HB19-1075 creates an incentive for Coloradans to contribute to the expansion of affordable housing. People who donate to the creation of employer-sponsored housing in Colorado's rural areas would be eligible to receive 20% of their donation as a tax credit.

The bill text justifies the creation of this tax credit by citing an increased demand for affordable housing. It acknowledges that many employees in Colorado have salaries that are above the State's rate for government-sponsored housing, but still do not earn enough to afford "market rate housing". This problem is exacerbated in rural areas, which the bill focuses on.

Per the bill, moderate-income housing includes families who earn less than 120% of a rural area median income. These are not the most needy people in a neighborhood, but those who are shut out from government assistance but are still not able to comfortably afford rent. This bill aims to incentivize an increase of supply in affordable housing that this demographic could access. The bill would reduce the tax revenue of the State to create more affordable housing in rural areas.

The government should legislate to remediate a market failure, discourage the production of a negative externality, or regulate a public good. Additionally, there may be times that the government should intervene for redistributive purposes.

The bill text justifies this new tax credit by arguing that there is a market failure in the market for affordable housing for middle-income residents. According to the bill, the problem is that there isn't a large enough supply of housing and this tax credit would hopefully lead to a new supply of affordable housing.

Employer-assisted housing has become more popular recently in order to help employers stay competitive with the benefits they are able to offer. Having an array of benefits is one of the things that can help attract and retain employees, which is increasingly important for businesses in a competitive market for skilled labor.

However, the market for employee benefits should be able to reach efficiency on its own without government intervention. There is no evidence that there is a market failure currently preventing employers from offering efficient benefits to their employees.

In fact, this bill may encourage the creation of a market failure in the market for employee benefits. By subsidizing employer benefits in some areas, this bill gives some employers an advantage. For example, if an employer in a city wanted to offer housing as a benefit, the employer in the rural area would be able to offer the same benefit but have a lesser cost due to this bill. This creates a market failure in the market for benefits instead of remediating one.

Further on this point, if rural employers have difficulty with retention and hiring, then they should solve this problem by offering higher salaries to their employees. Offering higher pay is the best way to incentivize employees to take or keep a job because they are able to choose how to spend the money themselves. Instead of having benefits tied to their housing, rural employers should offer higher salaries to attract and keep their employees.

The Colorado legislature should write and pass bills to redistribute to needy residents. This bill certainly does not redistribute to the neediest Colorado citizens. The benefit of the credit will mostly accrue to the wealthy while the benefit of the donated money from the credit will go towards middle-income Coloradans. Lastly, by decreasing the overall tax revenue of the state, HB19-1075 would decrease the money the state has to spend on offering services to these people.

The fiscal note predicts that the passage of this bill would lead to $1,092,000 in revenue for new employer-assisted housing in rural areas, leading to a decrease of $218,400 in tax revenue for Colorado for the 2018-2019 tax year. The bill does not specify how the donations would be spread amongst rural areas, another fault of the legislation. Especially since so many people would be eligible for this affordable-housing, HB19-1075 should have more specifications about how the money would be used and how the residents would be chosen.

The true problem that this bill hints at is that housing costs are too high, and housing supply needs to increase to remediate this problem. A better solution to this from a public economics perspective is to decrease the regulations on building new properties. Repealing regulations on building codes would decrease the cost for builders, therefore increasing supply. Many studies have found substantial evidence that regulations raise housing prices, reduce construction, and reduce the elasticity of housing supply (Gyourko, 2015). The legislative council should first amend these policies and decrease regulations to induce an increase in the housing supply.

Overall, I do not support the passage of HB19-1075 because it is not in the interest of all residents of Colorado. This tax credit would decrease efficiency in the state. From a public economics standpoint, this bill is not in the proper role for government, as its redistributive properties do not go towards those who necessarily need help from the government.

Work Cited

Gyourko, Joseph & Molloy, Raven, 2015. "Regulation and Housing Supply," Handbook of Regional and Urban Economics, Elsevier.