

**JBC STAFF FISCAL ANALYSIS  
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING THE AUTHORITY OF A PASS-THROUGH BUSINESS ENTITY TO ELECT TO PAY STATE INCOME TAXES AT THE ENTITY LEVEL.

Prime Sponsors: Sens. Woodward and Kolker  
Reps. Ortiz and Van Winkle

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Date Prepared: April 25, 2022

**Appropriation Items of Note**

**Appropriation Required, Amendment in Packet**

**General Fund Impact**

**Fiscal Impact of Bill as Amended to Date**

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 02/17/2022.

|            |                                                                                                              |
|------------|--------------------------------------------------------------------------------------------------------------|
|            | <b>No Change:</b> Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill                 |
|            | <b>Update:</b> Fiscal impact has changed due to <i>new information or technical issues</i>                   |
| <b>XXX</b> | <b>Update:</b> Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared  |
|            | <b>Non-Concurrence:</b> JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill |

The Senate Finance Committee Report (02/23/22) includes amendments to the bill. These amendments make technical adjustments to the bill, including changing the deduction allowed by the 2021 SALT Parity Act to a refundable tax credit. Additionally, the amended bill will enable individuals to amend their tax returns to take the tax credit in past tax years beginning in the 2018 tax year. This increases the appropriation required in FY 2022-23 to \$2,823,437 and 40.3 FTE. Legislative Council Staff and JBC Staff agree with this change to the fiscal impact.

**Amendments in This Packet for Consideration by Appropriations Committee**

| <b>Amendment</b> | <b>Description</b>                                                      |
|------------------|-------------------------------------------------------------------------|
| J.001            | Staff-prepared appropriation amendment                                  |
| L.003/J.002      | Bill Sponsor amendment - changes fiscal impact <i>and</i> appropriation |

**Current Appropriations Clause in Bill**

The bill requires but does not contain an appropriation clause.

**Description of Amendments in This Packet**

**J.001** Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of \$2,823,437 General Fund to the Department of Revenue for FY 2022-23. This provision also states that the appropriation is based on the assumption that the Department will require an additional 40.3 FTE.

**L.003 and J.002**

Bill Sponsor amendment **L.003** (attached) changes the Department of Revenue's process of reviewing amended returns from a manual review process to an automated review process. This change reduces the workload of the Department and reduces the required General Fund appropriation from \$2.8 million and 40.3 FTE to \$550,447 and 4.4 FTE. **J.002** (attached) adds a provision appropriating a total of \$550,447 General Fund to the Department of Revenue for FY 2022-23. This provision also states that the appropriation is based on the assumption that the Department will require an additional 4.4 FTE.

**If the Committee adopts L.003 it should adopt J.002 and not J.001.**

**Points to Consider***General Fund Impact*

The Joint Budget Committee has proposed a budget package for FY 2022-23 based on the March 2022 Legislative Council Staff revenue forecast. The budget package includes two set-asides:

1. \$40.0 million General Fund for bills that create ongoing obligations; and
2. \$900.0 million General Fund for bills that create one-time obligations in FY 2022-23.

The \$40.0 million *appropriations* set-aside includes an additional \$6.0 million General Fund to provide a 15.0 percent General Fund reserve for those appropriations. The \$900.0 million *obligations* set-aside does not include an additional amount for a General Fund reserve and, assumes, but does not require, that obligations be addressed through statutory transfers rather than appropriations. Therefore *appropriations* from the \$900.0 million set-aside require an additional 15.0 percent to maintain the statutory General Fund reserve.

This bill creates an ongoing obligation and requires a General Fund appropriation of \$2,823,437 for FY 2022-23, reducing the \$40.0 million set aside by the same amount.

If L.003 is adopted, the bill creates an ongoing obligation and requires a General Fund appropriation of \$550,447 for FY 2022-23, reducing the \$40.0 million set aside by the same amount.