

Colorado Legislative Council Staff Fiscal Note

STATE

REVISED FISCAL IMPACT

(replaces fiscal note dated March 18, 2009)

Drafting Number: LLS 09-0622 **Date:** April 20, 2009
Prime Sponsor(s): Rep. McFadyen; Gardner C. **Bill Status:** Senate Finance
 Sen. Mitchell **Fiscal Analyst:** Ron Kirk (303-866-4785)

TITLE: CONCERNING ECONOMIC DEVELOPMENT FOR THE TRUCKING INDUSTRY IN COLORADO, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
State Revenue				
General Fund*	(\$0)	(\$375,828)	(\$812,866)	(\$1,918,559)
Cash Funds				
Green Truck Grant Program Fund				
		Gifts, Grants, and Donations		
State Expenditures				
General Fund	\$24,029	\$143,262	\$16,955	\$16,955
FTE Position Change	0.4 FTE	0.3 FTE	0.3 FTE	0.3 FTE
Effective Date: Upon signature of the Governor or becoming law without his signature.				
Appropriation Summary for FY 2009-10: \$24,029 and 0.4 FTE in FY 2009-10.				
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.

Summary of Legislation

This **reengrossed** 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. The 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.

HB09-1298 restricts the refund to model year 2010 or newer truck tractors greater than 26,000 pounds and makes it available for tax years 2011 through 2015. The refund is available over the five-year period as follows:

- 10 percent in the calendar year in which the truck tractor is purchased;
- 15 percent in the second year after the purchase;
- 25 percent in the third year after the purchase;
- 25 percent in the fourth year after the purchase; and
- 25 percent in the fifth year after the purchase.

Enterprise zone 3 percent investment tax credit. For income tax years 2011 through 2015, 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 2010 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 available over the five-year period as follows:

- 0.5 percent for income tax year 2011;
- 1.0 percent for income tax year 2012;
- 1.5 percent for income tax year 2013;
- 2.0 percent for income tax year 2014; and
- 3.0 percent for income tax year 2015.

Green Truck Grant Program. This bill creates the Green Truck Grant Program, administered by the Governor's Energy Office (GEO), to reduce carbon emissions of trucks. The program reimburses qualified recipients 25 percent of the cost of purchasing or installing 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 recipient 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 \$375,828 in FY 2010-11, \$812,866 in FY 2011-12, and \$1,918,559 in FY 2012-13.

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. Table 1 shows revenue impacts for HB09-1298.

Table 1. Estimated Revenue Impacts for HB 09-1298			
Year	Sales Tax Refund	Income Tax Credit	Total
FY 2010-11*	\$38,138	\$337,690	\$375,828
FY 2011-12	\$137,486	\$675,381	\$812,866
FY 2012-13	\$320,883	\$1,597,676	\$1,918,559
FY 2013-14	\$590,446	\$2,813,252	\$3,403,698
FY 2014-15	\$900,720	\$4,373,855	\$5,274,575
FY 2015-16	\$1,167,850	\$7,604,504	\$8,772,354
Total Impact	\$3,155,522	\$17,402,358	\$20,557,880

**Half-year impact.*

A number of factors were considered in the revised estimates in Table 1. These factors included the deteriorating economy, the credit crunch, and the fact that a company must have a tax liability to claim the credit. It was also assumed that new truck sales would be sluggish for the next few years as they are comprising less than 50 percent of all sales. Repossessed and slightly less-than-new trucks are being purchased over newer trucks. It is also assumed that the economy will rebound in out-year estimates.

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 \$24,029 and 0.4 FTE in FY 2009-10; and \$143,262 and 0.3 FTE in FY 2010-11.

Department of Revenue: \$126,307 in FY 2010-11. By delaying the date that refunds and credits can be claimed to January 1, 2011, the Department of Revenue will incur computer programming expenditures that will mainly be tied to the new Colorado Integrated Tax Architecture (CITA) system in FY 2010-11. The sales tax refund in this bill would be included in the third phase of the project 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 620 hours. Based on the contract rate of \$200 per hour, \$124,000 in one-time costs will be required.

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

Governor's Energy Office: \$24,029 and 0.4 FTE in FY 2009-10; and \$16,955 and 0.3 FTE in FY 2010-11. 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 program will take the office 320 hours to set up, 300 hours per year to review applications, and 250 hours per year to review non-funded applications for a total of 870 hours or 0.4 FTE in FY 2009-10. Beginning in FY 2010-11, the program will take 550 hours or \$16,955 to administer each year.

The total amount of Green Truck Grant Program 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 \$24,029 General Fund and 0.4 FTE to the Governor's Energy Office.

Departments Contacted

Governor

Local Affairs

Revenue