



**Colorado  
Legislative  
Council  
Staff**

**HB16-1118**

**FINAL  
FISCAL NOTE**

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

**Drafting Number:** LLS 16-0814  
**Prime Sponsor(s):** Rep. Court

**Date:** May 17, 2016  
**Bill Status:** Deemed Lost  
**Fiscal Analyst:** Greg Sobetski (303-866-4105)

**BILL TOPIC:** AGREEMENT FOR LOCAL GOV TO REPAY SALES TAX TO STATE

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

**Summary of Legislation**

Under current law, local taxing jurisdictions are required to reimburse state accounts 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 is deemed lost since the House of Representatives laid the bill over until June 1, 2016 during second reading on March 3, 2016.

**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.