


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 08-0587	Date: June 30, 2008
Prime Sponsor(s): Rep. Sonnenberg Sen. Morse	Bill Status: Signed into Law
	Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING A SALES TAX EXEMPTION FOR A SALE RELATED TO A SCHOOL.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue General Fund - reduction	(at least \$175,000)	(at least \$210,000)
State Expenditures	\$0	\$0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The Governor signed the bill into law on May 21, 2008, and unless a referendum petition is filed, the bill will take effect August 5, 2008.		
Appropriation Summary for FY 2008-2009: None		
Local Government Impact: See the Local Government Impact section.		

Summary of Legislation

Effective September 1, 2008, this bill provides a sales tax exemption for items sold by schools, parent or teacher organizations, booster clubs, and other groups or clubs whose primary purpose is to support a school activity. **The bill also provides cities and counties the option of exempting such sales from taxation.**

State Revenue

An analysis of records conducted by the Department of Revenue suggest that school PTO's and PTA's, and school booster clubs and groups paid about \$210,000 in state sales tax in FY 2006-07. The magnitude of sales from such organizations that go unreported for sales tax purposes is unknown and has not been estimated.

This fiscal note assumes a reduction to state sales tax equal to the FY 2006-07 level - \$210,000 per year. The FY 2008-09 level is prorated to match the bill's September 1, 2008, effective date.

General Fund for Transportation. Based on the March 2008 Legislative Council Staff revenue forecast, there is enough money to partially fund the annual diversion to the Highway Users Tax Fund (HUTF) under the provisions of SB 97-1 beginning in FY 2008-09 through FY 2010-11. This bill reduces General Fund revenue, thereby reducing the SB 97-1 diversion by \$175,000 in FY 2008-09 and by \$210,000 in FY 2009-10.

Local Government Impact

This bill will reduce revenue for those cities and counties who choose to exempt from taxation sales by schools, parent or teacher organizations, booster clubs, and other groups or clubs whose primary purpose is to support a school activity. In addition, the sales tax revenue of special districts for which the state collects sales taxes, such as the Regional Transportation District, will be impacted by the bill if such sales occur within the district. The amount of the revenue reduction would depend on the total value of exempt sales and the use of such items that occur in each jurisdiction.

Departments Contacted

Revenue Local Affairs Education