



Colorado  
Legislative  
Council  
Staff

SB16-124

REVISED  
FISCAL NOTE

(replaces fiscal note dated February 12, 2016)

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0445  
**Prime Sponsor(s):** Sen. Grantham  
Rep. Priola

**Date:** March 4, 2016  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Greg Sobetski (303-866-4105)

**BILL TOPIC:** MACHINE TOOLS SALES TAX EXEMPT RECOVERED MATERIALS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
<b>State Revenue</b>	<u>(\$15,500)</u>	<u>(\$16,500)</u>
General Fund	(15,500)	(16,500)
<b>State Expenditures</b>		
<b>TABOR Impact</b>	(\$15,500)	(\$16,500)
<b>Appropriation Required:</b>	None.	
<b>Future Year Impacts:</b>	Ongoing state revenue decrease; see State Revenue section.	

**Note:** This fiscal note has been revised to reflect new information concerning state revenue.

### Summary of Legislation

Beginning July 1, 2016, this bill expands the current sales and use tax exemption for machinery and machine tools (machinery) used in manufacturing to include machinery purchased by businesses listed in the Department of Public Health and Environment's inventory of recyclers and solid waste processors (material recovery facilities).

### State Revenue

State General Fund revenue will decrease by \$15,500 in FY 2016-17 and \$16,500 in FY 2017-18. State revenue will be reduced by at least these amounts in subsequent fiscal years.

**Assumptions.** Between FY 2012-13 and FY 2014-15, the state's two largest material recovery facilities purchased machinery at an average combined price of \$121,000, resulting in state sales tax revenue of \$3,500 annually. It is assumed that these facilities account for approximately one quarter of qualifying machinery purchases in the state. The value of anticipated machinery purchases is grown through FY 2017-18 following the December 2015 Legislative Council Staff sales tax forecast.

Recovery facilities are purchasing less machinery now than they have in certain years, in significant part due to low sale prices for recycled commodities. In future years when commodity prices increase, facilities are expected to purchase more machinery. For this reason, the amount by which the bill reduces revenue is expected to increase significantly at an indeterminate future date.

It is assumed that the bill does not create a sales and use tax exemption for recycling trucks. If trucks are exempted, the revenue reduction will be greater than the amount shown in this fiscal note and has not been estimated.

### **TABOR Impact**

This bill reduces state revenue from sales and use taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

### **Local Government Impact**

Revenue to local governments will decrease by an indeterminate amount beginning in FY 2016-17. The bill will reduce sales and use taxes collected by statutory counties, municipalities, and special districts to the extent that sales of machinery are not already exempt from local sales tax, and to the extent that machinery is sold in each statutory taxing jurisdiction. Because few businesses manufacture and sell machinery, revenue impacts to local jurisdictions will be uneven across the state.

### **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to sales after July 1, 2016.

### **State and Local Government Contacts**

Counties	Information Technology
Municipalities	Public Health and Environment
Revenue	