

*Colorado Legislative Council Staff Fiscal Note*

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0120  
**Prime Sponsor(s):** Rep. Rosenthal

**Date:** February 19, 2015  
**Bill Status:** House SVMA  
**Fiscal Analyst:** Louis Pino (303-866-3556)

**BILL TOPIC:** OVERSEAS FED CIVILIAN EMPLOYEE TAX FILING STATUS

<b>Fiscal Impact Summary*</b>	<b>FY 2014-15 <i>current year</i></b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>State Revenue</b>	<b><u>at least (\$458,861)</u></b>	<b><u>at least (\$917,686)</u></b>	<b><u>at least (\$917,613)</u></b>
General Fund	at least (\$458,861)	at least (\$917,686)	at least (\$917,613)
<b>State Expenditures</b>			
<b>FTE Position Change</b>			
<b>Tabor Set-Aside</b>	at least (\$458,861)	at least (\$917,686)	at least (\$917,613)
<b>Appropriation Required:</b> None.			

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

**Summary of Legislation**

Beginning tax year 2015, this bill allows a full-time Colorado resident stationed outside the United States for civilian employment by the United States government to file as a nonresident on his or her Colorado income tax return. The taxpayer must have spent at least 305 days of the tax year outside of the country to qualify. If a spouse accompanies the individual he or she may also elect treatment as a nonresident individual.

**Background**

Under current law, only a full-time Colorado resident who spends at least 305 days of the tax year on active military duty outside of the county can elect to file as a nonresident on his or her Colorado income tax return. If the spouse accompanies the serviceperson for at least 305 days of the tax year, he or she may also file as a nonresident individual.

A nonresident taxpayer is taxed only on the portion of income considered to be Colorado source income. Income is considered from Colorado if the taxpayer received payments for work performed in the state either as an employee or independent contractor.

**State Revenue**

**This bill will reduce General Fund revenue by at least \$458,861 in FY 2014-15, \$917,686 in FY 2015-16, and \$917,613 in FY 2016-17, based on the assumptions listed below. The FY 2014-15 impact represents a half-year impact (one-half of tax year 2015).**

**Assumptions.** In September 2014, there were just over 2 million federal civilian employees, according to the Office of Personnel Management (OPM). Of these, 31,354, or approximately 1.53 percent, were working in foreign countries. During the same period, Colorado reported 39,902 total federal civilian employees. Assuming the number of Colorado federal civilian employees has the same percentage of all federal employees working in foreign countries, this would mean about 611 Colorado residents are working outside the country.

On average, these federal civilian employees working in foreign countries had an annual salary of \$66,298. Based on data from the Department of Revenue (DOR), taxpayers with this level of income had an average Colorado tax liability of \$1,502 in 2013.

The revenue estimate assumes all income from the Colorado resident was earned while working in a foreign country. The actual impact on state revenue will be higher if the spouse accompanies the taxpayer for at least 305 days and elects to be treated as a nonresident for income tax purposes.

Finally, according to OPM, federal civilian employment has decreased between one and two percent since 2011. The fiscal note assumes a one percent decline in the number of Colorado residents working in foreign countries in tax years 2016 through 2018.

### **TABOR Impact**

This bill reduces state revenue which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

### **State Expenditures**

**Department of Revenue.** The DOR will be required to update its tax forms. This workload is minimal and can be accomplished within the department's existing appropriations.

### **Effective Date**

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

### **State and Local Government Contacts**

Revenue

Military Affairs