



Legislative Council Staff

Research Note

Version: Final

Date: 6/21/2016

Bill Number

House Bill 16-1187

Sponsors

Representative Kraft-Tharp
Senator Holbert

Short Title

Sales & Use Tax Exemption
Retirement Community Food

Research Analyst

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Status

This research note reflects the final version of the bill, which was signed by the Governor, and became effective on June 1, 2016.

Summary

Beginning in FY 2016-17, the bill creates sales and use tax exemptions for food and packaged food consumed by residents on the premises of a retirement community. The exemption encompasses both purchases and sales by a retirement community, provided that consumption of the food or packaged food is to occur on the community's premises. Specific provisions are included for the exemption of prepared food, including premade salads and sandwiches. Retirement communities to which the bill applies include:

- assisted living residences;
- nursing care facilities that provide services to people requiring continuous or regular inpatient nursing care; and
- independent living facilities specifically serving as the primary residence for people age 55 and older.

Background

State law includes a sales and use tax exemption for most food and beverages purchased for home consumption. The Colorado Department of Revenue (DOR) determined that certain foods served at retirement communities do not satisfy the terms of the home consumption exemption, and that the exemption does not apply to all sales at retirement communities. Foods and beverages determined to be ineligible for the exemption include carbonated water marketed in

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containers, prepared salads and salad bars, and prepared cold sandwiches. A portion of retirement community food sales are not taxed because they qualify for other exemptions, including, for example, the tax exemption for sales to government entities.

House Action

House Finance Committee (March 9, 2016). At the hearing, representatives of Brookdale Senior Living, LeadingAge, and Kavod Senior Life, testified in support of the bill. A DOR representative answered several committee questions. The committee adopted amendment L.003. Amendment L.003, a strike below amendment, clarifies that certain prepackaged meals served to residents fall under the home consumption exemption, that meals served to employees or guests are taxed, and that restaurants attached to retirement communities do not fall under the home consumption exemption. The committee referred the bill, as amended, to the House Committee of the Whole.

House second reading (March 15, 2016). The House adopted the House Finance Committee report and passed the bill on second reading with no additional amendments.

House third reading (March 16, 2016). The House passed the bill on third reading with no amendments.

Senate Action

Senate Finance Committee (March 22, 2016). At the hearing, representatives of Brookdale Senior Living, LeadingAge, and Kavod Senior Life, testified in support of the bill. A DOR representative answered several committee questions. The committee referred the bill, as amended, to the Senate Committee of the Whole with the recommendation that it be placed on the consent calendar.

Senate second reading (March 28, 2016). The Senate passed the bill on second reading with no amendments.

Senate third reading (March 29, 2016). The Senate passed the bill on third reading with no amendments.