

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number: LLS 09-0298

Date: January 26, 2009

Prime Sponsor(s): Rep. Riesberg
 Sen. Heath

Bill Status: House Finance

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TITLE: CONCERNING SALES AND USE TAX REFUNDS FOR CERTAIN COLORADO-BASED TECHNOLOGY COMPANIES.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
General Fund - Sales and Use Taxes	(\$975,000)	(\$1,007,000)
State Expenditures		
General Fund	\$0	\$0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: August 4, 2009, assuming the General Assembly adjourns as scheduled and unless a referendum petition is filed. Sales tax refunds effective for sales tax paid on or after January 1, 2009.		
Appropriation Summary for FY 2009-2010: None required.		
Local Government Impact: None.		

Summary of Legislation

HB09-1-35 would allow certain clean technology and medical device firms to receive refunds on sales and use taxes paid on the purchase of equipment used in research and development. The firms must be headquartered in Colorado and have no more than 50 employees. Each taxpayer may not receive more than a \$50,000 refund during any calendar year.

Background

Clean technology firms include those engaged in the research and development of renewable energy and/or products that mitigate the impact of humans on the environment. Medical device firms include those engaged in the research and development of a therapeutic or diagnostic tool used to improve human or animal health.

Equipment upon which a refund could be collected includes capital equipment, instruments, apparatus, and supplies used in laboratories, including, but not limited to, microscopes, machines, glassware, chemical reagents, computers, computer software, and technical books and manuals.

State Revenue

As shown in Table 1, sales and use taxes will be reduced by \$975,000 in FY 2009-10 and \$1,007,000 in FY 2010-11. Refunds for sales and use taxes paid during any particular calendar year will be paid during April of the following calendar year. For example, refunds for sales and use taxes paid during calendar year 2009 will occur in April 2010. The assumptions used to arrive at this impact are described below.

Table 1. Sales and Use Tax Revenue Impact by Industry		
Industry	FY 2009-10	FY 2010-11
Medical Device and Instrument Firms	(\$84,000)	(\$91,000)
Clean Technology Firms	(\$891,000)	(\$916,000)
Total	(\$975,000)	(\$1,007,000)

Medical device and instrument firms will receive refunds totaling \$84,000 in FY 2009-10 and \$91,000 in FY 2010-11. According to the Colorado Bioscience Association, 11 firms are expected to qualify and apply for the refund each year. Firms will receive an estimated average refund of \$7,650 in calendar year 2009 and \$8,300 in calendar year 2010. The average refund was estimated using data from the Colorado Bioscience Foundation and the National Science Foundation.

Clean technology firms will receive refunds totaling \$891,000 in FY 2009-10 and \$916,000 in FY 2010-11. According to the Colorado Clean Technology Industry Association, 50 firms are expected to qualify and apply for the refund each year. Based on data from Cleantech Group LLC., 12 out of the 50 are estimated to receive venture capital each year. Those that receive venture capital are expected to receive the maximum refund of \$50,000. Those that do not receive venture capital will receive an estimated average refund of \$7,650 in calendar 2009 and \$8,300 in calendar year 2010.

State Expenditures

Although the Department of Revenue identified processing costs equal to \$659 each year beginning in FY 2009-10, it is assumed that the department will absorb these costs.

Departments Contacted

Revenue