

STATE and LOCAL CONDITIONAL FISCAL IMPACT

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Prime Sponsor(s): Rep. Conti; Kraft-Tharp Bill Status: House Local Government

Sen. Steadman Fiscal Analyst: Larson Silbaugh (303-866-4720)

BILL TOPIC: STATEWIDE UNIFORM SALES & USE TAX DEFINITIONS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018
State Revenue			
State Expenditures		<u>\$61,688</u>	<u>\$196,881</u>
General Fund		\$51,634	\$157,863
Centrally Appropriated Costs**		\$10,054	\$39,018
FTE Position Change		0.8 FTE	3.0 FTE
Appropriation Required: None.			

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

Summary of Legislation

This bill submits to voters an amendment to the Colorado constitution to require all sales tax jurisdictions to use the same sales tax definitions. If passed, a commission would be created to determine definitions of goods and services that are taxed in the state. All taxing jurisdictions would be required to use those definitions, but would be allowed to change their sales tax rate to be revenue neutral if their tax base changed. The question would be on the November 2016 general election ballot.

If approved, this bill would not require all taxing jurisdictions to have the same tax base; rather, it would require all taxing jurisdictions to use the same definitions when defining certain categories of goods and services for tax purposes. Each taxing jurisdiction could still determine whether those categories are either taxed or not taxed.

Background

For sales tax purposes, the State of Colorado and home rule jurisdictions are able to make their own definitions of taxable and non-taxable goods. Counties, special districts, and statutory cities have the same definitions as the state. In some cases, home rule jurisdictions have different definitions for the same categories of goods. For example, certain candy bars may be included in the definition for home consumption in some jurisdictions because they include flour, but are defined as candy or sweets in another jurisdiction. Creating uniform definitions for all goods and services would mean that candy bars, for example, are treated as either food for home consumption or sweets in all jurisdictions across the state.

^{**} These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

The Streamlined Sales Tax Project was organized by states to simplify sales tax administration across state lines. Part of this simplification is to adopt common definitions. different categories of goods and services have been defined and are used when determining what is taxable. The Streamlined Sales Tax definitions have been adopted in 24 other states.

State Expenditures

If voters approve this measure, the Department of Revenue will require \$61,688 and 0.8 FTE in 2016-17 and \$196,881 and 3.0 FTE in FY 2017-18.

Table 1. Expenditures Under HCR 15-1004						
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18			
Personal Services		\$41,848	\$155,963			
FTE		0.8 FTE	3.0 FTE			
Operating Expenses and Capital Outlay Costs		9,786	1,900			
Centrally Appropriated Costs*		10,054	39,018			
TOTAL	\$0	\$71,742	\$235,899			

^{*} Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. If approved by voters, the Colorado Commission on Uniform Sales and Use Tax Definitions will be created. The commission will adopt uniform sales and use tax definitions and provide guidance regarding those definitions. The Governor is required to appoint seven members to the commission by February 16, 2017. The Department of Revenue will provide staff support for the commission. The Department of Revenue staff will perform the necessary legal research, revenue impact analysis to insure revenue neutrality, and serve as a point of contact for members of the commission. This will require 3.0 FTE. The FY 2016-17 expenditure and FTE figures are for a partial year because the commission will not begin their work until February 2017.

Election expenditure impact (existing appropriations). The bill creates a referred measure that will appear before voters at the November 2016 general election. Although no additional appropriation is required in this bill to cover election costs associated with this ballot measure, certain election costs to the state are appropriated as part of the regular budget process. First, state law requires that the state reimburse counties for costs incurred conducting a ballot measure election paid from the Department of State Cash Fund. Second, the text and title of the measure must be published in one legal newspaper per county and an analysis of the measure must be included in the Ballot Information Booklet (Blue Book) mailed to all registered voter households prior to the election paid from the Ballot Analysis Revolving Fund. Table 2 below identifies the anticipated costs for a single statewide ballot measure election in 2016.

Table 2. Projected Costs of a Single Statewide Ballot Measure Election in 2015				
Cost Component	Amount			
County Reimbursement for Statewide Ballot Measures	\$2,400,000			
Ballot Information Booklet (Blue Book) & Newspaper Publication	\$670,000			
TOTAL	\$3,070,000			

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 3. Centrally Appropriated Costs Under HCR 15-1004*					
Cost Components	FY 2016-17	FY 2017-18			
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,434	\$24,124			
Supplemental Employee Retirement Payments	3,620	14,894			
TOTAL	\$10,054	\$39,018			

^{*}More information is available at: http://colorado.gov/fiscalnotes

Local Government Impact

If approved by voters, this bill will change the sales and use tax definitions used by local governments to define what is taxable and what is not. However, the measure specifically allows local taxing jurisdictions to adjust their tax rate without voter approval, so that the new definitions have the potential to be revenue neutral.

Effective Date

The concurrent resolution takes effect after the date of the official declaration of the vote by proclamation of the Governor, not later than 30 days after the votes have been canvassed. The commission must recommend definitions before January 1, 2018.

State and Local Government Contacts

Revenue Secretary of State Counties

Municipalities County Clerks