

**STATE
FISCAL IMPACT**

Drafting Number: LLS 09-0622 **Date:** March 18, 2009
Prime Sponsor(s): Rep. McFadyen; Gardner C. **Bill Status:** House Finance
 Sen. Mitchell **Fiscal Analyst:** Ron Kirk (303-866-4785)

TITLE: CONCERNING ECONOMIC DEVELOPMENT FOR THE TRUCKING INDUSTRY IN COLORADO.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010	FY 2010-2011
State Revenue			
General Fund*	(\$971,903)	(\$5,098,664)	(\$6,164,870)
Cash Funds			
Green Truck Grant Program Fund	Potential Gifts, Grants, and Donations		
State Expenditures			
General Fund**		\$145,651	\$16,955
FTE Position Change		0.9 FTE	0.3 FTE
Effective Date: Upon signature of the Governor or becoming law without his signature.			
Appropriation Summary for FY 2009-2010: See State Appropriations section.			
Local Government Impact: None.			

* Because the degree to which economic activity may be spurred expressly due to the bill is unknown, the fiscal impact stated above does not incorporate increased revenue from increased truck sales and economic activity.

** Of this amount, \$19,315 is identified for computer programing resources that may be included in the Department of Revenue's Long Bill appropriation for new legislation in 2009.

Summary of Legislation

This bill refunds a portion of state sales and use taxes paid on the sale, storage, or use of Class A motor vehicles, expands the enterprise zone 3 percent investment tax credit, and creates the Green Truck Grant Program.

Sales tax refund. Under current law, state sales and use taxes are paid on the purchase price of large semi-trucks (Class A personal property) and annual specific ownership taxes are paid on these vehicles based on the prorated number of vehicle-miles driven in Colorado. Beginning tax year 2009, this bill refunds a portion of all state sales and use taxes paid on Class A vehicles based on the proration of annual specific ownership taxes paid on the vehicles.

Enterprise zone 3 percent investment tax credit. For income tax years 2009 through 2011, this bill broadens the existing enterprise zone investment tax credit to include the purchase of commercial vehicles based in an enterprise zone. These purchases are currently excluded under the statutory requirement that the property be used "solely and exclusively" within an enterprise zone. To be eligible for the credit, the vehicle must be a 2008 model year or newer commercial truck, truck tractor, tractor, or semitrailer with a gross vehicle weight rating of at least 16,000 pounds. Vehicles would also have to be licensed and registered in the state and housed or based in an enterprise zone for one year after purchase. The credit would apply to eligible vehicles as well as any parts associated with the vehicle at the time of purchase. The amount of the credit is phased-in as follows:

- 1 percent for income tax year 2009;
- 2 percent for income tax year 2010; and
- 3 percent for income tax year 2011.

Green Truck Grant Program. This bill creates the Green Truck Grant Program to be administered by the Governor's Energy Office (GEO) to reduce carbon emissions of trucks. As an incentive, the program reimburses qualified recipients 25 percent of the cost tied to the purchase or installation of fuel-efficient technologies and emission-control devices approved by the U.S. Environmental Protection Agency's Smartway Transport Partnership Program, or any successor program. The reimbursement is capped at \$50,000 per qualified recipient. Total reimbursements by the GEO are capped at \$500,000 in a fiscal year.

The program also provides grants of up to \$5,000 per qualified recipients who either retire, scrap, or donate a 1989 or older model year truck that has seen 10,000 miles of use in the calendar year preceding the filing of the application for the grant. Total grants by the GEO are capped at \$250,000 in a fiscal year.

State Revenue

General Fund revenue will be reduced \$1.0 million in FY 2008-09 — \$5.1 million in FY 2009-10 — and \$6.2 million in FY 2011-12.

The bill will reduce state General Fund revenue from sales taxes by the amounts shown in Table 1, although this reduction may be minimally offset by new revenue from taxes and fees imposed on additional truck purchases. Although the bill provides for refunds for purchases made in FY 2008-09, it is unlikely that any refunds will be processed by the Department of Revenue in FY 2008-09. For this reason, it is assumed that one-half of the FY 2008-09 impact (about \$1.0 million) will occur in FY 2009-10.

