



**Colorado
Legislative
Council
Staff**

HB16-1457

**FINAL
FISCAL NOTE**

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1260 **Date:** August 26, 2016
Prime Sponsor(s): Rep. Garnett; Wilson **Bill Status:** Signed into Law
 Sen. Neville T.; Garcia **Fiscal Analyst:** Greg Sobetski (303-866-4105)

BILL TOPIC: SALES AND USE TAX EXEMPTION RESIDENTIAL ENERGY SOURCE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue General Fund	Potential decrease.	
State Expenditures		
TABOR Impact		Potential decrease.
Appropriation Required: None.		
Future Year Impacts: Ongoing potential state revenue decrease.		

Summary of Legislation

The bill clarifies that the state sales and use tax exemption for residential uses of electricity, coal, wood, gas, fuel oil, and coke (energy sources) applies when energy sources are resold or sold to persons who are not occupants of the residence.

Energy sources are exempt from taxation when sold for the purpose of powering residential fixtures and appliances. Under current law, the exemption applies only to energy sources sold to occupants of residences, and only when the energy sources will not be resold. The bill applies the exemption to all sales of energy sources for residential use, exempting from taxation energy sources that are purchased for a multifamily residential property and resold to individual resident households. Additionally, the bill clarifies that residential use is presumed when an energy source is sold at a residential utility rate.

State Revenue

The bill does not reduce state revenue relative to current law and Department of Revenue (DOR) rules. The bill potentially decreases state revenue in FY 2016-17 and future years if, under current law, the DOR revises its rules to apply the sales and use tax exemption more narrowly.

Assumptions. Current DOR rules exempt gas and electricity used exclusively for domestic purposes served either through a single meter or a master metered multi-unit apartment, condominium, townhouse, or mobile home. It is assumed that the bill codifies current practice, and that a revenue reduction will result only if, under current law, department rules are changed to assess tax on gas and electricity resold to individual households in a master metered multifamily dwelling.

TABOR Impact

This bill potentially reduces state revenue from sales and use taxes, which would reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. A TABOR refund obligation is not anticipated for FY 2016-17.

Local Government Impact

The bill potentially reduces revenue to statutory counties, municipalities, and special districts for which the state collects sales taxes. Local government revenue will be affected only to the extent that the bill results in a reduction in state sales and use tax revenue.

Effective Date

The bill was signed into law by the Governor and took effect on June 10, 2016.

State and Local Government Contacts

Counties
Revenue

Information Technology
Special Districts

Municipalities