



Fiscal Note

Drafting Number: LLS 24-0380
Prime Sponsors:

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Bill Status: Bill Request
Fiscal Analyst: David Hansen | 303-866-2633
david.hansen@coleg.gov

Bill Topic: SIMPLIFY PROCESSES FOR CERTAIN LOCAL GOVERNMENT TAXES

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill expands the scope of the Sales and Use Tax Simplification Task Force, requires reporting of local lodging taxes and sales and use taxes integrated with building permits, and requires the Department of Revenue to issue a request for information for an electronic lodging tax system. The bill increases state expenditures and minimally increases workload for local governments.

Appropriation Summary: The bill requires appropriations to the Department of Revenue of \$171,651 for the current FY 2023-24 and \$103,574 for FY 2024-25.

Fiscal Note Status: The fiscal note reflects the draft bill requested by the Sales and Use Tax Simplification Task Force.

Table 1
State Fiscal Impacts Under Bill 3

		Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-	-
Expenditures	General Fund	\$171,651	\$103,574	\$129,206
	Centrally Appropriated	\$5,269	\$26,347	\$35,129
	Total Expenditures	\$176,920	\$129,921	\$164,335
	Total FTE	0.3 FTE	1.5 FTE	2.0 FTE
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	\$25,748	\$15,536	\$19,381

Summary of Legislation

The bill modifies the scope of the Sales and Use Tax Simplification Task Force to include simplification of local lodging tax systems. Along with the expanded scope, the bill requires the Sales and Use Tax Simplification Task Force to study the feasibility and implementation of an electronic system for businesses to collect and remit local lodging taxes during the 2024 interim. The task force may propose legislation for the 2025 session for the creation or implementation of this system. Relatedly, the Department of Revenue (DOR) is required to issue a request for information for an electronic lodging tax system and present it to the task force by August 1, 2024.

The bill also includes reporting requirements for local governments and the DOR for local lodging tax systems and sales and use taxes on building materials and equipment that are integrated into building permits. The bill requires jurisdictions that impose a local lodging tax to file a copy of the resolution or ordinance with the department and report the rate and calculation of the tax. The bill requires similar reporting for sales and use taxes that are integrated with building permits, but also requires reporting of the information on the permit, timing of remittance, and whether the tax is imposed on asphalt, equipment, storage of equipment, or services. The DOR is required to publish the information twice each year, beginning with a report to be published by July 1, 2025.

State Expenditures

The bill increases state General Fund expenditures in the DOR by \$176,920 in the current FY 2023-24, \$129,921 in FY 2024-25, and \$164,335 in FY 2025-26, with similar impacts in future years. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under Bill 3

	Current Year FY 2023-24	Budget Year FY 2024-25	Out Year FY 2025-26
Department of Revenue			
Personal Services	\$18,997	\$94,984	\$126,646
Operating Expenses	\$384	\$1,920	\$2,560
Capital Outlay Costs	\$6,670	\$6,670	-
Contract Business Analyst	\$145,600	-	-
Centrally Appropriated Costs ¹	\$5,269	\$26,347	\$35,129
Total Cost	\$176,920	\$129,921	\$164,335
Total FTE	0.3 FTE	1.5 FTE	2.0 FTE

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

Department of Revenue. The DOR will require staff beginning in FY 2023-24 to gather and publish information from local governments on lodging taxes and sales and use taxes integrated with building permits. The estimate is based on resources needed for the department to publish the current sales and use tax form DR 1002. A total of 2.0 FTE will be required to develop these reports. For FY 2023-24, the expected start date of the first new staff person is March 2024 and is set to coincide with a contract to develop a request for information as specified in the bill. The second staff person will begin in January 2025. Beyond the additional staff requirements, the DOR will need to contract for the work required to develop a request for information (RFI) by August 1, 2024. Given the estimated amount of time typically required to develop requests for information, or about 4 to 6 months, the contract would need to start in March 2024.

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.

Local Government

The bill is expected to minimally increase workload of local governments to meet the reporting requirements in the bill for a publication detailing local lodging taxes and sales and use taxes integrated with building permits.

Technical Note

In order to meet the required appropriations and deadlines in the bill, the bill would need to be signed by the Governor by February 2024. If the bill is signed in May or June 2024, the DOR would need more time to develop a request for information as specified in the bill in order to present the findings from the request for information to the task force in August 2024.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

The bill requires the following General Fund appropriations to the Department of Revenue:

- \$171,651 and 0.3 FTE for the current FY 2023-24; and
- \$103,574 and 1.5 FTE for FY 2024-25.

State and Local Government Contacts

Counties
Information Technology

Local Affairs
Municipalities

Revenue