



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Bill 9

FISCAL NOTE

Drafting Number: LLS 20-0232
Prime Sponsors:

Date: October 23, 2019
Bill Status: Bill Request
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Bill Topic: FARM CLOSE-OUT SALES TAX EXEMPTION

Summary of Fiscal Impact:

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

This bill repeals the state sales tax exemption for farm close-out sales and maintains the sales tax exemption for local government unless they explicitly subject farm close-out sales to their sales and use tax. This bill will minimally increase state sales tax revenue beginning in FY 2020-21 and ongoing years.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

Beginning on January 1, 2021, this bill repeals the state sales tax exemption on purchases made at farm close-out sales, which are sales of an outgoing farmer's or rancher's tangible personal property, including equipment, vehicles, and other physical property, that are used to carry out agricultural operations. The bill also continues the application of the sales tax exemption to local governments unless they choose to explicitly subject farm close-out sales to their local sales and use tax rates.

State Revenue

This bill will increase state revenue by a minimal amount depending on the number of farm close-out sales and the non-farm equipment sold at each sale. Most of the property sold at farm close-out sales is exempt from state sales tax under the agriculture and livestock sales tax exemption under section 39-26-716, C.R.S. The Department of Revenue does not collect data on farm close-out sales, and no other data are available on the number of sales or total taxable sales.

The Office of the State Auditor (OSA) completed an evaluation of the farm close-out tax expenditure and determined that property purchased at a farm close-out sale not intended for future farm use and on-road motor vehicles are the primary products that may be taxed by repealing this tax expenditure. OSA's report can be found here: https://leg.colorado.gov/sites/default/files/2018-te3_farm_close-out_sales_tax_exemption.pdf.

State Expenditures

No state expenditures are required as a result of this bill. If local governments choose to opt-out of the sales and use tax exemption, the Department of Revenue may incur costs to update forms and sales and use tax matrices in the GenTax tax administration system. This workload impact would be minimal and contingent upon actions taken by local governments.

Local Government

If a local government chooses to subject farm close-out sales to their sales and use tax, local sales tax revenue may increase.

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. The bill applies to sales taxes levied on or after January 1, 2021.

State and Local Government Contacts

Agriculture
Information Technology

Counties
Personnel

Municipalities
Revenue