

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-1069 **Date:** April 28, 2015
Prime Sponsor(s): Sen. Neville T.; Jahn **Bill Status:** Senate Local Government
 Rep. Kraft-Tharp; Keyser **Fiscal Analyst:** Larson Silbaugh (303-866-4720)

BILL TOPIC: SURETY REQUIREMENT FOR APPEALING TAX BILLS CLAIMED DUE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
State Revenue			
State Expenditures	See State Expenditures section.		
FTE Position Change	See State Expenditures Section.		
Appropriation Required: None.			

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

Note: While all agencies were canvassed for this fiscal note, not all agencies had an opportunity to respond. Therefore, this fiscal note should be considered preliminary. It will be revised if new information becomes available.

Summary of Legislation

Currently, a taxpayer who wishes to challenge a notice of deficiency in a tax case first goes to an administrative hearing, and then can appeal to district court. In order to appeal to district court, the taxpayer either must post a bond for two times the tax due or pay the tax to the Department of Revenue. The bill would make the bond or payment optional until 14 days after an adverse ruling by the district court.

Taxpayers that appeal sales tax rulings by local governments are required to follow the same requirements as the state; therefore, this bill would also apply to appeals of locally administered sales taxes.

State Expenditures

This bill increases the workload of the Department of Revenue, the Attorney General's office, and the trial courts. The Judicial Department can absorb the additional workload within existing appropriations.

Assumptions. If the current law requirement that the disputed amount be set aside when an appeal is filed is a deterrent in appealing some final rulings from the Department of Revenue, then changing this requirement will increase the number of appeals to the district court. The Department of Revenue and the Attorney General's office have not had sufficient time to prepare an estimate of the number of additional cases that may end up in district court. The total number of cases that go to court has a significant impact on the expenditures required to implement this bill.

Judicial Department. A district court judge can process 549 cases per year. Based on the number of delinquent taxpayers that may file an appeal with the district court, the judicial department will be able to accommodate the additional workload with existing resources.

Department of Revenue. A typical district court case requires 400 hours of time by department staff. They review and prepare documents, coordinate with the Department of Law, and testify in court. The department has identified 1,796 noncompliant taxpayers; including 212 with tax liability averaging \$14,858. A portion of these taxpayers may appeal to the district court because of the change in this bill. As of this writing, the additional workload and FTE needed to implement this bill has not been estimated.

Department of Law. The Department of Law represents the Department of Revenue in district court. It requires between 200 and 668 hours to prepare for each case, depending on the complexity of the case. The number of new cases filed in district court will determine the expenditure and FTE increase required by this bill.

Local Government Impact

This bill applies to appeals of local sales taxes, so local governments may also have more tax rulings appealed to the courts. This will increase costs to local governments.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. The new appeal process applies to appeals filed on or after the bill becomes law.

State and Local Government Contacts

Revenue
Counties

Law
Municipalities

Judicial