



**Colorado
Legislative
Council
Staff**

HB16-1174

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 10, 2016)

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

Drafting Number: LLS 16-0186	Date: March 28, 2016
Prime Sponsor(s): Rep. Becker J. Sen. Sonnenberg	Bill Status: House Appropriations Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: CONSERVATION EASEMENT TAX CREDIT LANDOWNER RELIEF

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	(up to \$5,000)	(up to \$5,000)
General Fund	(up to 5,000)	(up to 5,000)
State Expenditures		
TABOR Impact	(up to \$5,000)	(up to \$5,000)
Appropriation Required: None.		
Future Year Impacts: Ongoing state revenue decrease.		

Summary of Legislation

The bill, *as amended by the House Finance Committee*, changes the procedure for taxpayers appealing a Department of Revenue (DOR) final determination regarding a conservation easement matter to a district court. Specifically, the bill waives the requirement that taxpayers post a surety bond or other deposit, and halts the accrual of monetary interest and penalties while the matter is on appeal.

Background

The DOR has contested conservation easement income tax credits claimed by taxpayers for tax years 2000 through 2013. The majority of cases have been settled, with taxpayers agreeing to pay most of the tax for which a credit was claimed in exchange for reductions in penalties and interest assessed. Disputes are ongoing in 50 cases for credits first claimed prior to January 1, 2008, involving \$16.6 million in taxes, interest, and penalties.

Taxpayers who appeal a DOR decision to a court are usually required to post a deposit within 15 days of filing the notice of appeal. Taxpayers may post a surety bond equal to twice the amount of taxes, interest, and other charges stated as due; deposit twice the amount stated as due in a savings account, or obtain a certificate of deposit; or deposit the amount stated as due with the DOR. House Bill 11-1300 waived this requirement for taxpayers who chose not to participate in the DOR administrative hearing process and proceeded directly to a district court hearing.

State Revenue

The bill reduces state General Fund revenue by no more than \$5,000 annually in FY 2016-17, FY 2017-18, and subsequent fiscal years.

Assumptions. The bill is assumed to take effect beginning FY 2016-17. All outstanding cases are assumed to be resolved between 2016 and 2020 under current law, with taxpayers agreeing to pay tax, interest, and penalties to an extent consistent with past settlements. Based on the outstanding amounts stated as due by the DOR, it is assumed that each donor who settles with the department under current law will agree to pay approximately \$1,750 in interest and \$750 in penalty.

The revenue reduction in this section represents the amount of additional interest that would otherwise accrue between the bill's effective date and the date at which the settled amount is paid. This amount is expected to vary depending on installment schedules for individual settlements, but is not expected to exceed \$5,000 during any fiscal year. Additional accrual of monetary penalties is not anticipated.

TABOR Impact

This bill reduces state revenue from income taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

Effective Date

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

State and Local Government Contacts

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