



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

**FISCAL NOTE**

**Drafting Number:** LLS 20-1060      **Date:** February 28, 2020  
**Prime Sponsors:** Rep. Benavidez      **Bill Status:** House Business  
**Fiscal Analyst:** Greg Sobetski | 303-866-4105  
 Greg.Sobetski@state.co.us

**Bill Topic:**                      **EXCISE TAX CREDIT UNSALABLE ALCOHOL BEVERAGES**

**Summary of Fiscal Impact:**

|   |  |
|---|--|
| <input checked="" type="checkbox"/> State Revenue     | <input checked="" type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government        |
| <input type="checkbox"/> State Transfer               | <input type="checkbox"/> Statutory Public Entity |

The bill repeals the credit for liquor excise taxes paid on alcoholic beverages that later become unsalable. It increases state revenue, requires one-time state expenditures, and minimally decreases workload on an ongoing basis.

**Appropriation Summary:** For FY 2020-21, the bill requires an appropriation of \$6,977 to the Department of Revenue.

**Fiscal Note Status:** This fiscal note reflects the introduced bill.

**Table 1**  
**State Fiscal Impacts Under HB 20-1306**

|                     |              | <b>FY 2020-21</b> | <b>FY 2021-22</b> |
|---------------------|--------------|-------------------|-------------------|
| <b>Revenue</b>      | General Fund | \$76,500          | \$153,000         |
| <b>Expenditures</b> | General Fund | \$6,977           | -                 |
| <b>Transfers</b>    |              | -                 | -                 |
| <b>TABOR Refund</b> | General Fund | \$76,500          | \$153,000         |

**Summary of Legislation**

Under current law, manufacturers and distributors of alcoholic beverages are allowed a refundable tax credit equal to the amount of liquor excise tax paid on alcoholic beverages that later became unsalable due to damage or destruction. The bill repeals the credit effective January 1, 2021.

**Background**

Pursuant to Senate Bill 16-203, the Office of the State Auditor published its evaluation of the tax credit in July 2019. The evaluation is available online here: [https://leg.colorado.gov/sites/default/files/images/2019-te25\\_unsalable\\_alcoholic\\_beverages.pdf](https://leg.colorado.gov/sites/default/files/images/2019-te25_unsalable_alcoholic_beverages.pdf).

**State Revenue**

The bill is expected to increase General Fund revenue by \$76,500 in FY 2020-21 and \$153,000 in FY 2021-22 and subsequent fiscal years. The estimate for FY 2020-21 reflects a half-year impact on an accrual accounting basis. The bill increases liquor excise tax revenue, which is subject to TABOR.

The estimated full-year impact reflects actual credits claimed against excise tax paid on unsalable alcoholic beverages during tax year 2017, as reported in the Department of Revenue's 2018 Tax Profile & Expenditure Report. For tax year 2017, 98 taxpayers claimed credits totaling \$153,000. The actual annual revenue increase will depend on the value of credits that would otherwise be claimed if the credit were not repealed, and could be greater in certain years due to large fires, floods, or other disasters that render larger amounts of alcoholic beverages unsalable.

**State Expenditures**

The bill is expected to require one-time General Fund expenditures of \$6,977 in FY 2020-21 only, and to minimally decrease Department of Revenue workload on an ongoing basis. Expenditures are summarized in Table 2 and detailed below.

**Table 2  
Expenditures Under HB 20-1306**

|                                | <b>FY 2020-21</b> | <b>FY 2021-22</b> |
|--------------------------------|-------------------|-------------------|
| <b>Department of Revenue</b>   |                   |                   |
| GenTax Programming and Testing | \$6,540           | -                 |
| Postage and Mailing Costs      | \$437             | -                 |
| <b>Total Cost</b>              | <b>\$6,977</b>    | <b>-</b>          |

**Department of Revenue.** This bill requires changes to the Department of Revenue's GenTax software system. Changes are programmed by a contractor at a rate of \$225 per hour. The changes in this bill are expected to require programming expenditures of \$2,700, representing 12 hours of programming. All GenTax programming changes are tested by the department. Testing for this bill will require the expenditures for contract personnel totaling \$3,840, representing 160 hours of testing at a rate of \$24 per hour. Costs for postage and mailing reflect the assumption that the department will notify 729 accounts of the repeal of the credit.

The bill requires a change to one tax form, which can be accomplished within existing reappropriations from the Department of Revenue to the Department of Personnel and Administration.

Beginning in FY 2020-21, the bill is expected to result in an ongoing decrease in department workload to process credit applications. Based on the number of credit applications processed in previous years, this workload decrease is expected to be minimal and does not require a change to appropriations.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds by \$76,500 in FY 2020-21 and by \$153,000 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers via sales tax refunds made on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

## Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

## State Appropriations

For FY 2020-21, the bill requires a General Fund appropriation of \$6,977 to the Department of Revenue.

## State and Local Government Contacts

Personnel

Revenue

State Auditor