

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-1007

Date: April 26, 2013

Prime Sponsor(s): Sen. Crowder

Bill Status: Senate SVMA

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TITLE: CONCERNING THE EXPEDITIOUS RESOLUTION OF DISPUTED CLAIMS FOR STATE INCOME TAX CREDITS ALLOWED FOR THE DONATION OF A PERPETUAL CONSERVATION EASEMENT.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund		up to (\$214.9 million)
State Expenditures General Fund		(\$4,010,058)
FTE Position Change		(11.6 FTE)
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: None required.		
Local Government Impact: None.		

Summary of Legislation

Under current law, taxpayers may claim a state income tax credit for a portion of the value of a perpetual conservation easement that the taxpayer donates. If the executive director of the Department of Revenue (DOR) disputes the claim of the credit, current law sets forth procedures for resolving the claim administratively, or through an appeal process in the courts.

This bill requires that all disputes for tax credits claimed prior to July 1, 2008, be resolved by June 30, 2014, and prohibits the state from using any funds, resources, or personnel to continue to litigate these disputed claims after that date.

Background

Approximately 450 conservation easements tax credits claimed prior to July 1, 2008, are currently in dispute. The total amount of income tax liability for these credits is \$214.9 million, which includes \$145.9 million in tax credits, \$16.5 million in assessed penalties, and \$52.5 million in interest owed. These 450 cases are scheduled for either administrative or court hearings through April 2014.

State Revenue

The bill reduces state revenue from income taxes by up to \$214.9 million in FY 2014-15. Of this amount, approximately \$145.9 million is from disputed income tax credits, \$16.5 million is from assessed penalties, and \$52.5 million is from interest. The DOR will have a full year to pursue disputed income tax credits and presumably, some amount of the outstanding liability will be collected by the state before the end of FY 2013-14. The unresolved and uncollected remainder of the disputed \$214.9 million will go uncollected.

State Expenditures

The bill reduces state expenditures by \$4,010,058 and 11.6 FTE beginning with FY 2014-15. Workforce reductions are in the DOR, the Department of Law, and the Judicial Branch. Reduced state expenditures are described below and summarized in Table 1.

Department of Revenue - (\$3,476,316) and (5.6 FTE). The DOR will no longer need program staff to settle disputed tax credits. These staff were added pursuant to House Bill 11-1300, and include related operating expenses and capital outlays. Of this amount, the DOR will no longer purchase approximately \$1.6 million in legal services from the Department of Law.

Judicial Branch - (\$533,742) and (6.0 FTE). Currently, there are 101 conservation easement tax credit dispute cases in Colorado's courts that will no longer be litigated by the state. The courts may be able to expedite a small number of these cases in FY 2013-14; however, this fiscal note assumes that most defendants in disputed cases will choose to wait until the July 2014 deadline, at which time their cases will terminate without a final judgement. For this reason, the fiscal impact in FY 2014-15 assumes all 101 cases are terminated, resulting in a reduction in expenditures for the branch.

Cost Components	FY 2014-15
Personal Services	(\$2,115,458)
FTE	(11.6)
Operating Expenses and Capital Outlay	(\$71,483)
Legal Services	(\$1,644,162)
Enforcement	(\$178,955)
TOTAL	(\$4,010,058)

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Reduced Expenditures Not Included Under SB 13-281*	
Cost Components	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	(\$80,857)
Supplemental Employee Retirement Payments	(\$163,948)
TOTAL	(\$244,805)

**More information is available at: <http://colorado.gov/fiscalnotes>*

Departments Contacted

Judicial
Natural Resources

Law
Regulatory Agencies

Local Affairs
Revenue