



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 30, 2021)

Drafting Number: LLS 21-0907 Date: June 4, 2021
Prime Sponsors: Rep. Catlin; Cutter Bill Status: Senate Third Reading
Sen. Coram; Ginal Fiscal Analyst: Jeff Stupak | 303-866-5834
Jeff.Stupak@state.co.us

Bill Topic: EXTEND BEETLE KILL WOOD PROD SALES TAX EXEMPTION

- Summary of Fiscal Impact: [x] State Revenue [x] State Expenditure [] State Transfer [] TABOR Refund [x] Local Government [] 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 revised fiscal note reflects the reengrossed bill, as amended by the Senate Appropriations committee.

Table 1
State Fiscal Impacts Under HB 21-1261

Table with 3 columns: Category, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures, Transfers, and TABOR Refund.

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

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties

Natural Resources

Forest Service

Personnel

Local Affairs

Revenue