HB 18-1218

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-0192	**Date:**	August 13, 2018
Prime Sponsors:	Rep. Carver; Melton Sen. Crowder; Todd	**Bill Status:**	Signed into Law
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Bill Topic: DEFINITION OF VETERANS' ORGANIZATIONS FOR SALES & USE TAX

Summary of Fiscal Impact:

- ☒ State Revenue
- ☐ State Expenditure
- ☐ State Transfer
- ☐ TABOR Refund
- ☐ Local Government
- ☐ Statutory Public Entity

This bill expands the sales and use tax exemption for veterans' charitable organizations. This bill will result in an ongoing annual decrease in state revenue.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note represents the enacted bill.

Table 1
State Fiscal Impacts Under HB 18-1218

		FY 2017-18	FY 2018-19	FY 2019-20
Revenue	General Fund	-	($60,000)	($61,000)
Expenditures		-	-	-
Transfers		-	-	-

Summary of Legislation

This bill expands the sales and use tax exemptions for veterans' charitable organizations beginning July 1, 2018. Under current law, only events, meetings, or other functions held by veterans' organizations are exempt from sales and use tax. Under this bill, regular activities of the organizations will also be exempt.

Background

The veterans' organizations affected by this bill are classified under federal law pursuant to Internal Revenue Code 501(c)(19). Federal law exempts these organizations from federal income tax. To qualify as a 501(c)(19) organization, 75 percent of members must be war veterans, and 97.5 percent of members must be either war veterans, present or former members of the U.S. Armed Forces, cadets, or spouses, widows, or widowers of the aforementioned.

The largest veterans' organizations classified as 501(c)(19) organizations in Colorado include the American Legion, the Veterans of Foreign Wars of the U.S. (VFW), and the Military Officers Association of America (MOAA). There are approximately 260 chapters or posts belonging to these three organizations in Colorado, comprising about 43,000 members.

As of 2016, there were almost 408,000 veterans in Colorado, representing over 9 percent of the adult population. This number is projected to decrease to about 390,000 by 2020, according to the U.S. Department of Veterans Affairs.

Assumptions

This fiscal note assumes that there are approximately 260 organizations with a 501(c)(19) classification in the state with annual taxable expenses ranging between about $500 and $25,000. About fifty percent of these organizations are assumed to incur expenses of $2,500 or less annually. Taxable expenses are increased by the Legislative Council Staff December forecast for the consumer price index (CPI). This growth is partially offset by an estimated 1.1 percent decline in the veteran population in Colorado.

State Revenue

This bill is expected to reduce General Fund revenue by about $60,000 in FY 2018-19 and $61,000 in FY 2019-20, with similar reductions in future years. To the extent that taxable expenses differ from the assumptions used in this fiscal note, actual revenue impacts will be higher or lower.

TABOR Refund

The bill decreases state revenue subject to TABOR by $60,000 in FY 2018-19 and $61,000 in FY 2019-20. State revenue is not currently expected to exceed the TABOR limit in either year and no refund is required. Therefore, the bill is not expected to impact TABOR refunds in these years. However, refunds in future years when the state next collects a TABOR surplus will be reduced.

State Expenditures

This bill is expected to impact a limited population of sales and use taxpayers. Any additional workload caused by the bill for the Department of Revenue can be accommodated within existing appropriations.

Effective Date

This bill was signed into law by the Governor on June 6, 2018, and took effect on July 1, 2018.

State and Local Government Contacts

Information Technology   Law   Military Affairs   Revenue