



Legislative Council Staff

Research Note

Version: Final

Date: 7/25/2016

Bill Number

Senate Bill 16-124

Sponsors

**Senator Grantham
Representatives Priola and
Becker K.**

Short Title

***Machine Tools Sales Tax
Exempt Recovered Materials***

Research Analyst

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Status

This research note reflects the final version of the bill, which became effective upon the signature of the Governor on June 8, 2016.

Summary

Beginning July 1, 2016, the 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 (recovery facilities). The state exemption is extended to counties and municipalities only by amendment to a local government's sales tax ordinance or resolution.

Background

State sales and use taxes were introduced in 1935 and 1937, respectively. The sales tax is a consumption tax levied on sales of tangible personal property and some services. The tax is paid by consumers and collected by vendors on the state's behalf. Colorado has a complementary use tax that applies when sales tax is owed but was not collected, either because the seller had not been authorized as a vendor or because the property was purchased outside of the state.

The sales and use tax exemption for sales of machinery or machine tools used in the manufacturing process is one of the 10 largest sales and use tax exemptions offered by the state. It was enacted in 1979. According to the Department of Revenue, the 2013 revenue impact of this sales and use tax exemption was \$77.1 million.

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Senate Action

Senate Finance Committee (February 16, 2016). The committee heard testimony in support of the bill from two individuals representing the recycling industry. The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (March 11, 2016). The committee adopted amendment L.001, which added a new section to the bill to extend the provisions of the sales and use tax exemption to counties and municipalities under specified circumstances. The committee referred the bill, as amended, to the Senate Committee of the Whole.

Senate second reading (March 15, 2016). The Senate adopted the Senate Finance and Senate Appropriations committee reports and passed the bill on second reading with no additional amendments.

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

House Action

House Finance Committee (April 14, 2016). The committee heard testimony in support of the bill from three individuals, including two representatives of the recycling industry. The committee referred the bill to the House Appropriations Committee.

House Appropriations Committee (April 28, 2016). The committee referred the bill to the House Committee of the Whole.

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

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

Relevant Research

Colorado Online Tax Handbook, Sales and Use Taxes: <http://tinyurl.com/z2o6wwy>

Colorado Department of Revenue Tax Profile & Expenditure Report 2014:
<http://tinyurl.com/hsudeqj>