



**Colorado  
Legislative  
Council  
Staff**

**HB17-1195**

**FINAL  
FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 17-0774 **Date:** May 16, 2017  
**Prime Sponsor(s):** Rep. Winter **Bill Status:** Postponed Indefinitely  
 Sen. Martinez Humenik **Fiscal Analyst:** Greg Sobetski (303-866-4105)

**BILL TOPIC:** CREATE STATE SALES TAX EXEMPTION FOR DIAPERS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>	<b>(\$1.6 million)</b>	<b>(\$3.4 million)</b>
General Fund	(1.6 million)	(3.4 million)
<b>State Expenditures</b>		
<b>TABOR Impact</b>	(\$1.6 million)	(\$3.4 million)
<b>Appropriation Required:</b> None.		
<b>Future Year Impacts:</b> Ongoing state revenue decrease.		

**NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.**

**Summary of Legislation**

Beginning January 1, 2018, this bill creates a state sales and use tax exemption for disposable infant and adult diapers. The exemption is not extended by default to counties or municipalities that levy sales taxes, though these local governments may incorporate the exemption at their discretion.

**State Revenue**

The bill is expected to reduce General Fund sales and use tax revenue by **\$1.6 million in FY 2017-18** and **\$3.4 million in FY 2018-19**, and by similar amounts in subsequent years. The revenue reduction for FY 2017-18 represents a half-year impact based on the January 1, 2018, effective date for the sales and use tax exemption in the bill.

**Infant diapers.** The exemption for infant diapers is expected to reduce state revenue by \$1.1 million in FY 2017-18 and \$2.4 million in FY 2018-19. It is assumed that about 92.5 percent of children wear disposable diapers until their third birthday. Children are assumed to require approximately nine diapers per day from birth to four months, between five and six diapers per day between four and twelve months, and between three and four diapers per day between twelve months and three years. A package of about 100 diapers for newborns is estimated to cost between \$15 and \$25, or approximately 19 cents per diaper. A package of about 100 diapers for

children aged one to three years is estimated to cost about \$29, or about 30 cents per diaper. Estimates are assumed to grow by the consumer price index for nondurable goods and the state population of children under three years old.

**Adult diapers.** The exemption for adult diapers is expected to reduce state revenue by \$480,000 in FY 2017-18 and \$1,000,000 in FY 2018-19. Data on the prevalence of adult diaper use are not available. The fiscal note assumes that the U.S. market for adult incontinence products totaled \$1.5 billion in 2013 based on market research information available for that year, and that Colorado's share of the market was equal to its share of adults age 55 and over. The market for adult incontinence products is estimated to have grown by an average of 7.6 percent annually between 1998 and 2013, and is expected to continue to grow at this rate. Growth in the market is assumed to incorporate changes attributable to demographics, inflation, and prevalence of use.

## TABOR Impact

This bill reduces state revenue from sales taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money available for the General Fund budget in the future during years when the state does not collect money above the TABOR limit.

## Local Government Impact

The sales tax exemption for diapers is not by default extended to counties or municipalities. However, the bill is expected to reduce revenue to special districts collecting sales taxes on the same tax base as the state. Regional Transportation District (RTD) sales tax revenue is expected to decrease by \$310,000 in FY 2017-18 and \$630,000 in FY 2018-19. Scientific and Cultural Facilities District (SCFD) sales tax revenue is expected to decrease by \$31,000 in FY 2017-18 and \$63,000 in FY 2018-19.

To the extent that other local governments choose to authorize the exemption at a local level, sales tax revenue collected by these jurisdictions will be reduced. These impacts are not estimated.

## Effective Date

The bill was postponed indefinitely by the House Appropriations Committee on May 5, 2017.

## State and Local Government Contacts

Counties	Information Technology	Municipalities
Regional Transportation District	Revenue	Special Districts