

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 10-0404  
**Prime Sponsor(s):** Rep. Kefalas  
 Sen. Steadman

**Date:** January 19, 2010  
**Bill Status:** House Finance  
**Fiscal Analyst:** Ron Kirk (303-866-4785)

**TITLE:** CONCERNING THE REQUIREMENT THAT FEES FOR SERVICES RENDERED BY A THIRD PARTY FOR COLLECTION OF DELINQUENT TAXES BE ADDED TO THE TOTAL AMOUNT COLLECTED BY THE THIRD PARTY.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011	FY 2011-2012
<b>State Revenue</b> General Fund		\$1,500,000	\$3,000,000
<b>State Expenditures</b> General Fund*	\$3,923		
<b>FTE Position Change</b>			
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.			
<b>Appropriation Summary for FY 2010-2011:</b> None required.			
<b>Local Government Impact:</b> None.			

*\* No separate appropriation of these funds is required because of ongoing appropriations to the Department of Revenue for computer programming provided in the Long Bill for new legislation.*

**Summary of Legislation**

Currently, the Department of Revenue does not receive all delinquent taxes due whenever it uses a third-party debt collection agency or attorney to collect back taxes because the third party retains a percentage of the amount for the cost of collection. This bill allows the department to collect from taxpayers the added cost of third-party collection agencies when a taxpayer's bill must be sent to a collection agency or attorney.

**State Revenue**

State income tax revenue will increase *up to* \$1.5 million in FY 2010-11 and *up to* \$3.0 million in FY 2011-12.

Records show that for the past three years, the department received, on average \$3 million less each year in delinquent tax collections because collection costs charged by third-party collection agencies are debited from the tax bill. Based on the bill's language, revenue will increase to the extent that the cost of collecting delinquent taxes will now be collected from the taxpayer by adding

collection costs to the tax bill. In other words, the taxpayer will pay the costs of collection instead of the state. When a taxpayer does not pay their bill in full, only a *portion* of the fee determined by the contract between the state and third party collection agency will be realized.

This fiscal note shows the maximum amount of revenue impacts that are estimated to result from the bill. Due to the bill payment arrangements between collection agencies and taxpayers, there will be a lag period before a taxpayer's bill is paid in full, and thus, the full-year impact of this bill will not be seen for at least one year, or until FY 2011-12.

### **State Expenditures**

*Department of Revenue.* The department will incur programming expenses of \$3,923 in FY 2009-10 to implement the provisions of this bill. Expenditures are based on programming changes of 100 hours by an IT Professional III to modify the state's income tax system called GenTax, at a rate of \$39.23 per hour. No appropriation is necessary because of ongoing appropriations to the department for computer programming provided in the Long Bill for new legislation.

### **Departments Contacted**

#### **Revenue**