

*Colorado Legislative Council Staff Fiscal Note*

**STATE  
FISCAL IMPACT**

<b>Drafting Number:</b> LLS 15-0633	<b>Date:</b> February 6, 2015
<b>Prime Sponsor(s):</b> Rep. Kraft-Tharp; Wilson Sen. Heath; Holbert	<b>Bill Status:</b> House Business, Affairs & Labor <b>Fiscal Analyst:</b> Larson Silbaugh (303-866-4720)

**BILL TOPIC:** SALES & USE TAX REFUND MED & CLEAN TECHNOLOGY

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
<b>State Revenue</b>	<b>(\$85,000)</b>	<b>(\$85,000)</b>
Revenue Change General Fund	(\$85,000)	(\$85,000)
<b>State Expenditures</b>		
<b>TABOR Set-Aside</b>	(\$85,000)	(\$85,000)
<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 recreates a sales and use tax refund for clean technology and medical device firms with 35 employees or less. The refund must be claimed between January 1 and April 1 in the year following when the sales taxes were paid. The refund is for sales taxes paid on equipment used for the research and development of clean technology or medical technology and is limited to \$50,000 per taxpayer per year. Taxpayers will be allowed to claim the refund for sales taxes paid between January 1, 2015, and December 31, 2019.

### Background

Clean technology means products and technologies used in renewable energy development and generation on a commercial scale and products that improve the efficiency of production, extraction, or storage of renewable or traditional energy sources. Medical technology means a machine or tool used to improve health.

Between 2009 and 2014 there was a similar sales tax refund in statute, but was only available to be claimed when General Fund revenue was expected to be sufficient to allow General Fund appropriation to increase 6.0 percent. Because of the trigger, taxpayers were allowed to claim the refund between January 1 and April 1, 2015, for sales taxes paid between 2009 and 2014. The previous refund was available for firms with less than 50 employees.

## **State Revenue**

This bill **reduces General Fund revenue by \$85,000 in each of FY 2015-16 and FY 2016-17.**

**Assumptions.** This bill creates a sales and use tax refund for clean technology and medical device firms. The refund amount is equal to the sales or use taxes paid on items used in research and development of medical technology and clean technology, up to \$50,000 per taxpayer per year. The refund must be claimed between January 1 and April 1 in the year following when sales taxes were paid. Refunds can be claimed for sales taxes paid in 2015, which will be claimed in 2016. To be eligible for the credit, a firm must:

- Conduct research and development of medical technology or clean technology;
- be headquartered in Colorado, or have more than 50 percent of its workforce in Colorado; and
- employ no more than 35 full-time employees in Colorado.

While the medical technology and clean technology firm must meet certain criteria, the Department of Revenue (DOR) does not receive data on the number of employees in Colorado or know the employment in other state to verify that more than 50 percent of the workforce is in Colorado. The DOR can require this information be provided with the refund application.

The prior refund was claimed by a small number of taxpayers in 2014 for sales and use taxes paid in prior years. The DOR cannot provide the actual number of refunds claimed, or the refund amounts, without disclosing confidential taxpayer information. Based on previous refunds claimed, less than five taxpayers will claim the refund each year and it is assumed that this bill will reduce sales tax revenue by \$85,000 per year.

The first refunds will be claimed between January 1 and April 1, 2016, the second half of FY 2015-16. This will reduce sales tax collections by \$85,000 in FY 2015-16 and FY 2016-17.

## **TABOR Impact**

A TABOR surplus is expected in FY 2015-16 and FY 2016-17, so this bill will reduce the amount required to be refunded under TABOR in those years.

## **State Expenditures**

This bill has a marginal impact on workload, which can be accommodated with existing resources.

**Department of revenue.** This bill is expected to impact few taxpayers and thus create a marginal workload increase that can be absorbed within existing resources. The bill recreates a sales tax refund that had previously been programmed into the state's tax administration software, so there is no computer programming costs.

**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

Personnel and Administration  
RTD

Counties