

Colorado Legislative Council Staff Fiscal Note

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 15-1084  
**Prime Sponsor(s):** Sen. Balmer

**Date:** April 24, 2015  
**Bill Status:** Senate Finance  
**Fiscal Analyst:** Larson Silbaugh (303-866-4720)

**BILL TOPIC:** SALES & USE TAX EXEMPTION FOR SOFT DRINKS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-18
<b>State Revenue</b>		<b>(\$15.1 million)</b>	<b>(\$15.9 million)</b>
General Fund		(\$15.1 million)	(\$15.9 million)
<b>State Expenditures</b>			
<b>TABOR Set Aside</b>		(\$15.1 million)	(\$15.9 million)
<b>FTE Position Change</b>			
<b>Appropriation Required:</b> None.			

\* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

**Summary of Legislation**

This bill reenacts the sales and use tax exemption for soft drinks that are consumed off premises. The exemption applies for sales that occur on or after July 1, 2016.

**Background**

Food for home consumption is exempt from the state sales and use tax. Before May 1, 2010, the definition of food for home consumption included soft drinks, making them exempt from state sales taxes. House Bill 10-1191 eliminated the exemption for candy and soft drinks. This bill would classify soft drinks not packaged for immediate consumption as food for home consumption.

**State Revenue**

This bill **reduces General Fund revenue by \$15.1 million in FY 2016-17 and by \$15.9 million in FY 2017-18.**

**Assumptions.** Based on consumer expenditure information published by the Bureau of Labor Statistics, households spent about \$218 on soft drinks for home consumption between July 1, 2012, and June 30, 2013. Based on the forecasted number of households in Colorado and the compound average annual growth rate of non-alcoholic beverage consumption, consumption of soft drinks in Colorado is expected to total \$540.0 million in FY 2016-17, \$565.5 million in FY 2017-18, and \$592.1 million in FY 2018-19. Soft drinks for home consumption will be exempt from state sales taxes starting in FY 2016-17.

Applying the 2.9 percent state sales tax rate and the vendor fee, eliminating the sales tax on these purchases will reduce state sales tax revenue by \$15.1 million in FY 2016-17 and by \$15.9 million in FY 2017-18. The vendor fee allows retailers to retain 3.3 percent of sales taxes that they collect on behalf of the state if they file sales tax returns on time. Compared with current law, this bill will reduce state sales tax revenue by similar amounts in future fiscal years.

**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.

**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. Soft drinks will be exempt from state sales taxes beginning on July 1, 2016.

**State and Local Government Contacts**

Revenue  
Personnel and Administration

Municipalities  
RTD

Counties