Problems with Fiscal Note on HB 1275

Bill sponsors: Reps. Foote, Pettersen & Senators Jones & Donovan

The calculations used in developing the fiscal note on HB 1275 rely on two assumptions which are unreasonable and greatly inflate the Fiscal Note dated February 22, 2016:

1) The calculation in the fiscal note uses a <u>42.2% annual growth rate</u> for 2014 through 2019;

2) The fiscal note fails to apply current Colorado law for combined reporting to tax haven corporations. Not all tax havens corporations would be included in combined tax return.

<u>Methodology Uses Unexplainable and Unreliable Growth Rates</u>:

- The compounded growth rate of 42.2% is completely unreliable and no economic analysis is provided in the fiscal note for this unrealistically high rate;

- The 42.2% growth rate is used to determine tax haven income for the years 2014 through 2019 and it leads to a significantly overstated fiscal note.

<u>Fiscal Note Fails to Apply Current Colorado Law</u>:

- Colorado law requires that tax haven corporations must also meet the 3 of 6 test to be included in a combined report.

- <u>Further, a tax haven must meet the 3 of 6 test for 3 years before it can be included in a combined tax return.</u>.

- It is difficult or impossible to ascertain how many tax haven corporations will meet the 3 of 6 test, but it is likely that a majority of tax haven corporations will not be included in a combined Colorado tax return. It is also possible tax haven corporations cannot be included in a combined report until the 3rd year after the effective date.

- <u>By failing to consider the combined reporting differences between Montana law and Colorado law</u>, the fiscal note is significantly overstated and it is possible that the fiscal impact for FY 2016-17 and FY 2017-18 could be zero or substantially lower than the fiscal impacts using a 5% growth rate.