



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0427 - Revise statute of limitations for assessment of income tax deficiency (Vermeire, Terry)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$1,342,734	\$1,319,548
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>(\$1,342,734)</u>	<u>(\$1,319,548)</u>

Description of fiscal impact: SB 427 changes the enforcement period for Title 15, Chapter 30 (income tax generally) liabilities to within three years of filing. The reduced enforcement time will require the Department of Revenue to hire 14.00 additional FTE starting FY 2026. The increased FTE will increase general fund expenditures by \$1,342,734 in FY 2026 and \$1,319,548 in FY 2027.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- Currently, the department is required to assess a deficiency of a Chapter 30 liability within three years.
- SB 427 requires the department to assess a deficiency and reach a final determination of a taxpayer's Chapter 30 liability within three years of filing.
- SB 427 would first apply to income tax years beginning after December 31, 2023 (TY 2024).
- The changes made by the bill will require the department to perform it audits, informal reviews and final determinations in less than three years. This reduced time frame will require the DOR to employ additional staff to complete the work within the allowed period.
- It is estimated that the compressed time frame will require an additional 14.00 FTE to perform audit and compliance work. The new FTE would be employed starting FY 2026.

6. The cost of an additional 14.00 FTE Tax Examiners is \$1,342,734 in FY 2026, and \$1,319,548 in FY 2027.
7. With the additional FTE, the changes made by SB 427 are not expected to have impacts to revenue collections within the fiscal note timeframe.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Department of Revenue	Difference	Difference	Difference	Difference
FTE	0.00	0.00	14.00	14.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$1,178,136	\$1,193,156
Operating Expenses	\$0	\$0	\$119,770	\$126,392
Equipment	\$0	\$0	\$44,828	\$0
TOTAL Expenditures	\$0	\$0	\$1,342,734	\$1,319,548
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$1,342,734	\$1,319,548
TOTAL Funding of Exp.	\$0	\$0	\$1,342,734	\$1,319,548
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$1,342,734)	(\$1,319,548)

Long-Term Impacts:

1. The Department of Revenue does not expect the changes made by SB 427 to have any significant impacts to income tax collections within the timeframe of this fiscal note. However, the proposed changes could reduce income tax collections over the long term, due to reduced auditing and enforcement.

NO SPONSOR SIGNATURE

Sponsor's Initials

2/27/23

Date



Budget Director's Initials

2-27-23

Date