



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

**Drafting Number:** LLS 20-0228  
**Prime Sponsors:**

**Date:** October 25, 2019  
**Bill Status:** Bill Request  
**Fiscal Analyst:** Greg Sobetski | 303-866-4105  
Greg.Sobetski@state.co.us

**Bill Topic:** SACRAMENTAL WINES EXCISE TAX EXEMPTION

**Summary of Fiscal Impact:**

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

Beginning in 2021, this bill eliminates the liquor exemption for sacramental wines sold or used for religious purposes. It increases state revenue and minimally increases state workload on an ongoing basis.

**Appropriation Summary:** No appropriation is required.

**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 5**

		FY 2020-21	FY 2021-22
<b>Revenue</b>	General Fund	\$1,300	\$2,600
<b>Expenditures</b>		-	-
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	\$1,300	\$2,600

## **Summary of Legislation**

Under current law, sacramental wines sold and used for religious purposes are exempt from all state alcoholic beverage regulations. Beginning January 1, 2021, the bill makes sacramental wines subject to the state liquor excise tax. The bill does not cause sacramental wines to become subject to other state alcoholic beverage regulations.

## **Background**

Pursuant to Senate Bill 16-203, the Office of the State Auditor (OSA) published its evaluation of the expenditure in September 2018. The evaluation is available online here: [https://leg.colorado.gov/sites/default/files/2018-te7\\_sacramental\\_wines\\_excise\\_tax\\_exemption.pdf](https://leg.colorado.gov/sites/default/files/2018-te7_sacramental_wines_excise_tax_exemption.pdf).

## **State Revenue**

The bill is expected to increase General Fund revenue by \$1,300 in FY 2020-21 and by \$2,600 in FY 2021-22 and subsequent fiscal years. The estimate for FY 2020-21 represents a half-year impact on an accrual accounting basis. The bill increases liquor excise tax revenue, which is subject to TABOR.

**Assumptions.** The Department of Revenue does not collect and report data on prevalence of the tax exemption or the amount of tax revenue foregone. In its evaluation report, the OSA estimated that the revenue loss attributable to the exemption was \$2,600 in 2017, based on limited data provided by wine producers. This fiscal note assumes the OSA estimate. To the extent that a greater quantity of wine is annually exempted from the tax than is captured in the OSA estimate, the revenue increase will be greater than assumed in this fiscal note.

## **State Expenditures**

To the extent that the bill results in the remittance of excise tax returns that would not otherwise be filed, Department of Revenue workload will increase to process the additional returns. Any potential workload increase is expected to be minimal.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds by \$1,300 in FY 2020-21 and by \$2,600 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. It applies to excise tax levied on or after January 1, 2021.

**State and Local Government Contacts**

Information Technology

Revenue

State Auditor

