



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 32

Fiscal Summary

Date:	April 19, 2021	Fiscal Analyst:	Greg Sobetski (303-866-4105)
--------------	----------------	------------------------	------------------------------

LCS TITLE: SALES AND USE TAX REVENUE FOR TRANSPORTATION

Fiscal Summary of Initiative 32

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.ColoradoBlueBook.com. This fiscal summary identifies the following impact.

State revenue. This measure repeals the income tax credits for innovative vehicles and innovative trucks. The repeal of these credits is expected to increase state revenue by about \$53 million annually in FY 2023-24 and FY 2024-25, with half-year impacts of about \$26 million in FY 2022-23 and FY 2025-26. The revenue increase will end in FY 2025-26 when the credits would otherwise sunset under current law. It is unclear whether taxpayers who purchase innovative vehicles or innovative trucks during tax year 2022 will be able to claim an income tax credit on their 2022 tax returns, which are filed in 2023.

State transfers. Beginning in FY 2022-23, the measure transfers an estimated \$100 million annually from the General Fund to the Highway Users Tax Fund, including revenue from both the repeal of the innovative motor vehicle and innovative truck credits and from 10 percent of state sales and use taxes attributable to the sale of motor vehicles and related items. Transfers will be smaller, about \$47 million, beginning in FY 2025-26 when the innovative vehicle credit would otherwise sunset under current law.

State expenditures. From the Highway Users Tax Fund, an estimated \$60 million annually will be credited to the State Highway Fund to be spent for transportation projects identified by the Transportation Commission. This amount will be smaller, about \$28 million, when the innovative vehicle credit would otherwise sunset under current law.

The measure requires an estimated \$50,000 for one-time implementation costs in the Department of Revenue, and potential additional expenditures for legal services related to expected disputes between taxpayers and the department concerning credits for the 2022 tax year.

Local government impact. From the Highway Users Tax Fund, it is estimated that each year the state will distribute \$22 million to counties and \$18 million to municipalities for transportation projects. These amounts will be smaller when the innovative vehicle credit would otherwise sunset under current law, about \$10 million to counties and \$8.5 million to municipalities.

Economic impacts. This measure increases state government revenue and changes its allocation, increasing transportation-related funding and reducing spending on other state services. Where roads and bridges are improved, the measure will increase overall accessibility to goods, services, and workplaces, and reduce transportation costs related to travel time and vehicle operation. The measure also reduces taxpayer savings by repealing the innovative vehicle tax credit and may reduce electric vehicle purchases for buyers who would have otherwise received the tax credit.