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Final Fiscal Note

Drafting Number: LLS 24-0380 Date: July 11, 2024
Prime Sponsors: Rep. Taggart; Kipp Bill Status: Signed into Law
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Bill Topic: SIMPLIFY PROCESSES REGARDING CERTAIN LOCAL GOVERNMENT TAXES

Summary of Fiscal Impact:
State Revenue [] State Transfer [] Local Government [x]
State Expenditure [x] TABOR Refund [] Statutory Public Entity []

The bill expands the scope of the Sales and Use Tax Simplification Task Force and requires reporting of local lodging taxes and sales and use taxes integrated with building permits. The bill increases state expenditures and minimally increases workload for local governments.

Appropriation Summary: The bill requires and includes an appropriation to the Department of Revenue of \$129,665 for FY 2024-25.

Fiscal Note Status: The final fiscal note reflects the enacted bill

Table 1
State Fiscal Impacts Under HB 24-1050

Table with 4 columns: Category, Sub-category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill modifies the scope of the Sales and Use Tax Simplification Task Force to include simplification of local lodging tax systems. Along with the expanded scope, the bill requires the Sales and Use Tax Simplification Task Force to study the feasibility and implementation of an electronic system for businesses to collect and remit local lodging taxes during the 2024 interim. The task force may propose legislation for the 2025 session for the creation or implementation of this system.

The bill also includes reporting requirements for local governments and the Department of Revenue (DOR) for local lodging tax systems and sales and use taxes on building materials and equipment that are integrated with building permits. The bill requires jurisdictions that impose a local lodging tax to file a copy of the resolution or ordinance with the department and report the rate and calculation of the tax. The bill requires similar reporting for sales and use taxes that are integrated with building permits, but also requires reporting of the information on the permit, timing of remittance, and whether the tax is imposed on asphalt, equipment, storage of equipment, or services. The DOR is required to publish the information twice each year, beginning with a report to be published by July 1, 2025.

State Expenditures

The bill increases state General Fund expenditures in the DOR by \$161,055 in FY 2024-25 and \$164,129 in FY 2025-26, with similar impacts in future years. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1050

	Budget Year FY 2024-25	Out Year FY 2025-26
Department of Revenue		
Personal Services	\$114,021	\$126,691
Operating Expenses	\$2,304	\$2,560
Capital Outlay Costs	\$13,340	-
Centrally Appropriated Costs ¹	\$31,390	\$34,878
Total Cost	\$161,055	\$164,129
Total FTE	1.8 FTE	2.0 FTE

Local lodging tax and building permits sales and use tax reporting. The DOR will require staff to gather and publish information from local governments on lodging taxes and sales and use taxes integrated with building permits. The estimate is based on resources needed for the department to publish the current sales and use tax form DR 1002 and assumes a July 2024 start date for the first new staff person and October 2024 for the second. A total of 2.0 FTE will be required to develop these reports.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

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. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill is expected to minimally increase workload for local governments to meet the reporting requirements in the bill for publishing information on local lodging taxes and sales and use taxes integrated with building permits.

Effective Date

The bill was signed into law by the Governor and took effect on June 4, 2024.

State Appropriations

For FY 2024-25, the bill requires and includes a General Fund appropriation of \$129,665 to the Department of Revenue, and 1.8 FTE.

State and Local Government Contacts

Counties	Information Technology	Local Affairs
Municipalities	Revenue	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.