



Legislative Council Staff *Nonpartisan Services for Colorado's Legislature*

Fiscal Note

Drafting Number:	LLS 22-0053	Date:	February 2, 2022
Prime Sponsors:	Rep. Roberts; Catlin Sen. Coram; Donovan	Bill Status:	House Finance
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Bill Topic: **USE OF LOCAL LODGING TAX REVENUE**

Summary of Fiscal Impact:	<input 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 expands the allowable uses of revenue from local marketing districts marketing and promotion taxes and county lodging taxes. It will increase state expenditures in FY 2022-23 only.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$118,685 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 22-1117**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$118,685	-
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$17,803	-

Summary of Legislation

The bill expands the allowable uses of revenue from state-collected local marketing districts and county lodging tax. For local marketing districts, the bill allows districts to use the funds for workforce recruitment, and for facilitating and enhancing visitor experiences. Further, districts may use the revenue for capital expenditures related to these purposes. For counties, the bill allows lodging tax revenue to be used for economic development, workforce recruitment and development, and for facilitating and enhancing visitor experiences. The expanded uses of each tax are conditional on voter approval.

Lastly, the bill requires retailers that collect the county lodging tax to file and remit taxes to the Department of Revenue with the same frequency as sales tax (typically monthly), instead of quarterly.

Background

Local governments in Colorado may establish local marketing districts according to the Local Marketing District Act in Section 29-25-101 C.R.S. With voter approval, the district may impose a marketing and promotion tax on rooms and accommodations that is collected by the Department of Revenue. Under current law, marketing and promotion tax revenue is limited to certain uses including:

- Organization, promotion, marketing, and management of public events;
- Activities in support of business recruitment, management, and development; and
- Coordinating tourism promotion activities.

Districts are not allowed to use marketing and district tax revenues for capital expenditures, except for tourist information centers. There are six local marketing districts, including Alamosa County, Estes Park, Gunnison County, Moffat County, Steamboat Springs, and Vail.

Counties in Colorado may levy a county lodging tax up to 2.0 percent for use in tourism promotion, with voter approval per Section 30-11-107.5 C.R.S. Under current law, counties may not use lodging tax revenue for capital expenditures, except for tourist information centers. Currently, 29 counties have a county lodging tax.

State Expenditures

The bill increases General Fund expenditures for the Department of Revenue by \$118,685 in FY 2022-23. Expenditures are displayed in Table 2 and described below.

Table 2
Expenditures Under HB 22-1117

	FY 2022-23	FY 2023-24
Department of Revenue		
Computer and User Acceptance Testing	\$33,953	-
GenTax Computer Programming	\$67,500	-
Office of Research and Analysis	\$6,400	-
Document Services	\$10,832	-
Total Cost	\$118,685	-

Department of Revenue. The required change in filing frequency for retailers that collect county lodging taxes will result in one-time costs in the Department of Revenue in FY 2022-23 for computer programming changes and for supporting costs associated with development, testing, and contractor services. This analysis assumes contract services for GenTax computer programming will require 300 hours, billed at \$225 per hour. Other billed costs include development and testing for audit and compliance and taxpayer services. The changes will also incur costs for the Office of Research and Analysis, or an estimated 200 hours billed at \$32 per hour. Lastly, the department will have an estimated \$10,832 in document services costs, reappropriated to the Department of Personnel and Administration.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$17,803 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Local Government

The bill will increase flexibility for counties and local marketing districts on how they use revenue generated from existing lodging and marketing and promotion taxes, respectively.

State Appropriations

For FY 2022-23, this bill requires a General Fund appropriation of \$118,685 to the Department of Revenue. Of this amount, \$10,832 is reappropriated to the Department of Personnel and Administration.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, except that the provisions relating to the monthly filing of county lodging tax take effect on January 1, 2023.

State and Local Government Contacts

Counties

Municipalities

Special Districts

Information Technology

OEDIT

Local Affairs

Revenue