

Why It Matters: Being Involved in the State Legislative Process

BY NATALIE ROONEY

One of the Colorado Society of CPAs' most important activities is working with state legislators to understand, amend, and pass legislation that helps Colorado businesses succeed. Here is how the COCPA legislative advocacy program works and how you can become involved.

YOUR EYES AND EARS AT THE STATE CAPITOL

Lobbying tends to have negative connotations, but really, it's just the process by which legislators are educated about complex issues of proposed and existing legislation. They rely on the experts, like CPAs, to help them understand the varied ways legislation they're creating or considering in advance of votes can impact the bigger picture.

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Often the holistic impact of legislation is not entirely evident, especially when dockets are full and with more limited opportunities for interaction given the environment, such as a pandemic.

Daniel Furman is an attorney and partner with Hall & Evans LLC, Denver, and COCPA legislative counsel. "I advocate for the COCPA on legislative bills before the Colorado General Assembly," he explains. "Whether we're supporting, opposing, or trying to get a bill amended, I work to represent the COCPA's best interests."

As the COCPA's eyes and ears at the Capitol, Furman lets the Society know if he hears rumors or sees draft legislation that might impact CPAs, their clients, or the business community. In January, at the beginning of

each legislative session, and throughout the session, Furman reviews every introduced bill. If there is a pending issue, he discusses potential impact with COCPA leadership and what might need to be done. If the COCPA wants to take action, there are ongoing discussions about whether to support a bill, seek to amend it, or work to defeat it through the legislative process.

Furman encourages COCPA members to become involved in the legislative process. "You want to have a voice on issues that impact you, and we understand CPAs, their clients, or their employers have full-time jobs and their own organizations to run. I'm at the Capitol for you, and I stay on top of the issues and bills that could impact your

day-to-day business operations," he explains. "I monitor bills moving through the process and provide you with a voice in that process. I alert CEO Mary Medley (also registered with the Colorado Secretary of State to lobby on the COCPA's behalf) and the COCPA team to involve COCPA members when your expertise is key. And, when you're needed to reach out to your legislators or provide your perspective, your time is well spent. You haven't invested sometimes long hours hanging around the Capitol waiting for a committee meeting to convene or to testify on a particular bill."

UNUSUAL SESSION CREATES LEGISLATIVE EMERGENCY

As with many things in 2020, this year's legislative session was unusual. Typically, the

session begins in early January and runs for 120 consecutive days, into early May. Legislation makes its way through the system just as you learned on Schoolhouse Rock. Laws begin as bills, are assigned a number, have one or more sponsors, get introduced, are considered by House and Senate committees, may be defeated in committee, perhaps amended, referred out of committee for floor debate, with final action taken on third reading in each house before going to the Governor for signature. It can take months (or even years) to get a bill passed.

This year, COVID-19 shortened the scheduled 120-day session by nearly 40 days and forced a ten-week hiatus. When the session finally reconvened on May 26, it had gone beyond the standard 120 consecutive days through an extension the Colorado Supreme Court deemed necessary. In making its decision, the Supreme Court cited the flexibility needed by a part-time, citizen legislature in times of crisis. Extensions of Colorado lawmaking terms are necessary, the majority said, so that "citizen legislators do not have to choose between representing their constituents in the General Assembly and supporting their communities through the crisis at home."

During this year's extended session, a few unusual things happened. The State of Colorado, like all other states, has been desperate for money in the pandemic cash crunch. Furman began hearing rumors of a bill on tax credits and exemptions in connection with the Tax Cuts and Jobs Act of 2017.

On Sunday, June 7, Furman first saw draft legislation that became House Bill 20-1420. "We immediately realized this bill would repeal multiple tax credits and exemptions that would affect many different industries," Furman explains. He swiftly reached out to one of the bill sponsors and asked for a virtual meeting. "We could tell he didn't have a complete understanding of all of the bill's implications - and those implications were huge."

