Colorado Legislative Council Staff

HB17-1009

FINAL FISCAL NOTE

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

Drafting Number:	LLS 17-0668	**Date:**	May 15, 2017
Prime Sponsor(s):	Rep. Van Winkle	**Bill Status:**	Postponed Indefinitely
		Fiscal Analyst:	Greg Sobetski (303-866-4105)

BILL TOPIC: RESTORE NONESSENTIAL ARTICLES TAX EXEMPTIONS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**($457,500)**	**($960,000)**
General Fund	(475,500)	(960,000)
State Expenditures		
TABOR Impact	($457,500)	($960,000)
Appropriation Required: None.		
Future Year Impacts: Ongoing state revenue decrease.		

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

Under current law, sales tax is not collected on purchases of essential articles and containers to be furnished at no additional charge to customers purchasing food and beverage items. Examples of essential articles include nonreusable plates, bowls, and cups. Effective January 1, 2018, the bill broadens the exemption to encompass nonessential articles and containers, including nonreusable utensils, straws, napkins, lids, and condiment packets.

Background

A sales and use tax exemption for all articles and containers furnished to consumers with food and beverage purchases was created in 1978. Only those articles and containers that become the property of the consumer are exempt from taxation. House Bill 10-1194 narrowed the exemption to apply only to those articles determined to be essential in Department of Revenue regulations. This narrower version of the exemption has been applied to sales since March 1, 2010.

State Revenue

The bill is expected to reduce General Fund revenue from sales and use taxes by **$457,500 in FY 2017-18** and **$960,000 in FY 2018-19**, and by similar amounts in subsequent years. The revenue reduction for FY 2017-18 represents a half-year impact based on the bill's January 1, 2018, effective date.

Assumptions. For 20 quarters between the second quarter of 2010 and the first quarter of 2015, the Department of Revenue reported sales and use taxes remitted by businesses classified as service establishment equipment and supply wholesalers, industrial and personal service paper wholesalers, and general line grocery wholesalers. Relative to the corresponding four quarters before the enactment of HB10-1194, sales taxes remitted by businesses in these categories increased by a cumulative $9.3 million over this five-year period. It is assumed that $5.3 million of this change is attributable to economic growth and inflation consistent with increased sales and use tax remittances in the broader state economy. The remaining $4.0 million, or $800,000 annually, is assumed to be attributable to HB10-1194. The impact of the exemption is assumed to increase by actual and forecast rates of sales tax revenue growth for years after FY 2013-14.

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 future years when the state does not collect money above the TABOR limit.

Effective Date

The bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on January 26, 2017.

State and Local Government Contacts

Counties	Information Technology	Municipalities	Revenue