



**Legislative
Council Staff**

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FISCAL NOTE

Drafting Number: LLS 20-0225
Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: **EXCISE TAX CREDIT FOR UNSALABLE ALCOHOLIC 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 became unsalable. It increases state revenue, requires one-time state expenditures, and minimally decreases workload on an ongoing basis.

Appropriation Summary: For FY 2020-21, this bill requires an appropriation of \$8,477 to the Department of Revenue.

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

**Table 1
State Fiscal Impacts Under Bill 2**

		FY 2020-21	FY 2021-22
Revenue	General Fund	\$76,500	\$153,000
Expenditures	General Fund	\$8,477	-
Transfers		-	-
TABOR Refund	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. This 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 expenditure in July 2019. The evaluation is available online here: 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 \$8,477 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 Bill 2

	FY 2020-21	FY 2021-22
Department of Revenue		
GenTax Programming and Testing	\$6,840	-
Postage and Mailing Costs	\$437	-
Form Change Cost	\$1,200	-
Total Cost	\$8,477	-

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 \$250 per hour. The changes in this bill are expected to require programming expenditures of \$3,000, 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 at a cost of \$1,200. Form changes are performed by a Department of Personnel and Administration contractor paid using reappropriated Department of Revenue funds.

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 September 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers in tax years 2021 and 2022.

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 only, the bill requires a General Fund appropriation of \$8,477 to the Department of Revenue. From this amount, \$1,200 should be reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Information Technology

Revenue

State Auditor