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Over the next few days, chaos ensued. The bill was being rushed through because the legislative session was tentatively scheduled to adjourn on Friday, June 12. Keeping in mind that normal legislation takes months to get through the system, this legislation, with far-reaching impacts on CPAs and their clients, was on track to go to a final vote in fewer than five days.

At the COCPA, Medley was working with two COCPA members to identify the technical issues with the proposed language and reaching out to COCPA members for help. It was critically important for CPAs to contact their legislators and help them understand how damaging HB20-1420 could be.

The bill was moving fast. It was introduced on Monday, June 8, and was assigned to the House Finance Committee for hearing the next day. Representatives from multiple industries testified against it, including Medley who expressed concerns about how CPAs could implement some of the provisions and advise their clients in the middle of an already fraught – and extended – filing season.

That day, just one day after the bill was introduced, the committee passed it on a party line vote.

“There was so much confusion, and it was just so unusual that this bill was introduced in the same week the legislature was set to adjourn,” Furman emphasizes. “So many tax credits were being proposed for repeal, and every industry was trying to fix its problem and protect its interests. We had to act fast, but we weren’t getting a lot of traction.”

Keep in mind, this all was happening when everyone was supposed to be physically distancing. Masks were required, temperatures were being taken before anyone could enter the Capitol, and protests were taking place every evening outside the building. “But we had to go to the Capitol and speak up,” Furman says. “Everyone’s voice needed to be heard. The legislators needed to understand this was a huge issue.”

COCPA MEMBERS ON IT

During his time as COCPA Chair in 2009 – 2010, Ron Seigneur, CPA/ABV, managing partner at Seigneur Gustafson, LLP, Lake-

wood, became familiar with the COCPA’s legislative efforts. He learned then about the important role members play in reviewing legislation, reaching out to legislators, and testifying before a legislative committee – often on short notice but typically with a few weeks of notice, not a few days.

On June 10, when HB20-1420 already was speeding through the Colorado House, Seigneur received the email asking for input and help – STAT! “The legislation would have retroactively changed Colorado tax law to be inconsistent with federal tax law,” he says. “Timing was critical. It appeared the bill was being run through the session under a cloak of darkness and in under forty-eight hours.”

Seigneur reviewed the information and reached out to his legislators using links and

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materials COCPA provided. “Our goal was to explain that this is not the appropriate way to legislate tax law,” Seigneur says. “It’s important for CPAs to be good community citizens. We’re the trusted advisors for many of our clients. They respect our advice and input.”

Dave Taylor, CPA and tax partner at ACM LLP (now BDO LLP), Denver, already was involved when the COCPA sent out the urgent plea for members to contact their state senators about the fast-moving legislation. At the same time, one of Taylor’s partners in the firm’s Northern Colorado office was working with a local business group and wanted to know if what he was reading in the proposed legislation was correct. Taylor sat in on conference calls with the group and its lobbyist.

“The bill was moving way too fast,” Taylor says. “We wanted the legislators to slow down and make smart policy.” Over just a few days, he spoke with lobbyists from various organizations to provide plain language arguments about why the bill needed to die or slow down.

At that point, the sponsors were beginning to realize the bill might be in trouble, especially after Governor Polis signaled he might veto the bill if it weren't amended to address the business community's concerns. Ultimately, Senate Democrats agreed to strip out repeal of several longstanding tax exemptions. They also agreed to pare back changes to exemptions stemming from the 2017 Tax Cuts and Jobs Act.

For example, owners of pass-through businesses — like a limited liability company, partnership, or sole proprietorship — can take a deduction of 20% off their qualified business income if they have income below \$500,000 for a single tax filer and \$1 million for joint filers. The change means only about 1% of current tax filers will no longer be eligible for the break. Colorado's small businesses, which used the break to hire more workers, will continue to benefit.

Medley adds, "The sponsors of HB20-1420 promoted it as the solution for returning dollars to the Colorado Education Fund, which had been cut drastically to balance the state budget. When we sent out the email call to action, some members asked, 'How could the Society be against funding to educate our kids?' That wasn't our intention. We needed to sound the alarm on the methods being proposed." Medley says member involvement in understanding the proposed legislation and outreach to legislators, along with Furman's political savvy and legislative relationships, plus heavy lifting by the business community — especially the Colorado Chamber of Commerce and Loren R. Furman, Senior Vice President, State and Federal Relations — were key. "COCPA member Pam Feely, CPA, Lakewood, is my star example when it comes to outreach. She contacted every legislator she knew the same day. And, they listened."

