



**Legislative
Council Staff**

Nonpartisan Services for Colorado's Legislature

**FINAL
FISCAL NOTE**

Drafting Number:	LLS 18-0445	Date:	August 13, 2018
Prime Sponsors:	Sen. Crowder Rep. Reyher; Valdez	Bill Status:	Postponed Indefinitely
		Fiscal Analyst:	Meredith Moon 303-866-2633 Meredith.Moon@state.co.us

Bill Topic: STATE SALES TAX EXEMPTION FOR USED MOTOR VEHICLES

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" 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 would have exempted the purchase of used motor vehicles from state sales and use tax, which would have decrease state revenue on an ongoing basis.

**Appropriation
Summary:** No appropriation would have been required.

**Fiscal Note
Status:** This revised fiscal note reflects the bill as amended by the Senate Appropriations Committee. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under SB 18-077**

		FY 2018-19	FY 2019-20
Revenue	General Fund	(\$50 million)	(\$52 million)
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	(\$50 million)	(\$52 million)

Summary of Legislation

This bill exempts the sale of used motor vehicles from state sales and use tax if the vehicle has previously been titled in the state. Only used motor vehicles valued at \$20,000 or less qualify for the exemption. Local governments and special districts that collect sales tax on motor vehicles are not required to adopt this exemption.

Background

Sales and use taxes on used motor vehicles are collected either by a used automotive dealership at the point of sale or, for private party sales, by the county during vehicle registration. Currently, there are approximately 5.9 million registered vehicles in the state. The average age of all licensed motor vehicles is about 13 years, and the average price paid for a used vehicle in 2017 was around \$19,000.

State Revenue

This bill is expected to decrease General Fund revenue by approximately \$50 million in FY 2018-19 and \$52 million in FY 2019-20, with similar ongoing reductions. This decrease in revenue is based on the estimates of total used car sales in the state grown by 8 percent in FY 2018-19 and 5 percent in FY 2019-20, based on historical trends in vehicle sales. These estimates assume this bill will affect sales tax collections beginning in FY 2018-19. The number and average price of used vehicles depends on market conditions, which could be stronger or weaker than estimated in this fiscal note.

TABOR Refund

The bill reduces state revenue by \$50 million in FY 2018-19 and by \$52 million in FY 2019-20, which will reduce the amount of money required to be refunded under TABOR. Since the bill reduces 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 not reduce money for the General Fund budget in the future during years when the state does not collect revenue above the TABOR limit. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

Local Government Impact

Beginning in FY 2018-19, county clerks will be required to modify procedures and provide training related to sales tax collection during the registration process for used motor vehicles. This workload impact is expected to be minimal.

Effective Date

This bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on May 2, 2018.

State and Local Government Contacts

Counties
Municipalities
Revenue

Information Technology
Regional Transportation District
Special Districts