

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 11-0097
Prime Sponsor(s): Rep. Bradford
 Sen. Schwartz

Date: February 15, 2011
Bill Status: House Finance
Fiscal Analyst: Fiona Sigalla (303-866-3556)

TITLE: CONCERNING SALES AND USE TAX EXEMPTIONS FOR THE SALES AND USE OF WOOD FROM TREES HARVESTED IN COLORADO.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue General Fund	(\$164,952)	(\$162,275)
State Expenditures		
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2011-2012: None.		
Local Government Impact: See Local Government Impact Section.		

Summary of Legislation

This bill establishes a sales and use tax exemption for sales, storage, and use of wood from any tree lawfully harvested in Colorado, including lumber, furniture, wood chips, wood pellets, and Christmas trees. The exemption for all wood is effective July 1, 2011, through July 1, 2020.

The bill also applies a sales and use tax exemption to the sale, storage, and use of wood from salvaged trees killed or infested in Colorado by spruce beetles, retroactive from July 1, 2008, to June 30, 2011. Between July 1, 2011, and July 1, 2020, salvaged trees killed or infested in Colorado by spruce beetles will be covered by the exemption for all wood from trees harvested in the state.

For both exemptions, wood wholesalers must certify on a Department of Revenue form that a product is lawfully harvested in Colorado or from a salvaged tree killed or infested in Colorado by spruce beetles.

State Revenue

State Revenue to the General Fund will be reduced by an estimated **(\$164,952) in FY 2011-12 and (\$162,275) in FY 2012-13**. Revenue impacts for lumber, post and poles and Christmas Trees and forest products were adjusted to account for the fact that vendors will begin retaining a vendor fee of 3.33 percent of the taxes they collect on July 1, 2011. The impact on state revenue under House Bill 11-1158 is summarized in Table 1.

The Colorado State Forest Service (CSFS) estimates that \$1.3 million of Colorado harvested lumber and \$1.8 million of post and poles were sold to Colorado residents in 2010. The 2007 Census of Agriculture for Colorado estimates \$2.3 million in sales of forest products and cut Christmas trees. The value of wood harvested in Colorado and sold in Colorado was estimated to increase by 2.9 percent in FY 2012-13, which is the Legislative Council Staff December 2010 inflation forecast.

The CSFS estimates that \$250,000 of Colorado harvested wood products damaged by the spruce beetle were sold to Colorado residents between July 1, 2008, and June 30, 2011. The (\$7,250) cost of extending this retroactive exemption will occur in FY 2011-12. After this date, the cost of this exemption is included in the estimate for the exemption for all wood products.

Table 1. Revenues Under HB 11-1158		
Cost Components	FY 2011-2012	FY 2012-2013
Retroactive Spruce Beetle Exemption	(\$7,250)*	
Lumber	(\$36,250)	(\$37,301)
Post and Poles	(\$53,360)	(\$54,907)
Christmas Trees and Forest Products	(\$68,092)	(\$70,067)
TOTAL	(\$164,952)	(\$162,275)

* *The cost of retroactively extending the spruce beetle exemption between July 1, 2008, and June 30, 2011 will occur in FY 2011-2012. After this date, the cost of exempting wood harvested in Colorado damaged by the spruce beetle is included in the other categories.*

State Expenditures

Expenditures under this bill will be minimal to process refunds and modify tax collection systems. The Department of Revenue should be able to absorb these costs and can seek additional funding through the budget process if the workload is greater than expected.

Local Government Impact

Sales tax revenue of special districts for which the state collects sales taxes, such as the Regional Transportation District (RTD), will be impacted by the bill to the extent that purchases of wood products occur within the district. The amount of revenue reduction would depend on the total value of exempt sales and the use of such products that occur in each jurisdiction.

Departments Contacted

Revenue RTD Natural Resources Law