

# STATE OF COLORADO

## DEPARTMENT OF REVENUE

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John W. Hickenlooper  
Governor

Barbara J. Brohl  
Executive Director

September 30, 2011

The Honorable Mary Hodge  
Chairman, Joint Budget Committee  
Colorado General Assembly  
200 E. 14<sup>th</sup> Avenue, Third Floor  
Legislative Services Building  
Denver, CO 80203

Dear Senator Hodge:

The Department of Revenue is submitting this response to the Joint Budget Committee's Request for Information regarding the audit production of its audit offices located out-of-state. The Request for Information states:

"The Department is requested to provide to the Joint Budget Committee, as soon as possible after the end of the fiscal year that ends on June 30, 2011, but no later than September 30, 2011, a report detailing the amount of additional General Fund revenue realized in FY 2010-11 by the General Assembly's funding of an expanded out-of-state tax compliance and enforcement program."

Historically, the Department operated three offices located outside of Colorado, each with one auditor in the New York metropolitan area, Dallas, and San Francisco. It now has funding to operate offices with expanded staff in these locations as well as in Chicago, Houston, and Los Angeles. While the office expansion is intended to strengthen compliance with Colorado's tax laws, it also impacts audit production, which in turn can increase General Fund revenue to the state.

In its FY 2009-10 budget submission, the Department estimated that its audit production would total \$68.8 million in FY 2010-11, of which \$29.9 million was related to the expansion. It is also assumed that 40% of audit production would translate into General Fund revenue. In FY 2010-11, the out of state audit offices generated over \$81.0 million in audit production. The Department is working on initiatives to strengthen its audit selection and staff with the goal of improving both audits and production. Maintaining a robust out-of-state presence is a critical component of the Department's efforts.

If you have additional questions or require further information, please do not hesitate to contact the Department of Revenue's Chief Financial Officer Dorinda Floyd at (303) 866-5598.

Sincerely,



Barbara J. Brohl  
Executive Director, Department of Revenue

cc: The Honorable Representative Cheri Gerou, Vice-Chairman  
The Honorable Representative Jon Becker, Member of the Joint Budget Committee  
The Honorable Representative Mark Ferrandino, Member of the Joint Budget Committee  
The Honorable Senator Kent Lambert, Member of the Joint Budget Committee  
The Honorable Senator Pat Steadman, Member of the Joint Budget Committee  
Mr. John Ziegler, Staff Director of the Joint Budget Committee  
Mr. David Meng, Staff of the Joint Budget Committee  
Ms. Julie Vaeth, Staff of the Office of State Planning and Budgeting