



Legislative Council Staff  
Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

<b>Drafting Number:</b>	LLS 21-0907	<b>Date:</b>	July 23, 2021
<b>Prime Sponsors:</b>	Rep. Catlin; Cutter Sen. Coram; Ginal	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** EXTEND BEETLE KILL WOOD PROD SALES TAX EXEMPTION

**Summary of Fiscal Impact:**

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

The bill reinstates the Colorado sales and use tax exemption for timber products made from trees killed or infested by mountain pine or spruce beetles between July 1, 2021 and June 30, 2026. The bill decreases state revenue and increases workload beginning in FY 2021-22.

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

**Fiscal Note Status:** The fiscal note reflects the enacted bill.

**Table 1**  
**State Fiscal Impacts Under HB 21-1261**

		Budget Year FY 2021-22	Out Year FY 2022-23
<b>Revenue</b>	General Fund	(\$524,660)	(\$537,200)
<b>Expenditures</b>		-	-
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

## Summary of Legislation

The bill reinstates the sales and use tax exemption for timber products made from Colorado trees that were killed or infested by mountain pine or spruce beetles beginning July 1, 2021 through June 30, 2026. The sales tax exemption previously expired as of June 30, 2020.

For products to be eligible for this exemption, wholesalers are required to certify to the Department of Revenue (DOR) that a product is lawfully harvested in Colorado from a salvaged tree killed or infested by mountain pine or spruce beetle. The sales and use tax exemption applies to products such as lumber, furniture, wood chips or wood pellets, and other wood products made with wood from salvaged trees killed or infested by mountain pine or spruce beetles.

## State Revenue

The bill reduces state sales and use tax revenue to the General Fund by an estimated \$524,660 in FY 2021-22, and by \$537,200 in FY 2022-23 with ongoing impacts through FY 2025-26. Sales and use tax revenue is subject to TABOR.

This estimates is based on a 2020 tax expenditure evaluation by the Office of the State Auditor (available here: <https://leg.colorado.gov/node/1794686>). The evaluation found that the sales and use tax exemption for beetle kill wood products reduced state revenue by \$483,000 in 2018. This figure was adjusted for growth based on the "core" Denver-Aurora-Lakewood consumer price index for all urban consumer, which excludes food and energy prices.

## State Expenditures

Beginning in FY 2021-22, the bill increases workload in the DOR to administer the sales tax exemption, including communication with taxpayers and responding to inquiries. This increase in workload can be accomplished within existing resources.

**Tabor refund.** The bill decreases state revenue subject to TABOR. The March 2021 LCS forecast projects that revenue will fall short of the TABOR limit through at least FY 2022-23, though revenue expectations are close enough to the limit that a refund obligation is possible within normal forecast error. If actual revenue would exceed the limit under current law, the bill will decrease the amount required to be refunded to taxpayers.

## Local Government

The sales and use tax exemption for beetle kill wood products is an optional exemption for local governments. To the extent that any local governments adopt and extend the beetle kill wood products exemption, there would be a reduction in tax revenue for those local governments.

## Effective Date

This bill was signed into law by the Governor and took effect on June 24, 2021.

## State and Local Government Contacts

Counties	Forest Service	Local Affairs
Natural Resources	Personnel	Revenue