

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-1095	Date: September 2, 2015
Prime Sponsor(s): Rep. Court; McCann Sen. Steadman	Bill Status: Postponed Indefinitely
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BILL TOPIC: OPTION TO INVEST TABOR REFUND IN STATE SERVICES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
Revenue Change	See State Revenue section	
State Expenditures	\$18,160	\$0
General Fund	18,160	0
FTE Position Change		
TABOR Set-Aside	See TABOR section	
Appropriation Required: \$18,160 - DOR (FY 2015-16)		

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

Summary of Legislation

This bill creates a line on the Colorado individual income tax form that allows a taxpayer to direct the state to invest all or a portion of their TABOR sales tax refund to state services. The line on the tax form is only available when a TABOR refund is available. Revenue collected with this line on the tax form is not included as TABOR revenue and therefore does not count towards the TABOR revenue limit.

Background

In current law, there are three refund mechanisms when state revenue exceeds the revenue limits in the Taxpayer Bill of Rights (TABOR). The availability of each refund depends on the size of the TABOR surplus. The sales tax refund is available as a stand alone refund mechanism and is also available to refund any remaining surplus when other refund mechanisms are used.

Based on the March 2015 Legislative Council Staff forecast, taxpayers will receive a sales tax refund in tax years 2015, 2016, and 2017. The sales tax varies by year and income, as shown in Table 1. When the amount to be refunded would support less than a \$15 refund for each taxpayer, then the amount to be refunded is divided by the number of taxpayers and each Colorado taxpayer receives the same amount of sales tax refund. As long as the amount of money available to be returned to taxpayers through the sales tax refund is large enough to support at least \$15 to each Colorado taxpayer, the Department of Revenue is charged with dividing up the states's taxpayers into six tiers by modified federal adjusted gross income.

Table 1. Sales Tax Refunds Available in Next 3 Tax Years <i>March 2015 Legislative Council Staff Forecast</i>			
Tax Year	Refund Amount		
	Single Returns	Joint Returns	Total to be Refunded with Sales Tax Refund
2015	\$15 to \$47	\$30 to \$94	\$69.7 million
2016	\$8	\$16	\$25.6 million
2017	\$43 to \$134	\$86 to \$268	\$208.3 million

State Revenue

State revenue will increase to the extent that taxpayers contribute their sales tax refund to the state. Under current law, taxpayers can make gifts to the state; this bill simplifies the process by making it available on the state individual income tax form. The maximum revenue increase is the total amount refunded with the sales tax refund mechanism.

Because the bill does not designate a fund for the revenue raised by the line on the income tax form it is assumed that gifts will be deposited in the General Fund.

TABOR Impact

Gifts are exempt under the definition of revenue in TABOR. This bill clarifies that money received by the state from the new line on the individual income tax form is a gift and not counted as TABOR revenue.

State Expenditures

This bill will increase one-time state expenditures by \$18,160 in FY 2015-16. Table 2 summarizes these expenses.

Table 2. Expenditures Under HB 15-1374		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$0	
FTE	0.0	
Operating Expenses (DOR)	16,960	
Operating Expenses (DPA)	1,200	
Centrally Appropriated Costs*	0	
TOTAL	\$18,160	

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Revenue. The Department of Revenue will need to modify the state's tax administration software to accommodate an additional line on the tax form and manage the accounting for the gifts. Preliminary estimates indicate this will require 80 hours of programming and testing from the software vendor. The maintenance contract specifies that the each hour of programming costs \$212 in FY 2015-16, so the changes to the tax software will require \$16,960 in FY 2015-16.

Department of Personnel and Administration. The Department of Personnel and Administration processes the state's tax correspondence. The scanning equipment used to upload state tax returns into the state's tax administration system will be modified to capture the new line on the tax form, which will require \$1,200 reappropriated from the Department of Revenue.

Effective Date

The bill was postponed indefinitely by the Senate Committee on State, Veterans, and Military Affairs Committee on May 1, 2015.

State Appropriations

To implement this bill the Department of Revenue will need \$18,160 General Fund appropriation in FY 2015-16 of which \$1,200 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Revenue