



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0165 **Date:** January 18, 2022
Prime Sponsors: Rep. Bird; Woog **Bill Status:** House Trans. and Local Govt.
 Sen. Hansen; Kolker David Hansen | 303-866-2633
Fiscal Analyst: David.Hansen@state.co.us

Bill Topic: SALES & USE TAX EXEMPTION FOR PUBLIC SCHOOL CONSTRUCTION

Summary of Fiscal Impact:

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

The bill requires home rule municipalities to exempt sales of construction and building materials used in public school construction from sales and use tax. The bill results in a one-time increase in state expenditures in FY 2022-23 and reduces local government sales and use tax revenue.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$3,375 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was recommended by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under HB 22-1024

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$3,375	-
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$506	-

Summary of Legislation

The bill requires home rule cities to exempt sales and use tax on sales of construction and building materials used in public school construction to contractors and subcontractors.

Background

The state construction and building materials sales and use tax exemption was enacted in 1979. The exemption applies to contractors and subcontractors working on projects owned and used by the U.S. government, the State of Colorado, local governments, nonprofit schools, and charitable organizations. The exemption applies to state and state-administered local sales and use tax jurisdictions.

State Expenditures

The bill increases state expenditures from the General Fund in the Department of Revenue by \$3,375 in FY 2022-23 only. The Department of Revenue administers the Sales & Use Tax System (SUTS), an online system that has a single point of remittance for state, state-collected, and participating home-rule taxing jurisdictions. Modifications to the SUTS system to expand the exemption are assumed to require 15 hours of contract work at a cost of \$225 per hour.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$506 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Local Government

The bill will decrease local sales tax revenue for home rule municipalities that currently do not exempt sales of construction and building materials used in public school construction from sales and use tax. The exemption requirement may also increase expenditures for impacted home rule municipalities to administer the change. The effect of the exemption on various taxing jurisdictions will vary and cannot be determined based on available information.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires a General Fund appropriation of \$3,375 to the Department of Revenue.

State and Local Government Contacts

Information Technology

Municipalities

Revenue