HB 20-1306

Legislative Council Staff

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FINAL FISCAL NOTE

Drafting Number: LLS 20-1060
Prime Sponsors: Rep. Benavidez

Date: August 27, 2020
Bill Status: Postponed Indefinitely
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Bill Topic: **EXCISE TAX CREDIT UNSALABLE ALCOHOL BEVERAGES**

Summary of Fiscal Impact:

- ☒ State Revenue
- ☒ State Expenditure
- ☐ State Transfer
- ☐ TABOR Refund
- ☐ Local Government
- ☐ Statutory Public Entity

The bill would have repealed the credit for liquor excise taxes paid on alcoholic beverages that later become unsalable. It would have increased state revenue, required one-time state expenditures, and minimally decreased workload on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill would have required an appropriation of $6,977 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the introduced bill. The bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 20-1306

		FY 2020-21	FY 2021-22
Revenue	General Fund	$76,500	$153,000
Expenditures	General Fund	$6,977	-
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

Under current law, manufacturers and distributors of alcoholic beverages are allowed a refundable tax credit equal to the amount of liquor excise tax paid on alcoholic beverages that later became unsalable due to damage or destruction. The bill repeals the credit effective January 1, 2021.

Background

Pursuant to Senate Bill 16-203, the Office of the State Auditor published its evaluation of the tax credit in July 2019. The evaluation is available online here: https://leg.colorado.gov/sites/default/files/images/2019-te25_unsalable_alcoholic_beverages.pdf.

State Revenue

The bill is expected to increase General Fund revenue by $76,500 in FY 2020-21 and $153,000 in FY 2021-22 and subsequent fiscal years. The estimate for FY 2020-21 reflects a half-year impact on an accrual accounting basis. The bill increases liquor excise tax revenue, which is subject to TABOR.

The estimated full-year impact reflects actual credits claimed against excise tax paid on unsalable alcoholic beverages during tax year 2017, as reported in the Department of Revenue's 2018 Tax Profile & Expenditure Report. For tax year 2017, 98 taxpayers claimed credits totaling $153,000. The actual annual revenue increase will depend on the value of credits that would otherwise be claimed if the credit were not repealed, and could be greater in certain years due to large fires, floods, or other disasters that render larger amounts of alcoholic beverages unsalable.

Wine Industry Development Fund. Under current law, taxpayers remitting excise taxes on vinous liquors (wine) are also required to pay a wine development surcharge and fee that is credited to the Wine Industry Development Fund in the Department of Agriculture. It is assumed that the credit against excise taxes paid on unsalable wine does not currently apply to surcharges and fees credited to the Wine Industry Development Fund. However, to the extent that the credit is currently being used to reduce these surcharges and fees, the bill potentially increases revenue credited to the fund by an estimated $15,000 per year.

State Expenditures

The bill is expected to require one-time General Fund expenditures of $6,977 in FY 2020-21 only, and to minimally decrease Department of Revenue workload on an ongoing basis. Expenditures are summarized in Table 2 and detailed below.

Table 2
Expenditures Under HB 20-1306

	FY 2020-21	FY 2021-22
Department of Revenue		
GenTax Programming and Testing	$6,540	-
Postage and Mailing Costs	$437	-
Total Cost	**$6,977**	**-**

Department of Revenue. This bill requires changes to the Department of Revenue's GenTax software system. Changes are programmed by a contractor at a rate of $225 per hour. The changes in this bill are expected to require programming expenditures of $2,700, representing 12 hours of programming. All GenTax programming changes are tested by the department. Testing for this bill will require the expenditures for contract personnel totaling $3,840, representing 160 hours of testing at a rate of $24 per hour. Costs for postage and mailing reflect the assumption that the department will notify 729 accounts of the repeal of the credit.

The bill requires a change to one tax form, which can be accomplished within existing reappropriations from the Department of Revenue to the Department of Personnel and Administration.

Beginning in FY 2020-21, the bill is expected to result in an ongoing decrease in department workload to process credit applications. Based on the number of credit applications processed in previous years, this workload decrease is expected to be minimal and does not require a change to appropriations.

TABOR refunds. The state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Effective Date

The bill was postponed indefinitely by the House Business Affairs and Labor Committee on May 27, 2020.

State Appropriations

For FY 2020-21, the bill would have required a General Fund appropriation of $6,977 to the Department of Revenue.

State and Local Government Contacts

Agriculture	Personnel
Revenue	State Auditor