Colorado Legislative Council Staff

HB16-1118

FISCAL NOTE

FISCAL IMPACT: ☒ State ☒ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 16-0814	**Date:**	February 5, 2016
Prime Sponsor(s):	Rep. Court	**Bill Status:**	House Local Government
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BILL TOPIC: AGREEMENT FOR LOCAL GOV TO REPAY SALES TAX TO STATE

Fiscal Impact Summary	FY 2015-2016 *(current year)*	FY 2016-2017	FY 2017-2018
State Revenue General Fund	Potential revenue shift. See State Revenue section.		
State Expenditures			
Appropriation Required: None.			
Future Year Impacts: Continued potential revenue shift.			

Summary of Legislation

Under current law, local taxing jurisdictions are required to reimburse the state for prior overallocations of sales and use tax revenue. The bill allows the Department of Revenue (DOR) to deduct the amount owed by a local jurisdiction from future distributions of tax collections. A local jurisdiction and the DOR are authorized to enter into an intergovernmental agreement concerning the terms of repayment, not to exceed three years.

The bill also clarifies that repayments by local jurisdictions are exempt from the Office of the State Controller's usual debt collection practices.

Background

The DOR collects sales and use tax on behalf of statutory counties, municipalities, and special districts. Overpayment of taxes by taxpayers, or accounting errors at the DOR, can result in overallocation of tax revenue to local jurisdictions. When a taxpayer amends his or her return to correct overpayment, tax revenue is refunded from the General Fund. Jurisdictions are responsible for reimbursement of the General Fund if they received overallocations of tax revenue.

As current practice, the DOR works with the Office of the State Controller in the Department of Personnel and Administration to allow relief to local jurisdictions through extended paybacks of overallocated revenue.

State Revenue

In FY 2015-16 and subsequent fiscal years, the bill potentially delays General Fund revenue collections by between one and three years. Any revenue shift is expected to be minimal.

Assumptions. The bill affects transactions between local jurisdictions and the DOR beginning on the date it is signed into law. This fiscal note assumes that the bill is signed into law during the current FY 2015-16.

The bill codifies current practice, providing a statutory authorization for the DOR to address overallocations of sales tax by reducing future allocations rather than clawing back the excess amount immediately. It is assumed that most of the revenue shift authorized in the bill occurs under the DOR's current practice. To the extent that the bill results in additional delayed repayments, a portion of General Fund revenue collections will be delayed by between one and three years.

State Expenditures

The DOR is expected to be able to implement and administer the bill within existing appropriations. The bill allows the DOR to work with local governments to negotiate intergovernmental agreements for repayment of overallocated sales tax revenue. Because the DOR engages in similar negotiations under current law, the bill is expected to increase workload by only a minimal amount.

Local Government Impact

In FY 2015-16 and subsequent fiscal years, the bill potentially delays local government expenditures for General Fund reimbursements by between one and three years. Any expenditure shift is expected to be minimal.

Effective Date

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

State and Local Government Contacts

Counties
Local Affairs
Personnel and Administration
Special Districts
Information Technology
Municipalities
Revenue

Research Note Available

An LCS Research Note for HB16-1118 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.