



Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

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

Date: June 25, 2010
Bill Status: Signed into Law
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
State Revenue General Fund		up to \$1,500,000	up to \$3,000,000
State Expenditures General Fund*	\$3,923		
FTE Position Change			
Effective Date: The bill was signed by the Governor and became law on March 22, 2010. The bill applies to agreements entered into on or after that date.			
Appropriation Summary for FY 2010-2011: None required.			
Local Government Impact: 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. The added cost of an agency's fee is capped at 20 percent of the total amount of delinquent taxes owed.

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