HB11-1162

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 11-0609	**Date:**	February 17, 2011
Prime Sponsor(s):	Rep. Balmer	**Bill Status:**	House Finance
		Fiscal Analyst:	Fiona Sigalla (303-866-3556)

TITLE: CONCERNING THE REINSTATEMENT OF THE STATE SALES AND USE TAX EXEMPTION FOR SOFT DRINKS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue General Fund		($12.3 million)	($12.5 million)
State Expenditures General Fund	$2,960	$1,320	
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature. This bill is effective for sales occurring on or after July 1, 2011.			
Appropriation Summary for FY 2011-2012: See Appropriation Section.			
Local Government Impact: None.			

Summary of Legislation

This bill would restore the sales and use tax exemption for the purchase of soft drinks, including purchases through vending machines and for off-premises consumption. The exemption for soft drinks and candy was eliminated by House Bill 10-1191. This bill does not affect the sales tax treatment of candy. Purchases of soft drinks will be exempt from state sales and use tax starting July 1, 2011.

Soft drinks are defined as nonalcoholic beverages that contain natural or artificial sweeteners, such as cola and noncarbonated fruit flavored drinks. The definition excludes beverages that contain milk or milk products, soy rice or similar milk substitutes, or greater than fifty percent of vegetable or fruit juice by volume.

State Revenue

State sales and use tax revenue to the General Fund will decrease **$12.3 million in FY 2011-12** and **$12.5 million in FY 2012-13**.

Revenue estimates are based on data on the average amount of household expenditures in the western region of the United States on soft drinks. These data were obtained from the 2006-2009 Consumer Expenditure Surveys published by the U.S. Bureau of Labor Statistics. According to these data, households in the western region spend an average of about $200 annually on soft drinks for off-premises consumption and through purchases from vending machines. The number of households in Colorado projected by the State Demography Office was used to estimate the total statewide amount of household purchases on soft drinks.

State Expenditures

Department of Revenue: $2,960 in FY 2010-11 and $1,320 in FY 2011-12. The Department of Revenue will incur additional information technology costs of $2,960 to adjust the state's computer systems in FY 2010-11. In FY 2011-12, the department will incur a one-time expense of $1,320 for postage to notify vendors that soft drinks are no longer subject to the state sales tax. Table 1 summarizes costs incurred by the Department of Revenue.

Table 1. Expenditures Under HB 11-1162

Cost Components	FY 2010-2011	FY 2011-2012
Programming to adjust state computer systems	$2,960	
Postage to Notify Retailers		$1,320
TOTAL	**$2,960**	**$1,320**

Local Government Impact

The bill does not affect local government sales tax treatment of soft drinks. Thus, there is no revenue impact to local governments.

State Appropriations

The bill requires a General Fund appropriation of $2,960 for FY 2010-11 and $1,320 for FY 2011-12 for the Department of Revenue.

Departments Contacted

Revenue
Colorado Municipal League
Regional Transportation District
Colorado Counties, Inc.