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Fiscal Note

Drafting Number: LLS 22-0165
Prime Sponsors:

Date: October 21, 2021
Bill Status: Bill Request
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Bill Topic: **SALES & USE TAX EXEMPTION FOR PUBLIC SCHOOL CONSTRUCTION**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill requires home rule municipalities to exempt sales of construction and building materials used in public school construction. The bill results in a one-time increase in state expenditures in FY 2022-23 and reduces local sales and use tax revenue.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$3,375 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under Bill 5

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$3,375	-
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill requires home rule cities to exempt sales and use tax on sales of construction and building materials used in public school construction to contractors and subcontractors.

Background

The state construction and building materials sales and use tax exemption was enacted in 1979. The exemption applies to contractors and subcontractors working on projects owned and used by the U.S. government, the State of Colorado, local governments, nonprofit schools, and charitable organizations. The exemption applies to state and state-administered local sales and use tax jurisdictions.

State Expenditures

The bill increases state expenditures from the General Fund by \$3,375 in FY 2022-23 only. The Department of Revenue administers the Sales & Use Tax System (SUTS), an online system that has a single point of remittance for state, state-collected, and participating home-rule taxing jurisdictions. Modifications to the SUTS system to expand the exemption are assumed to require 15 hours of contract work at a cost of \$225 per hour.

Local Government

The bill will decrease local sales tax revenue for home rule municipalities that currently do not exempt sales of construction and building materials used in public school construction from sales and use tax. The exemption requirement may also increase expenditures for impacted home rule municipalities to administer the change. The effect of the exemption on various taxing jurisdictions cannot be determined based on available information.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires a General Fund appropriation of \$3,375 to the Department of Revenue.

State and Local Government Contacts

Information Technology 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.