



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Fiscal Note

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Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: MODIFICATIONS TO THE STATE AUDITOR'S RESPONSIBILITIES

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

The bill modifies the duties of the State Auditor related to evaluating tax expenditures, requires that the auditor evaluate the use of federal taxable income as the basis for state taxable income and the impact of federal tax law changes, and extends the Legislative Oversight Committee Concerning Tax Policy and associated task force. The bill increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$67,737 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee on Tax Policy.

Table 1
State Fiscal Impacts Under Bill 7

Table with 5 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27, Out Year FY 2027-28. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill modifies the Office of the State Auditor (OSA)'s duties related to evaluating tax expenditures. Specifically, this bill:

- modifies the procedures for scheduling evaluations of tax expenditures by the OSA;
- changes the annual deadline for evaluation reports from September 15 to June 30;
- allows the Legislative Oversight Committee on Tax Policy (oversight committee) to direct the State Auditor to evaluate up to three additional specific tax expenditures in the report due in the following year;
- allows the oversight committee to request two reports annually from the State Auditor on specific topics related to existing tax policy; and
- requires the OSA to present the report on federal tax law, discussed below, and policy considerations in the tax expenditure evaluations to the Task Force Concerning Tax Policy (task force), upon request; and,
- extends the repeal of both the oversight committee and the task force from 2026 until 2031.

Evaluation of state and federal tax policy. The bill requires that the OSA evaluate the impacts of using federal taxable income as a basis for Colorado taxable income, and review federal tax law changes that impact the state's tax base or otherwise impact taxable income in the state. The first report required by June 30, 2025, with subsequent reports no later than June 30 of each year thereafter. The Department of Revenue (DOR) must provide any information or data requested by the OSA for the evaluation.

The bill specifies that records, information, and documentation related to the report on federal taxable income are only open to public inspection upon approval of the Legislative Audit Committee.

State Expenditures

Beginning in FY 2024-25, the bill increases state expenditures in the DOR by up to \$85,000 per year, paid from the General Fund. Costs also increase in the Legislative Department by about \$110,000, beginning in FY 2027-28. Expenditures are shown in Table 2 and detailed below.

**Table 2
 Expenditures Under Bill 7**

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Department of Revenue				
Personal Services	\$60,171	\$68,767	\$68,767	\$68,767
Operating Expenses	\$896	\$1,024	\$1,024	\$1,024
Capital Outlay Costs	\$6,670	-	-	-
Centrally Appropriated Costs ¹	\$13,783	\$15,752	\$15,752	\$15,752
FTE – Personal Services	0.7 FTE	0.8 FTE	0.8 FTE	0.8 FTE
Dept. Subtotal	up to \$81,520	up to \$85,542	up to \$85,542	up to \$85,542
Legislative Department				
Personal Services	-	-	-	\$77,601
Operating Expenses	-	-	-	\$1,280
Capital Outlay Costs	-	-	-	\$6,670
Legislator Reimbursements	-	-	-	\$7,077
Task Force Reimbursements	-	-	-	\$2,480
Centrally Appropriated Costs ¹	-	-	-	\$16,286
FTE – Legislative Council	-	-	-	0.8 FTE
FTE– Legislative Legal Services	-	-	-	0.2 FTE
Dept. Subtotal	-	-	-	\$111,394
Total	\$81,520	\$85,542	\$85,542	\$196,937
Total FTE	0.7 FTE	0.8 FTE	0.8 FTE	1.8 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Revenue. The bill requires that the DOR provide any data, information, or analysis requested by the OSA for the state and federal tax policy evaluation, if available and under their control. The data required by OSA is subject to the policies and procedures of the federal Internal Revenue Service (IRS). Based on the department’s current interpretation of IRS rules, this fiscal note assumes that the department will not be able to share raw data with the OSA, and instead must conduct some of the data analysis internally.

Assuming that most of the data cannot be shared with OSA, DOR requires 0.8 FTE to track federal policy and provide data analysis to OSA. Staff levels are based on the time spent on current OSA tax expenditure reports and are prorated to 0.7 FTE in the FY 2024-25. If the IRS allows the data to be shared, these DOR costs will be less than estimated. The fiscal note will be updated as more information becomes available.

Legislative Department. The bill increases workload and costs in the Legislative Department, as discussed below.

- **Committee staff.** Beginning in FY 2027-28, Legislative Council Staff requires 0.8 FTE to support the committee and task force, and the Office of Legislative Legal Services requires 0.2 FTE to support the committee with legal issues and bill drafting. This staff represents a continuation of current staffing levels needed to support the committee and task force.
- **Per diem and travel.** Beginning in FY 2027-28, the bill requires reimbursement for six legislative committee members and the four nonvoting members of the task force. The fiscal note assumes five meetings per year, legislator per diem of \$111.89 per day, and the standard travel reimbursement of \$124 per meeting.
- **Office of the State Auditor.** Beginning in FY 2024-25, the bill will shift the workload for the OSA. Adjusting the scheduling and evaluation procedures for tax expenditures will give the OSA more flexibility, allowing staff time to be available to complete the newly required tax policy report and other reports as requested by the committee. No change in staffing levels or appropriations is required.

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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. It applies to tax expenditure evaluation reports conducted on or after the effective date.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation \$67,737 to the Department of Revenue, and 0.7 FTE.

State and Local Government Contacts

Legislative Council
State Auditor

Legislative Legal Services

Revenue