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Fiscal Note

Drafting Number: LLS 23-0310 Date: February 17, 2023
Prime Sponsors: Sen. Kolker; Liston Bill Status: Senate Finance
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Bill Topic: SUNSET PRIVATE LETTER RULING & INFORMATION LETTER

- Summary of Fiscal Impact:
[X] State Revenue [X] TABOR Refund
[X] State Expenditure [] Local Government
[] State Transfer [] Statutory Public Entity

Sunset Bill. This bill continues the issuance of private letter rulings and information letters by the Department of Revenue, which is scheduled to repeal on September 1, 2023. State fiscal impacts include additional workload from changes to the program under the bill, as well as the continuation of the program's current revenue and expenditures. The program is continued indefinitely.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$53,644 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under 23-156^1

Table with 4 columns: Category, Sub-category, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include New Impacts for Revenue, Expenditures, and Other Budget Impacts.

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1 Table 1 shows the new impacts resulting from changes to the program under the bill and the continuing impacts from extending the program beyond its current repeal date. The continuing program impacts will end if the bill is not passed and the program is allowed to repeal.

Summary of Legislation

The bill indefinitely continues the authority of the Department of Revenue (DOR) to issue private letter rulings and information letters, which is currently scheduled to repeal on September 1, 2023. The bill also implements the recommendations in the sunset report, allowing the DOR:

- to extend the 90-day deadline to issue a ruling if the taxpayer agrees to the extension; and
- to issue letters and rulings for any issue related to a tax administered by the department.

Background

Private letter rulings are binding decisions concerning the DOR's application of tax statutes or rules. General information letters are non-binding and provide general information on the DOR's current interpretation of rules and statutes. Taxpayers may request a ruling or letter to get clarity on the application of tax laws and rules. DOR assesses a fee for a ruling in the amount of \$500 for a first ruling, and increasing for subsequent requests for private letter rulings. There is no fee for a letter. Based on the sunset report, the DOR issues between 10 and 30 letters and rulings per year.

The Department of Regulatory Agencies' sunset report for private letter rulings and information letters is available [here](#).

Continuing Program Impacts

Based on the department's current budget, the Department of Revenue is expected to have revenue of approximately \$7,600 and expenditures of \$64,373 and 1.0 FTE to administer the private and information letter program. If this bill is enacted, current revenue and expenditures will continue for the program starting September 1, 2023; as a result, continuing expenditures in Table 1 are prorated to start on that date. Continuing revenue is not prorated, as it the amount in Table 1 represents a five-year average, with the department typically collecting between \$5,000 to \$11,000 in fee revenue per year. The continuing revenue is subject to the state TABOR limits and deposited in the Private Letter Ruling Fund. If this bill is not enacted, the program will end on September 1, 2023.

State Revenue and Expenditures

The bill increases fee revenue and workload for the DOR to issue any additional letters and rulings requested on taxes administered by the department. Fees are deposited in the Private Letter Ruling Fund. Any increase is expected to be minimal. No change in appropriations is required.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$53,644 from the Private Letter Ruling Fund to the Department of Revenue, and 0.8 FTE.

State and Local Government Contacts

Revenue