"Most of the potential harm was avoided," Furman says. "We'll see some version of this bill in the next legislative session, and we'll deal with it then. It was just so chaotic and required so much time, energy, and commitment in a very short window, which doesn't make for effective public policy," Furman says. "The COCPA had the necessary folks on the ground, paying attention at the Capitol. Thanks to members' efforts and critical leadership from other business organizations, we were able to achieve a less extreme outcome."

CPA/PAC BOARD SEEKS NEW MEMBERS & YOUR SUPPORT

CPA/PAC, the CPA Political Action Committee, contributes to state legislative candidates only. Every two years, the PAC Board meets to review the Colorado House and Senate candidates running for office and determine who to support for election to the Colorado General Assembly. Those decisions are based on support of business issues and business-friendly legislation, leadership position(s) on committees which typically consider the profession's issues, and likelihood of election. In July, the Board contributed to 21 candidates for \$7,400 total.

A "natural person" (an actual human being) may contribute a maximum of \$625 per House of Representatives election cycle (every two years). Make your personal check payable to CPA/PAC, and mail it to **Terry Cervi**, COCPA, 7887 E. Belleview Ave., Ste. 200, Englewood, CO 80111-6076. Contributions are not tax deductible and cannot be reimbursed by your employer.

The CPA/PAC Board is seeking new members. For details and to volunteer, email **Mary E. Medley**, mary@cocpa.org.

LEGISLATORS NEED YOUR EXPERTISE

Cheri Jahn served in the Colorado legislature for 16 years. In the Colorado Senate, she represented the 20th district, which includes the city of Wheat Ridge, from 2011 until 2019. Prior to that, she was a member of the Colorado House of Representatives from 2001 through 2008. She wrapped up her service in 2019 when she was term-limited from running again. She affirms the important role CPAs play in the legislative system and for legislators themselves. "As a legislator, you certainly don't know everything, and it's important to learn," she says. "Every industry is different."

While Jahn says lobbyists like Furman play a key role in the process, it was the CPAs themselves — her constituents — from whom she wanted to hear. "The lobbyists do a great job, but the people who work in CPA firms and small businesses are the ones who bring a whole different perspective to the process," she says. "A legislator is going to listen twice as hard and learn more about what it's like to run one of these businesses when they hear directly from CPAs, especially if that CPA is from the legislator's district. For the process really to work, it truly has to be a representative government. That means connecting constituents with their legislators."

The most important thing: Remember legislators are regular people. "There's no need to be fearful," Jahn says. "As a CPA, you have expertise the legislator doesn't have, so making phone calls, emailing, or going to

the Capitol in person and explaining why and how something affects you as a CPA, your clients, or your business is impactful." She also encourages attending town hall meetings and building relationships with local legislators "so you have an existing relationship when you need it."

YOUR VOICE MATTERS

If you really want to make your vote count and your voice heard, Jahn encourages CPAs to connect with legislators and participate in the legislative process. "It's imperative to be involved," she says.

Jahn encourages COCPA members to donate to the CPA Political Action Committee (CPA/PAC) and explains that although PACs have earned a bad reputation, it isn't about the money. "A PAC is about engaging candidates, learning more about them, and understanding their issues. In turn, you have the opportunity to explain the issues you're dealing with and how those issues affect you, your clients, and your employer. You're educating legislators about the issues before them."

Taylor says the 2020 session showed him how a few people working together can make a difference. "You don't have to be a few thousand people; that was eye-opening for me," he says. He encourages COCPA members to get involved in Colorado's legislative process and the COCPA's efforts. "If you just raise your hand and say, 'I'm available,' people will take you up on the offer. It's an easy and impactful way to leverage your expertise and help shape public policy." ▲