

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 15-1073 **Date:** April 28, 2015  
**Prime Sponsor(s):** Rep. Singer; Priola **Bill Status:** House Finance  
 Sen. Scott; Heath **Fiscal Analyst:** Larson Silbaugh (303-866-4720)

**BILL TOPIC:** ALIGN RECYCLING & MACHINE TOOL TAX EXEMPTIONS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018
<b>State Revenue</b>	<b>(\$87,000)</b>	<b>(\$58,000)</b>	<b>(\$29,000)</b>
General Fund	(\$87,000)	(\$58,000)	(\$29,000)
<b>State Expenditures</b>			
<b>FTE Position Change</b>			
<b>TABOR Set Aside</b>	<b>(\$87,000)</b>	<b>(\$58,000)</b>	<b>(\$29,000)</b>
<b>Appropriation Required:</b>			

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill creates a sales and use tax exemption for recycling and composting equipment purchased after January 1, 2015. For sales taxes paid in 2015, the taxpayer can claim a refund from the Department of Revenue between January 1 and April 1, 2016. Vendors will not collect sales taxes on equipment purchased in 2016 or 2017.

Exempt property must be used exclusively for recycling or composting in the state and be purchased by a company that submits a report to the Department of Public Health and Environment (CDPHE). Recycling equipment does not include motor vehicles. Waste tire recyclers and auto salvage yards do not qualify for the exemption because they do not meet the definitions used by the CDPHE.

**State Revenue**

This bill **reduces General Fund revenue by \$87,000 in FY 2015-16, \$58,000 in FY 2016-17, and \$29,000 in FY 2017-18.**

**Assumptions.** Based on estimates provided by the recycling industry, less than \$2,000,000 in machinery and equipment is sold that would be eligible for the sales and use tax refund in an average year. Several companies that provide recycling equipment in Colorado were identified through an internet search. The Department of Revenue was able to confirm that the sales taxes paid by these companies is consistent with the information provided by the industry. Equipment purchases may exceed this estimate when a facility is opened or upgraded, but the equipment that is exempt under this bill is expected to last between 10 and 30 years. The \$2,000,000 estimate is the annual average investment in recycling and composting equipment.

Applying the sales tax rate to \$2,000,000 in equipment, this bill will reduce General Fund revenue by \$87,000 in FY 2015-16; this is because taxpayers will file for \$58,000 in refunds for sales taxes paid in 2015, and they will not pay \$29,000 in sales taxes on purchases made between January 1, and June 30, 2016. Sales tax revenue will be reduced by \$58,000 in FY 2016-17 and \$29,000 in FY 2017-18.

**TABOR Impact**

This bill reduces state revenue from sales taxes, which will reduce the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

**Local Government Impact**

This bill has a conditional local government impact. Local governments can choose to adopt the recycling equipment sales tax exemption in their tax base, which would reduce revenue.

**Effective Date**

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

**State and Local Government Contacts**

Revenue      Municipalities      Counties      Personnel and Administration