



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Bill 19

FISCAL NOTE

Drafting Number: LLS 20-0242
Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: SALES TAX EXEMPTION FOR INDUSTRY AND MANUFACTURING ENERGY USE

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill requires the use of a meter to quantify energy or fuel use for manufacturing or industrial purposes in order to claim a sales tax exemption. This bill will increase state expenditures in FY 2020-21 only.

Appropriation Summary: For FY 2020-21, this bill requires an appropriation of \$12,400 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the bill draft requested by the Tax Expenditure Evaluation Interim Committee.

Table 1
State Fiscal Impacts Under Bill 19

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (General Fund), Transfers, and TABOR Refund.

Summary of Legislation

This bill requires a metered machine be used to quantify the amount of energy or fuel used for industrial or manufacturing purposes in order to claim a sales tax exemption on that use of energy or fuel. Currently, the sales tax exemption exists; however, there is no metering system required.

Background

The Office of the State Auditor (OSA) evaluated the sales tax exemption for industrial and manufacturing energy use and presented its report to the Tax Expenditure Evaluation Interim Committee. Their report estimated that approximately 10,400 out of 16,000 industrial energy consumers in the state claimed the exemption in tax year 2017, which reduced state revenue by between \$35.2 million and \$87.9 million that year. The Department of Revenue does not report data on expenditure, so this estimate is based off of information from U.S. Energy Information Administration data. OSA's report can be found here:

https://leg.colorado.gov/sites/default/files/images/2019-te20_industrial_energy.pdf.

State Revenue

This fiscal note assumes that companies that claim the exemption will install the meter required under the bill as the cost of installation is expected to be lower than that cost to pay sales tax on relevant energy use. If companies choose not to install the required meter, state sales tax revenue may increase to the extent that those companies are not able to claim the sales tax exemption.

State Expenditures

This bill will increase state General Fund expenditures for the Department of Revenue (DOR) by \$12,400 in FY 2020-21 only.

Department of Revenue. This bill requires one-time modifications to DOR's administration of the sales tax exemption, which includes programming changes to the GenTax software system. The GenTax programming changes will require 40 hours of work at \$250 per hour, for a total of \$10,000.

Department of Personnel and Administration (DPA). Two forms will need to be changed at \$1,200 per form, for a total of \$2,400, which will be reappropriated to DPA from DOR.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2020-21, the bill requires an appropriation from the General Fund of \$12,400 to the Department of Revenue, of which \$2,400 will be reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Counties
Municipalities
Revenue
Regional Transportation District

Information Technology
Personnel
State Auditor