FY 2008-09	\$0
FY 2009-10	\$2,879,000
FY 2010-11	\$2,003,000

The bill will also reduce state General Fund revenue from income taxes by the amounts shown in Table 2. Because of the deteriorating economy, credit crunch, and the fact that a company must have a tax liability to claim the credit, this estimate assumes that 35 percent of the model year 2008 and newer commercial truck purchases will occur in FY 2008-09. This estimation increases to 50 percent by the third year the credit is available. These credit utilization rates include the purchase of both new and used vehicles and applies to income tax years beginning on or after January 1, 2009.

FY 2008-09	971,103
FY 2009-10	\$2,219,664
FY 2010-11	\$4,161,870

Under current law, investment tax credits are not refundable, meaning that a person must have a tax liability to claim the credit, but any unused portion may be carried forward for up to 12 years. This fiscal note assumes that all eligible taxpayers will be able to claim the credit in the first available year.

Green Truck Grant Program. The bill creates the Green Truck Grant Program Fund and authorizes the Governor's Energy Office to accept gifts grants, and donations to fund the reimbursements and grants authorized by the program. No amount of gifts, grants, and donations has been identified.

State Expenditures

State expenditures will increase \$145,651 and 0.9 FTE in FY 2009-10 — \$16,955 and 0.3 FTE in FY 2010-11.

Department of Revenue: \$121,622 and 0.5 FTE in FY 2009-10. The Department of Revenue will incur computer programming and other costs to adjust the state's computer systems, administer and process the sales tax refund, and track the income tax credit. Additional data entry costs will also be incurred as well as other costs for the design of new application forms.

The programming expenditures for adding a new sales tax refund would not be in place until FY 2009-10. This will require a total of 500 hours of computer programming. Based on the job rate of \$38.63 per hour for an IT Pro III, \$19,315 in one-time personal services will be required.

The department is implementing a new automated tax system (Colorado Integrated Tax Architecture). The sales tax refund in this bill would be included in the third phase of the project that is scheduled to be in production by the end of 2010. The department is beginning the transition to this new tax system and the best estimate available at this time finds that programming costs will require a total of 500 hours. Based on the contract rate of \$200 per hour, \$100,000 in one-time costs

will be required. Computer programming resources identified in this fiscal note may also be included in the Long Bill appropriation for the Department of Revenue. If these resources are provided in the Long Bill, the appropriation will be reduced by the programming costs identified in this section.

Other costs for operating, postage, microfilm contract services are estimated at \$2,307 in FY 2009-10 and \$1,678 in FY 2010-11.

Governor's Energy Office: \$24,029 and 0.4 FTE in FY 2009-10. The Governor's Energy Office will incur additional personnel costs to administer the Green Truck Grant Program each year beginning in FY 2009-10. Personnel services are required to develop and review applications for program reimbursements and grants under the program. The office estimates that the program will take the office 320 hours to set up the program, 300 hours per year to review applications, 250 hours per year to review non-funded applications, for a total of 870 hours or 0.4 FTE in FY 2009-10. The office estimates that it will take 550 hours to administer the program each year thereafter.

Green Truck Grant Program. The total amount of reimbursements and grants is capped at \$750,000 in a fiscal year. Thus, program reimbursements and grants constitute the largest cost component. This fiscal note assumes that reimbursements and grants will be awarded based upon the amount received in gifts, grants, and donations, and on the appropriation level provided by the General Assembly. The need for 0.4 FTE assumes that the program will administer reimbursements and grants. If total donations and appropriations to the fund are insufficient to provide reimbursements and grants, total FTE may be reduced.

State Appropriations

In FY 2009-10, this bill requires an appropriation of \$102,307 General Fund and 0.5 FTE to the Department of Revenue and \$24,029 General Fund and 0.4 FTE to the Governor's Energy Office.

Departments Contacted

Governor

Local Affairs

Revenue