

- 46 percent to the Department of Health Care and Policy Financing (HCPF) for the children's basic health plan and Medicaid;
- 19 percent to HCPF for comprehensive primary care;
- 16 percent to the Department of Public Health and Environment (CDPHE) for tobacco education programs;
- 16 percent to CDPHE for cancer, cardiovascular, and pulmonary programs; and
- 3 percent to state and local governments to make up for a reduction in sales of tobacco products because of the increase in excise taxes.

State Revenue

This bill will reduce General Fund revenue by up to \$25,000 per year and Tobacco Tax Cash Fund revenue by up to \$25,000 per year.

Assumptions. There are 170 registered tobacco distributors in Colorado that paid a total of \$31.6 million in tobacco products excise taxes in FY 2012-13. Less than 1 percent of these distributors market tobacco products online to out-of-state consumers. Based on confidential taxpayer information, it is estimated that distributors that sell tobacco products to out-of-state consumers would be eligible for new excise tax credits of less than \$50,000 per fiscal year.

The effective date for this bill is August 5, 2015, if no referendum is filed. There will be 82 percent of FY 2015-16 remaining after this bill becomes law, so the FY 2015-16 impact represents a partial year impact of tobacco product excise tax revenue.

State transfers. The reduction in Tobacco Tax Cash Fund revenue will reduce transfers out of the fund as shown in Table 1.

Table 1. Transfers Under SB 15-1301		
Department, Fund	FY 2015-16	FY 2016-17
HCPF, Children's Basic Health Plan and Medicaid	(Up to \$9,430)	(Up to \$11,500)
HCPF, Comprehensive Primary Care	(Up to \$3,895)	(Up to \$4,750)
CDPHE, Tobacco Education Programs	(Up to \$3,280)	(Up to \$4,000)
CDPHE, Cancer, Cardiovascular and Pulmonary Programs	(Up to \$3,280)	(Up to \$4,000)
State and Local Governments	(Up to \$615)	(Up to \$750)
TOTAL	(Up to \$20,500)	(Up to \$25,000)

TABOR Impact

This bill reduces state revenue from tobacco excise taxes which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

Tobacco excise tax revenue that is deposited in the Tobacco Tax Cash Fund was a voter approved tax increase, so it is not subject to TABOR.

State Expenditures

Table 2 shows the expenditures required to administer this bill.

Table 2. Expenditures Under HB 15-1301			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Operating Expenses - DOR	14,626		
Operating Expenses - DPA	1,200		
TOTAL	\$15,826	\$0	\$0

** Centrally appropriated costs are not included in the bill's appropriation.*

Assumptions. The Department of Revenue (DOR) will need to track credits claimed by distributors who sell tobacco products to out-of-state retailers. This will require modification to the state's tax administration software, which will take 71 hours of programming. The service contract with the software vender specifies that programming costs are \$206 per hour in FY 2014-15. This will require a General Fund appropriation of \$14,626 in FY 2014-15 to the Department of Revenue.

The Department of Personnel and Administration (DPA) processes the state's tax returns on behalf to the Department of Revenue. Their imaging software will need to be modified to capture the documentation that supports taxpayers claiming the credit. This will require \$1,200 General Fund reappropriated from the Department of Revenue to the Department of Personnel and Administration for document management.

Local Government Impact

This bill will reduce the transfer of money from the Tobacco Tax Cash Fund to local governments by up to \$615 in FY 2015-16 and \$750 in future fiscal years.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

To implement this bill, the Department of Revenue will require a \$15,826 General Fund appropriation in FY 2014-15. \$1,200 will be reappropriated from the Department of Revenue to the Department of Personnel and Administration.

State and Local Government Contacts

Revenue Healthcare Policy and Financing Public Health and Environment