

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 10-0868  
**Prime Sponsor(s):** Rep. Murray  
 Sen. Spence

**Date:** February 22, 2010  
**Bill Status:** House Finance  
**Fiscal Analyst:** Ron Kirk (303-866-4785)

**TITLE:** CONCERNING THE CODIFICATION OF THE DEPARTMENT OF REVENUE'S SPECIAL REGULATION RELATED TO THE SALES OR USE TAX ATTRIBUTABLE TO SALES OF COMPUTER SOFTWARE INTO STATUTE.

<b>Fiscal Impact Summary</b>	<b>FY 2009-2010</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>
<b>State Revenue</b> General Fund	(\$4.6 million)	(\$23.7 million)	(\$24.1 million)
<b>State Expenditures*</b>	\$94,322		
<b>FTE Position Change</b>	0.9 FTE		
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.			
<b>Appropriation Summary for FY 2010-2011:</b> See the State Appropriations Section.			
<b>Local Government Impact:</b> See the Local Government Impact Section.			

*Note: This fiscal note assumes that the Governor signs House Bill 10-1192.*

**Summary of Legislation**

This bill codifies into statute the Department of Revenue's special regulation that effectively exempts certain software from sales and use taxes. Thus, this bill would reinstate the department's regulation that was recently repealed by the passage of **HB 10-1192**. Thus, the bill would reduce state General Fund revenue to the extent of the gains identified in HB 10-1192.

**State Revenue**

State General Fund revenue will decrease \$4.6 million in FY 2009-10, \$23.7 million in FY 2010-11, and \$24.1 million in FY 2011-12 assuming that HB 10-1192 is signed into law. The revenue estimate for FY 2009-10 represents a partial-year impact. This bill will reduce revenue by the corresponding General Fund revenue increases in that bill.

## **State Expenditures**

**Department of Revenue: At least \$94,322 and 0.9 FTE in FY 2009-10.** Assuming that the Governor signs HB 10-1192, the Department of Revenue will incur one-time expenses in FY 2009-10 to re-notify vendors of the change in this bill (after the department notifies vendors of the change in HB 10-1192). The department will also incur personnel costs to answer ongoing questions from vendors.

The department will incur General Fund information technology costs to adjust the state's computer systems. These costs have not been identified. No appropriation for these information technology costs is necessary because of ongoing appropriations to the department for computer programming provided in the Long Bill for new legislation.

## **Local Government Impact**

This bill will result in an undetermined decrease in revenue for local government entities. The exclusion of new forms of software in the definition of tangible personal property subject to taxation will affect the tax base of many local governments.

## **State Appropriations**

For FY 2009-10, the bill requires a General Fund appropriation of \$94,322 and 0.9 FTE for the Department of Revenue. If multiple sales and use tax bills are enacted, no separate appropriation may be necessary for this bill.

## **Departments Contacted**

Revenue