



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1421: FEE SHARING WITH NONLAWYERS IN LEGAL PRACTICE

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**Prime Sponsors:**

Rep. Mabrey; Caldwell

Sen. Daugherty; Frizell

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**Drafting number:** LLS 26-0960

**Version:** Initial Fiscal Note

**Date:** April 27, 2026

**Fiscal note status:** This fiscal note reflects the introduced bill.

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### Summary Information

**Overview.** The bill prohibits certain financial arrangements between lawyers and nonlawyers regarding fees for legal services, and provides a private right of action for enforcement.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis starting in FY 2026-27:

- Minimal State Revenue
- Minimal State Workload

**Appropriations.** No appropriation is required.

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**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

## Summary of Legislation

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The bill prohibits certain financial arrangements between lawyers and nonlawyers regarding fees for legal services. Lawyers and firms cannot provide any portion of legal fees or other financial benefits derived from the provision of legal services to nonlawyers or alternative business structures, which are defined in the bill. This does not include compensation to nonlawyer employees of a firm, payments to managed services organizations that provide administrative support for a firm as long as the payments are not contingent upon a percentage of legal fees or case outcomes, and using future legal fee revenue as collateral for a loan. Contracts and agreements in violation of the bill are void.

The bill establishes a private right of action to enforce the prohibitions. Only a person who pays legal fees to a lawyer or firm that are then provided in a manner prohibited by the bill, or a law firm which suffers a loss in revenue due to violations by another law firm, may bring an action. In addition to any other remedies available under current law, the bill provides specific remedies for violations, which also depend on the party bringing the enforcement action. If a court determines that a violation has occurred, it must order funds received or paid in violation to be disgorged and paid to the Judicial Stabilization Cash Fund, less any amounts awarded as economic damages. Any funds received through disgorgement must supplement the Judicial Department's budget for the fiscal year received, and must be used as a basis to reduce the department's budget in subsequent fiscal years.

The bill's provisions are repealed on September 1, 2032, pending a sunset review.

## Background

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Under the [Colorado Rules of Professional Conduct](#) published by the Office of Attorney Regulation Counsel, an independent agency of the Judicial Department, lawyers, and law firms are generally prohibited from sharing legal fees with nonlawyers and providing legal services under the direction of nonlawyers.

## State Revenue

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Starting in FY 2026-27, revenue to the Judicial Department may increase if violations occur and parties file civil actions. Revenue is from filing fees and any potential disgorgements, both of which are subject to TABOR. The fiscal note assumes that the bill applies to a narrow scope of conduct, and so the total number of violations is likely to be small, if any. Therefore, any impact to state revenue under the bill is expected to be minimal.

## State Expenditures

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Starting in FY 2026-27, workload in the trial courts of the Judicial Department may increase if violations occur and civil cases are filed. Given the narrow scope of conduct, the fiscal note assumes a small number of violations, if any. The overall increase in workload is expected to be minimal, and no change in appropriations is required at this time.

## Effective Date

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The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to conduct, contracts, and agreements on or after this date.

## State and Local Government Contacts

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Judicial	Regulatory Agencies
Law	Treasury