



**Colorado  
Legislative  
Council  
Staff**

**HB17-1216**

**FINAL  
FISCAL NOTE**

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

**Drafting Number:** LLS 17-0217 **Date:** July 25, 2017  
**Prime Sponsor(s):** Rep. Kraft-Tharp; Sias **Bill Status:** Signed into Law  
 Sen. Neville T.; Jahn **Fiscal Analyst:** Greg Sobetski (303-866-4105)

**BILL TOPIC:** SALES AND USE TAX SIMPLIFICATION TASK FORCE

| <b>Fiscal Impact Summary</b>   | <b>FY 2016-2017<br/>(current year)</b>  | <b>FY 2017-2018</b> | <b>FY 2018-2019</b> |
|--|---|---------------------|---------------------|
| <b>State Revenue</b>   |   |                     |                     |
| Cash Funds   | Potential gifts, grants, and donations. |                     |                     |
| <b>State Expenditures</b>  |   | <b>\$31,735</b>     | <b>\$34,093</b>     |
| General Fund   |   | 26,374              | 28,534              |
| Centrally Appropriated Costs   |   | 5,361               | 5,559               |
| <b>FTE Position Change</b>   |   | 0.4 FTE             | 0.4 FTE             |
| <b>Appropriation Required:</b> \$26,374 - Legislative Department (FY 2017-18). |   |                     |                     |
| <b>Future Year Impacts:</b> Ongoing state expenditure increase.                |   |                     |                     |

**Summary of Legislation**

The bill creates a sales and use tax simplification task force (task force). The task force is required to meet at least eight times between FY 2017-18 and FY 2019-20 in order to study the necessary components of a simplified sales and use tax system for both the state and local governments. It is required to consider the feasibility of potential changes to administration of state and local sales and use taxes and to make annual reports to the Legislative Council in 2017, 2018, and 2019. Solutions identified must be revenue neutral and must not require amendments to the Colorado Constitution. The task force is scheduled to sunset effective July 1, 2020.

The task force consists of 15 members including:

- two members of the House of Representatives, including appointees of the Speaker and minority leader;
- two members of the Senate, including appointees of the President and minority leader;
- one representative of the Department of Revenue;
- one representative of the Colorado Municipal League (CML);
- one representative of Colorado Counties, Inc. (CCI),
- one representative of a statewide association of small businesses, appointed by the Governor;
- one representative of the statewide chamber of commerce, appointed by the Governor;

- one sales tax attorney who does not represent a local government, appointed by the Governor;
- one accountant experienced in state and local sales and use tax who is not employed by a municipality, appointed by the Governor; and
- four representatives of municipalities appointed pursuant to CML bylaws, including one from each of four population membership categories.

**State Revenue**

The bill potentially increases Legislative Department Cash Fund revenue for FY 2016-17 through FY 2019-20. The bill authorizes the task force to seek, accept, and expend gifts, grants, or donations for its purposes. A source of gifts, grants, or donations has not been identified at this time. It is assumed that any amounts received will be deposited in the Legislative Department Cash Fund and expended by the task force. Gifts, grants, and donations are exempt from TABOR.

**State Expenditures**

The bill increases General Fund expenditures for the Legislative Department by \$31,735 and 0.4 FTE in FY 2017-18, and by \$34,092 and 0.4 FTE in FY 2018-19. Expenditures are presented in Table 1 and described in detail below.

| <b>Table 1. Expenditures Under HB17-1216</b> |                   |                   |
|--|-------------------|-------------------|
| <b>Cost Components</b>                       | <b>FY 2017-18</b> | <b>FY 2018-19</b> |
| Personal Services                            | \$23,752          | \$25,912          |
| FTE  | 0.4 FTE           | 0.4 FTE           |
| Per Diem for Legislative Members             | 2,622             | 2,622             |
| Centrally Appropriated Costs*                | 5,361             | 5,559             |
| <b>TOTAL</b>                                 | <b>\$31,735</b>   | <b>\$34,093</b>   |

\* Centrally appropriated costs are not included in the bill's appropriation.

**Legislative Department.** Costs for the legislature include the addition of 0.4 FTE in Legislative Council Staff (LCS) and the Office of Legislative Legal Services (OLLS). The bill requires these agencies to staff task force meetings and complete projects related to the task force charge. This fiscal note reflects costs for 0.3 FTE research analyst in LCS and 0.1 FTE staff attorney in OLLS. It is assumed that workload will first increase in FY 2017-18 based on the bill's requirement that the first task force meeting occur on or before July 12, 2017. To the extent that staff time is required in advance of the meeting, expenditures may increase during the current FY 2016-17.

The four members of the General Assembly who are appointed to the task force are entitled to receive compensation and reimbursement of expenses for their participation as provided under current law. Costs are estimated at \$218.50 per member per meeting. The fiscal note assumes that the task force will meet three times per year beginning in FY 2017-18.

Legislative costs are expected to require a General Fund appropriation. The bill permits the task force to solicit and expend gifts, grants, and donations. To the extent that revenue is collected from these sources, the task force may choose to allocate received funds for the purposes identified in this section. If this occurs, the required General Fund expenditures will be less than estimated.

**Department of Revenue.** Costs for the department's representation on the task force, and for the department's role in furnishing data related to the task force charge, can be accomplished within existing departmental appropriations.

**Department of Regulatory Agencies.** The department's Office of Policy, Research, and Regulatory Reform is responsible for performing sunset reviews each year. The completion of the sunset review in the bill can be accomplished by office staff within existing departmental appropriations.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2. The amounts for supplemental employee retirement payments include both those for new personnel and for legislators. Supplemental payments for legislators are computed at \$9.90 per legislator, per meeting.

| <b>Cost Components</b>   | <b>FY 2017-18</b> | <b>FY 2018-19</b> |
|--|-------------------|-------------------|
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$3,114           | \$3,118           |
| Supplemental Employee Retirement Payments                            | 2,247             | 2,441             |
| <b>TOTAL</b>   | <b>\$5,361</b>    | <b>\$5,559</b>    |

### **Local Government Impact**

Local governments will incur increased workload for their representation on the task force. The bill requires the participation of four municipal representatives appointed pursuant to CML bylaws, which may include city managers, mayors, councilpeople, finance officers, or tax administrators. Costs for participation by these officials are not reimbursed. To the extent that municipalities choose to compensate officials for their participation, they will need to allocate local funds for this purpose.

### **Effective Date**

The bill was signed into law by the Governor and took effect on June 5, 2017.

## State Appropriations

For FY 2017-18, the bill requires and includes a General Fund appropriation of \$26,374 and an allocation of 0.4 FTE to the Legislative Department.

## State and Local Government Contacts

Counties  
Legislative Council Staff  
Office of Legislative Legal Services  
Revenue

Information Technology  
Municipalities  
Regulatory Agencies