



**Colorado
Legislative
Council
Staff**

SB16-124

FISCAL NOTE

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

Drafting Number: LLS 16-0445
Prime Sponsor(s): Sen. Grantham
Rep. Priola

Date: February 12, 2016
Bill Status: Senate Finance
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: MACHINE TOOLS SALES TAX EXEMPT RECOVERED MATERIALS

| Fiscal Impact Summary | FY 2016-2017 | FY 2017-2018 |
|---|--------------------------|--------------------------|
| State Revenue | (up to \$183,000) | (up to \$193,000) |
| General Fund | (up to 183,000) | (up to 193,000) |
| State Expenditures | | |
| TABOR Impact | (up to \$183,000) | (up to \$193,000) |
| Appropriation Required: None. | | |
| Future Year Impacts: Ongoing state revenue decrease. | | |

Summary of Legislation

Beginning July 1, 2016, this bill expands the current sales and use tax exemption for machinery and machine tools (machinery) used in manufacturing to include machinery purchased by businesses listed in the Department of Public Health and Environment's inventory of recyclers and solid waste processors (material recovery facilities).

State Revenue

State General Fund revenue will decrease by up to \$183,000 in FY 2016-17 and by up to \$193,000 in FY 2017-18. Revenue will decrease by similar amounts in future years.

Assumptions. In FY 2014-15, the state collected sales and use tax totaling \$167,000 from businesses registered as materials recovery facilities. It is assumed that most of this revenue was remitted for sales of machinery, which is exempt from taxation under the bill. Sales and use taxes remitted in FY 2014-15 are assumed to be an upper bound for the bill's revenue impact, and are grown through FY 2017-18 following the December 2015 Legislative Council Staff sales tax revenue forecast.

To the extent that FY 2014-15 sales and use tax data include taxes on goods and services that are not exempted in the bill, the revenue decrease in this section will be overstated.

TABOR Impact

This bill reduces state revenue from sales and use taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

Local Government Impact

Revenue to local governments will decrease by an indeterminate amount beginning in FY 2016-17. The bill will reduce sales and use taxes collected by statutory counties, municipalities, and special districts to the extent that sales of machinery are not already exempt from local sales tax, and to the extent that machinery is sold in each statutory taxing jurisdiction. Because few businesses manufacture and sell machinery, revenue impacts to local jurisdictions will be uneven across the state.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to sales after July 1, 2016.

State and Local Government Contacts

Counties
Municipalities
Revenue

Information Technology
Public Health & Environment