

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0514	Date: February 7, 2014
Prime Sponsor(s): Rep. Tyler Sen. Newell	Bill Status: House Finance
	Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: ELECTRONIC TAX NOTICES

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Minimal workload increase. Potential cost savings.	
FTE Position Change		
Appropriation Required: None		

** This summary shows changes from current law under the bill for each fiscal year.*

Summary of Legislation

Under current law, the Department of Revenue (DOR) uses first-class and certified first-class mail to deliver taxpayer notices. The bill authorizes the DOR to offer electronic notices to taxpayers as an alternative to mailed notices. The DOR must implement the option for electronic notices in a manner that ensures to the greatest degree reasonably possible that the taxpayer will receive the notice. The DOR's record that a taxpayer viewed a notice electronically is proof of receipt.

Unless specifically prohibited by other statutes, the bill allows the DOR to offer electronic notices to taxpayers that it contacts as the administrator of sales and use taxes, and water taxes, levied by certain local governments and statutory public entities.

Background

The DOR received an appropriation of \$3.0 million for postage in the FY 2013-14 Long Bill. The DOR administers sales taxes for towns, cities, counties, special districts, and certain statutory public entities, such as the Regional Transportation District; mailing expenses for certain local tax notices are included in DOR's budget, and at no cost to these local entities. Some home rule jurisdictions collect sales and use taxes without assistance or funding from the DOR.

For large-scale mail operations, the Department of Personnel and Administration (DPA) offers services to other state agencies. Recently, the DPA and the DOR formalized arrangements for most DOR mailings to be handled by DPA.

State Expenditures

The bill results in a minimal workload increase in FY 2014-15, when the DOR will adopt procedures consistent with the bill. In the future, potentially significant cost savings depend on large numbers of taxpayers that opt to receive electronic notices.

Assumptions. The DOR oversees a variety of high-volume operations, and has strategic goals, with budget accountability, that compel the DOR to handle these operations as efficiently as possible. The DOR will use its authority under the bill to implement an alternative to mailed notices.

In the immediate future, the fiscal note assumes that most taxpayers who receive mailed notices today will still prefer mailed notices. To the extent that there is a decline, rising costs for postage offset minor cost reductions when, at first, there are small declines in mail volume due to the bill. At some time in the future, user adoption of electronic notices may be very high. For the budget horizon of five years or more, the DOR will continue to require a large appropriation for bulk mailings. By FY 2019-20, electronic notices may become more prevalent.

DOR administration. In FY 2014-15, the bill offers the DOR an opportunity to send notices electronically. To implement this technology, the DOR will develop or alter forms to facilitate the taxpayer's election to receive electronic notices, possibly including secure electronic means for a taxpayer to opt in. Because the bill authorizes the DOR to implement the bill at its discretion, the fiscal note concludes that the DOR is able to set a schedule for implementation that aligns with budgeted costs, including budgeted programming upgrades. Overall, in FY 2014-15 and FY 2015-16, the bill presents a minimal increase in workload associated with the Taxpayer Services Division of DOR.

Cost savings—High user adoption. Potential savings under the bill include a substantial portion of the DOR budget presently appropriated to mailing expenses. At some future date, the majority of taxpayers may desire to receive notices electronically. This represents an annual savings of \$1.5 million or more. Any savings under the bill reduce state expenditures in the DOR, as well as reducing state expenditures of the same funds when reappropriated to the DPA for mailing services.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Revenue
Local Affairs

County Clerk and Recorders

Personnel and Administration