



**Colorado
Legislative
Council
Staff**

HB16-1232

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 16-0431 **Date:** August 25, 2016
Prime Sponsor(s): Rep. Kraft-Tharp **Bill Status:** Signed into Law
 Sen. Baumgardner **Fiscal Analyst:** Greg Sobetski (303-866-4105)

BILL TOPIC: SUNSET DOR PRIVATE LETTER RULING AND GENERAL INFO LETTER

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	
This bill changes and continues a program that would otherwise end June 30, 2016, so the fiscal note shows the new and continuing fiscal impacts.	New	New	Continuation
State Revenue	\$0	\$11,667	
Cash Funds - Private Ruling Letter Fund			\$11,667
State Expenditures	\$0	\$57,910	
Cash Funds - Private Ruling Letter Fund		minimal increase	\$57,910
TABOR Impact			\$11,667
FTE Position Change			0.8 FTE
Appropriation Required: None.			
Future Year Impacts: Continuation of existing revenue and expenditures through FY 2023-24.			

Summary of Legislation

This bill continues the authority of the Department of Revenue to issue general information letters and private letter rulings through September 1, 2023. The authority is currently scheduled to sunset on September 1, 2016. The bill contains a new requirement that the department track full-time equivalent (FTE) personnel and hours dedicated by FTE personnel for issuance of the letters.

Background

Under current law, the Department of Revenue is authorized to write clarifying letters to taxpayers upon written request. The letter can either take the form of a general information letter or a private letter ruling.

A general information letter provides background information on topics of interest to a taxpayer and does not contain tax advice specific to any particular taxpayer. It is nonbinding to both the taxpayer and the department, and the taxpayer's identity is not required to be disclosed. The department does not charge a fee for a general information letter.

A private letter ruling is addressed to a specific taxpayer about a specific tax situation and is binding to the department. While the ruling is nonbinding to the taxpayer, the taxpayer's identity must be disclosed to the department before a ruling is issued. The department is authorized to charge the taxpayer a fee to cover the costs of issuing the ruling.

To the extent that information in the letters can be redacted to maintain taxpayer confidentiality, general information letters and private letter rulings are available to the public.

Fiscal Impact of Programs Set to Expire

This bill continues the department's authority to issue general information letters and private letter rulings, set to repeal effective September 1, 2016. Under current law, state agencies may be appropriated funds to wind up the affairs of an expiring program for 12 months following the repeal date. To account for the wind-up period, the impact of extending the program beyond the current repeal date is shown as beginning in FY 2017-18, one year after the repeal date. There is no need for an appropriation of the prorated \$57,910 base funding and 0.8 FTE in FY 2016-17, since the program's authorization has not yet expired, and ongoing funding for the program is included in the department's base budget request.

The state revenue and state expenditures impact for FY 2017-18 reflects the program's anticipated fee revenue and base budget request beginning that year. There are no new costs to cover the implementation of this bill. Based on the budget request for the program, continuing cash fund expenditures are expected to be \$57,910 and 0.8 FTE, prorated, in the final ten months of FY 2017-18.

State Revenue

Cash fund revenue — continuation. The bill is expected to increase Private Letter Ruling Cash Fund revenue by \$11,667 in FY 2017-18 and \$14,000 in subsequent years.

Assumptions. Current law authorizes the department to charge fees for private letter rulings, which are used to pay corresponding staff costs. Fees are tiered based on the amount of time staff estimates it will take to complete the ruling and range from \$500 to \$10,000, or more. Rulings that are anticipated to cost more than \$10,000 are charged at the rate of \$60 per hour.

Over the seven year period between FY 2008-09 and FY 2014-15, the department collected an aggregate \$46,400, or an average amount of about \$6,600 each year. Fee revenue for FY 2017-18 and subsequent years is assumed to more closely resemble FY 2014-15, when the department collected just under \$14,000. For FY 2017-18, this fiscal note assumes a prorated revenue impact for ten months beginning in September.

TABOR Impact

Beginning FY 2017-18, the bill increases state revenue from private letter ruling fees, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

Cash fund revenue — continuation. The bill is expected to increase Private Letter Ruling Cash Fund expenditures by \$57,910 and 0.8 FTE in FY 2017-18 and by \$69,493 and 1.0 FTE in subsequent fiscal years. These amounts reflect the appropriations in the 2015 Long Bill. For FY 2017-18, this fiscal note assumes a prorated expenditure impact for ten months beginning in September.

Cash fund expenditures — new. The bill requires the department to track the FTE required to issue general information letters and private letter rulings. The department is able to accomplish this increased workload within continuing appropriations.

Effective Date

The bill was signed into law by the Governor and took effect on June 10, 2016.

State and Local Government Contacts

Information Technology

Regulatory Agencies

Revenue