses are at their highest. However, the Colorado CTC does not go into effect unless Congress passes the Marketplace Fairness Act. HB 16-1045 would have enacted the state CTC in the current tax year, removing the Marketplace Fairness Act trigger.

The bill was first introduced in the House Finance committee where it was postponed indefinitely largely because of the fiscal impact. However, we hope to see this important bill introduced again in the future.



HB16-1435 – Reps. Duran & K. Becker, Sens. Ulibarri & Kefalas

Low-wage Employer Corporate Responsibility Act

In 2015, CFI published a report outlining the increase in low-wage employment in Colorado. This research, coupled with our knowledge of certain unfair business practices, led us to help develop and support HB 1435, a bill requiring employers with more than 250 employees who pay less than \$12 and don't provide health insurance to pay an hourly fee used to offset the costs of Medicaid in the state.

After significant press coverage, the bill was presented in the House Health, Insurance and Environment Committee. CFI and other advocates, taxpayers, workers and employers all testified in support of the bill and it passed out of that committee on a party-line vote. The bill then passed House Finance, House Appropriations and was passed out of the House before its unsurprising death in Senate State Affairs.

CFI was excited about the progress the bill made and looks forward to working on the bill this summer and in the next legislative session.

BLOCKED OR SACKED

Bills that CFI stopped dead in their tracks

SB16-130 – Sen. Scott, Rep. Van Winkle

Methods to Collect Consumer Use Tax

Since 1937, when the sales and use tax was implemented in Colorado, taxpayers have been required to pay use tax when retailers don't collect and remit sales tax on their behalf. For the 2015 tax year, the Colorado Department of Revenue added a line to the individual income tax form allowing for the expedited remittal of consumer use tax.

This was an innovative and convenient addition for taxpayers who previously had to fill out multiple forms to submit the taxes they owed. CFI was excited about the development. However, some members of the General Assembly were less enthusiastic about the new convenience. The result was SB 130, a bill that removed the new line on the tax form, prohibiting the collection of sales tax through the income tax form and also barred the DOR from auditing any use taxes owed.

CFI was adamantly against the bill and worked to kill it in the House Finance committee. Using our talking points, members of the House committee pointed out the ridiculousness of making it less convenient for taxpayers to pay what they owe and the bill was postponed indefinitely after a party-line vote.

HB16-1087 – Rep. J. Becker

Increase Vendor Fee for Collecting State Sales Tax

This bill increased the amount of sales tax revenue that could be kept by businesses for collecting and remitting sales tax on behalf of consumers. Known as the vendor credit, this



fluctuating tax giveaway primarily benefits large, corporate retailers and rewards businesses for doing something that they are required by law to do.

CFI testified against the bill in both House State Affairs and House Finance, eventually persuading the legislators to postpone the bill indefinitely.

HB 16-1202 – Rep. Wist, Sen. Tate

Mandatory E-Verify

A favorite idea of former Rep. Spencer Swalm, HB 1202 raised from the dead a bill that would have required all Colorado employers to participate in the federal immigration program, E-Verify, to determine the work eligibility status of newly hired employees. CFI testified that the bill would harm our economy, our citizens, our businesses and do little to end unauthorized employment. It would waste state resources, impose new costs on employers, drive jobs into the underground economy and potentially create a market for identity theft. Working with business partners, the bill was killed in House State Affairs Committee.

HB16-1089 – Rep. Moreno and Sen. Holbert

Endowment or Institutional Fund Gift Tax Credit

This bill, which allowed individual taxpayers an income tax credit for any contribution to an eligible foundation or institution, was opposed by CFI. While we recognize the good intentions behind this bill, research shows that the effect of this type of tax credit is inequitable in that it largely benefits only the wealthiest Coloradans in the top income brackets. The Colorado tax system is already regressive in nature, with low and middle-income families paying a higher effective tax rate than wealthier individuals. CFI recognized that the tax benefits from this kind of credit are taken disproportionately by extremely wealthy taxpayers and is an example implementing a tax policy that increases inequality in the tax code. The bill was killed in House Appropriations.

STOPPED SHORT OF THE GOAL

Bills CFI supported that died this year

HB16-1292 – Rep. Kagan, Sen. Donovan

Income Tax Credit for the Sandwich Generation

This bill created a refundable income tax credit for low- and middle-income families who are members of the “sandwich generation” — those who are supporting both adult and child dependents in one household. CFI was in support of the concept, recognizing the impact on middle-class families who are trying to make ends meet. We testified in support in the House Health, Insurance and Environment Committee, where it passed on a party-line vote. However, as a result of an insurmountable fiscal note, the bill was eventually killed by its sponsor in House Finance.

SB16-136 – Sen. Donovan***Broadband Deployment***

SB 136 expanded local government's ability to provide broadband internet in unserved rural communities. The bill removed the election requirement to determine if local governments could provide internet services, paving the way for local governments to take a more active role in ensuring rural Coloradans have high speed internet. CFI supported this bill to help expand high speed internet access to rural Colorado communities and foster economic growth. Unfortunately, the bill was postponed indefinitely in the Senate State Affairs Committee.

HB16-1274 – Rep. Singer, Sen. Ulibarri***ID Documents Unlawful Presence***

HB 1274 expands the SB 13-251 driver's license program for undocumented Coloradans by opening new kiosks at a handful of Department of Motor Vehicle offices and removing the current cap on the number of appointments that can be made in a given year. The bill passed through the House before making it to the Senate State Affairs Committee, where it was postponed indefinitely.

HB 1388 – Rep. McCann, Sens. Guzman & Merrifield***Employer Hiring Criminal History Employee***

HB 1388 prohibited private employers from asking for a job applicant's criminal history on the initial job application. Supporting the efforts led by the Colorado Center on Law and Policy, CFI supported this "Ban the Box" measure as a proven method of reducing Colorado's recidivism rates and for the positive economic effects the bill would have created for the state. The bill passed the House along party lines, but was postponed indefinitely in the Senate State Affairs Committee due to strong opposition from the Colorado business community.

HB 1403 – Reps. Pettersen & Buckner, Sens. Todd & Donovan***Colorado Secure Savings Plan***

HB 1403, a bill led by the Bell Policy Center that CFI supported in coalition, would have created a public-private partnership retirement plan for Colorado, helping making it easier for private sector workers to save. CFI supported this bill as a way of providing retirement plans for the 45 percent of Colorado workers in the private sector who do not have a retirement savings plans at work, and reducing the poverty rates for retirees in the future. Ultimately, opposition from Colorado's business community culminated in the bill being postponed indefinitely in the House Finance committee.