

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0623
Prime Sponsor(s): Rep. Hullinghorst
 Sen. Steadman

Date: March 26, 2013
Bill Status: House Finance
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TITLE: CONCERNING THE MODIFICATION OF A SPECIAL DISTRICT'S SALES AND USE TAX BASE TO MAKE IT THE SAME AS THE STATE'S SALES AND USE TAX BASE.

Fiscal Impact Summary	FY 2012-13	FY 2013-14	FY 2014-15
State Revenue			
State Transfers Transfer from the General Fund to the State Education Fund	\$0	(\$90,154)	\$0
State Expenditures General Fund	\$90,154	\$0	\$0
FTE Position Change			
Effective Date: July 1, 2013.			
Appropriation Summary for FY 2013-2014: See State Appropriations section.			
Local Government Impact: See local government impact section.			

Summary of Legislation

This bill makes the Regional Transportation District (RTD) and Scientific and Cultural Facilities District (SCFD) sales and use tax bases identical to the state sales and use tax base.

Background

Currently, some items that are *exempt* from the RTD and SCFD sales and use tax are *taxable* for state purposes, and vice versa. Table 1 shows how the RTD and SCFD sales and use tax base differs from the state sales and use tax base.

Table 1. Differences in State Tax Base and RTD and SCFD Tax Bases		
Taxable or Exempt Item	Taxable by State and Exempt from RTD and SCFD	Taxable by RTD and SCFD and Exempt from State
Candy and Soft Drinks	×	
Cigarettes*	×	
Direct Mail Advertising Materials	×	
Food Containers	×	
Low-emitting Motor Vehicles, Power Sources, and Related Parts		×
Machinery or Machine Tools		×
Vending Machine Sales of Food Excluding Candy and Soft Drinks		×

* Under current law, cigarettes will be exempt for sales and use taxes starting July 1, 2013. HB 13-1144 would eliminate the sales and use tax exemption for cigarettes, and is currently on the House calendar for consideration of Senate amendments.

State Revenue

This bill makes the RTD and SCFD tax bases identical to the state sales and use tax base. Because there is no change to the state sales and use tax base, there is no state revenue impact.

State Expenditures

Each November, the Department of Revenue sends out tax coupon books with instructions and guidance for common sales tax exemptions. The instructions that taxpayers currently have describes current law where cigarettes are taxable for state purposes but not for RTD and SCFD. To print and mail new coupon books with updated instructions to 59,219 monthly and quarterly sales tax filers will cost \$90,154 in FY 2012-13.

Table 2. Expenditures Under HB13-1272			
Cost Components	FY 2012-13	FY 2013-14	FY 2014-15
Printing Tax Coupon Booklets	\$39,818	0	0
Mailing Updated Booklets	\$50,336		
TOTAL	\$90,154	\$0	\$0

State Transfers

HB 12-1338 transfers any General Fund surplus in FY 2012-13 to the State Education Fund. This bill increases General Fund expenditures, which will reduce the amount transferred to the State Education Fund in FY 2013-14.

Local Government Impact

This bill changes the sales and use tax base for RTD and SCFD by eliminating some exemptions and adding some others. These changes in the tax base will lead to an estimated net increase of about 0.6 percent in sales and use tax revenue for RTD and SCFD.

State Appropriations

The Department of Revenue would require a General Fund appropriation of \$90,154 in FY 2012-13.

Departments Contacted

Revenue Regional Transportation District