



*Colorado Legislative Council Staff Fiscal Note*  
**NO FISCAL IMPACT**

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**Drafting Number:** LLS 10-0869

**Date:** April 29, 2010

**Prime Sponsor(s):** Rep. Weissmann

**Bill Status:** House Finance

**Fiscal Analyst:** Jason Schrock (303-866-4720)

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**TITLE:** CONCERNING THE LEGISLATIVE REVIEW OF TAX BENEFITS.

### **Summary of Legislation**

This bill requires the Joint Finance Committee to conduct annual meetings to review certain state tax benefits and to determine whether they should be continued, repealed, or modified. The meetings can occur during the legislative session or during the interim if approved by the Executive Committee of the Legislative Council.

Starting in 2011, the tax benefits will be reviewed over a ten-year period according to the schedule shown in Table 1 below. The Executive Committee of the Legislative Council may postpone the review of any tax benefits for a given year. The state tax benefits that will be reviewed include credits against and exemptions from the state severance tax, gasoline and special fuel tax, alcohol beverage tax, sales and use tax, and income tax.

In making its determination regarding whether a tax benefit should be continued, repealed, or modified, the Joint Finance Committee must consider:

- any known economic benefits related to the tax benefit;
- whether the tax benefit is accomplishing the purpose for which it was created;
- the amount of state and local government tax revenue that is directly lost as a result of the tax benefit;
- the fairness of the tax benefit; and
- whether the tax benefit is in the public interest.

Legislative Council Staff is required to prepare a report for the Joint Finance Committee by January 1 each year showing the fiscal impact of each tax benefit that is designated to be reviewed that year. The Department of Revenue is required, to the extent reasonable and within existing resources, to provide staff with information relating to the tax benefits to assist in the preparation of the report.

**Table 1. Schedule of Tax Benefit Review under HB 10-1429**

<b>Year</b>	<b>Tax Benefits to Be Reviewed</b>
2011	Severance Tax Credits and Exemptions; Gasoline and Fuel Excise Tax Exemptions; and Alcohol Beverage Excise Tax Exemptions
2012 through 2015	Sales and Use Tax Exemptions (about one-fourth each year)*
2016 through 2020	Income Tax Credits and Reductions in Taxable Income (about one-fifth each year)*
2021 and thereafter	The tax benefits will be reviewed in the same order over the ten-year period as the initial review. However, tax benefits relating to any other taxes that were not covered in 2011 will be added to the list that were initially reviewed in that year.

**\* The director of Legislative Council Staff will determine which of the sales and income tax benefits will be reviewed each year.**

The bill takes effect August 11, 2010, if the General Assembly adjourns on May 12, 2010, as scheduled, and no referendum petition is filed.

### **Assessment**

This bill is assessed as having no fiscal impact. The requirement that Legislative Council Staff provide a report on the fiscal impact of reviewed tax benefits can be absorbed within existing resources. In addition, the bill requires the Department of Revenue to provide information, to the extent reasonable, to Legislative Council Staff to help it determine the fiscal impacts of the tax benefits. The bill requires the department to fulfill this requirement within existing resources.

### **Departments Contacted**

Legislative Council

Revenue