



**Colorado
Legislative
Council
Staff**

SB17B-001

FISCAL NOTE

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

Drafting Number: LLS 17B-0009
Prime Sponsor(s): Sen. Kagan; Guzman

Date: October 2, 2017
Bill Status: Senate Transportation
Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: TAXATION OF RETAIL MARIJUANA SALES

Fiscal Impact Summary	FY 2017-2018 <i>(current year)</i>	FY 2018-2019	FY 2019-2020
State Revenue			
State Expenditures	Minimal workload increase.		
Appropriation Required: None.			
Future Year Impacts: None.			

Summary of Legislation

This bill requires that special districts levying sales taxes on all transactions taxed by the state also levy sales taxes on retail marijuana transactions, irrespective of the state sales tax exemption adopted in Senate Bill 17-267. Special district taxes on retail marijuana that were suspended on July 1, 2017, will again be assessed beginning on November 1, 2017.

Background

Under current law, sales of retail (non-medical) marijuana are exempt from the 2.9 percent state sales tax effective July 1, 2017. The state assesses a 15 percent special sales tax on these sales.

Consistent with the state exemption, as administered by the Department of Revenue (DOR), retail marijuana is exempt from the sales taxes currently assessed by 14 special districts, including:

- the Regional Transportation District (RTD) in the Denver metropolitan area;
- the Scientific and Cultural Facilities District (SCFD) in the Denver metropolitan area;
- five regional transportation authorities (RTAs) in El Paso, Gunnison, Logan, and San Miguel Counties, and in the Roaring Fork Valley in Eagle, Garfield, and Pitkin Counties;
- the Summit Combined Housing Authority in Summit County;
- the Montezuma Hospital District in Montezuma County; and
- five metropolitan districts, including three in Eagle County and two in Jefferson County.

State Expenditures

The bill is expected to require a one-time workload increase in DOR during the current FY 2017-18 only. The department will be required to update its form DR 1002, which presents local government sales tax information, in response to the November 1 effective date for the change to special district sales tax bases. Increased workload attributable to the bill can be accomplished within existing appropriations.

Local Government Impact

The bill is expected to increase sales tax revenue to nine special districts as shown in Table 1.

Table 1. Special District Revenue Increases under SB17B-001.			
	FY 2017-18 <i>(current year)</i>	FY 2018-19	FY 2019-20
Regional Transportation District	\$3,792,000	\$7,420,000	\$8,026,000
Scientific and Cultural Facilities District	379,000	742,000	803,000
Gunnison Valley RTA	42,000	79,000	85,000
Pikes Peak RTA	Not estimated due to confidentiality requirements.		
Roaring Fork RTA	79,000	154,000	166,000
San Miguel RTA	6,000	12,000	13,000
Summit Combined Housing Authority	55,000	111,000	120,000
Montezuma Hospital District	40,000	79,000	86,000
Edwards Metropolitan District	Not estimated due to confidentiality requirements.		
Total	\$4,393,000	\$8,597,000	\$9,299,000

Assumptions. Estimates in Table 1 are based on actual special district sales tax receipts from marijuana retailers during FY 2016-17 and the September 20S17 Legislative Council Staff forecast for state marijuana tax revenue. These estimates assume that each district's share of statewide marijuana sales will remain constant through FY 2019-20. For the San Miguel RTA, which began collecting sales taxes in January 2017, actual tax revenue remitted between February and June 2017 is prorated to reflect an entire fiscal year.

For the current FY 2017-18, all estimates reflect the assessment of sales taxes beginning November 1, 2017. Because sales taxes are remitted by retailers one month after taxes are assessed on transactions, the estimates for FY 2017-18 reflect seven months of remittances, representing December 2017 through June 2018.

Estimates reflect the assumed volume of retail marijuana sales, the district sales tax rate, and the presence and size of a district vendor fee. To the extent that district marijuana sales grow faster or slower than the state's, or to the extent that statewide marijuana sales grow faster or slower than forecast, the amount of the fiscal impact will be different than presented in Table 1.

Districts for which revenue estimates are not prepared. The bill is expected to increase revenue to the Pikes Peak RTA and the Edwards Metropolitan District. Both of these districts assessed sales taxes on retail marijuana transactions during FY 2016-17. In both districts, the number of marijuana retailers is small enough that district-wide tax remittance data cannot be shared due to taxpayer confidentiality requirements. Because data are unavailable, there is no basis for an estimate.

Omitted districts. Five districts where retail marijuana exemptions are applied in current law are not expected to incur a fiscal impact because no retail marijuana transactions occur in their jurisdictions. These include:

- South Platte Valley RTA in Sterling;
- Aspen Park Metropolitan District in Conifer;
- Bachelor Gulch Metropolitan District near Avon in Eagle County;
- Southwest Plaza Metropolitan District near Littleton in Jefferson County; and
- Two Rivers Metropolitan District near Gypsum in Eagle County.

To the extent that retail marijuana sales occur in these jurisdictions in future years, the bill will increase revenue to the districts accordingly.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. Special district sales taxes are assessed on retail marijuana beginning on the first day of the month following the effective date of the bill.

State and Local Government Contacts

Legislative Council Staff
Revenue

Regional Transportation District
Special Districts