



Initiative 22

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Impact Statement

Date: August 21, 2023

Fiscal Analyst: Emily Dohrman (303-866-3687)

LCS TITLE: TEMPORARY SALES TAX REDUCTION

Fiscal Impact Summary		FY 2023-24	FY 2024-25
Revenue	General Fund	-	(\$90.9 million)
Expenditures	General Fund	-	\$297,210
TABOR Refund	General Fund	-	(\$90.9 million)

Disclaimer. This initial fiscal impact statement has been prepared for an initiative approved for petition circulation by the Secretary of State. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.

Summary of Measure

Under the measure, the state's general sales tax will be reduced from 2.9 percent to 2.89 percent from July 1, 2024 to June 29, 2025. On June 30, 2025, no sales tax will be assessed. The state sales tax will return to 2.9 percent on July 1, 2025.

Assumptions

The measure would reduce the statutory tax rate beginning on July 1, 2024, but would not take effect until after proclamation of its passage at the November 2024 general election. This fiscal impact statement assumes that the sales tax rate reduction will be implemented on January 1, 2025. If the rate is reduced earlier, the revenue reduction will be greater than estimated. If the measure is interpreted to allow taxpayers to claim refunds for overpayment of tax between July 1, 2024, and the date of implementation, then the revenue reduction will be greater than estimated, and the measure will require significantly greater state expenditures for administration.

State Revenue

By reducing the state sales and use tax rate from 2.9 percent to 2.89 percent, the measure reduces General Fund revenue from sales and use taxes by an estimated \$8.6 million in FY 2024-25. The 2.9 percent sales tax is reinstated on July 1, 2025. The absence of a sales tax rate on June 30, 2025 is expected to result in a shift in consumer spending, such that some large-scale purchases that would have occurred at other times during the year will instead occur when there is no sales tax. This will reduce revenue by an additional \$82.3 million in FY 2024-25, for a total revenue reduction

of \$90.9 million. The measure will also reduce revenue to the marijuana tax and aviation cash funds by reducing the 2.9 percent state sales taxes on marijuana and jet and aviation fuel.

Taxpayer Impact

For fiscal year 2024-25, the measure reduces state sales tax due by an average of \$15.18 per person. The actual amount by which tax will decrease depends on the amount of taxable goods and services an individual purchases.

The measure is also expected to reduce the state obligation for refunds to taxpayers under TABOR. The impacts on individual taxpayers will depend on the mechanism(s) used to refund the FY 2024-25 TABOR surplus.

State Expenditures

The measure reduces the amount of state General Fund revenue available to spend, save, or refund to taxpayers in FY 2024-25, and requires state expenditures for administration.

Based on current forecasts, the measure is expected to reduce the amount of revenue required to be refunded to taxpayers under TABOR by \$90.9 million for FY 2024-25, with no net impact on the amount available for the budget. To administer the tax rate change, the measure is expected to increase General Fund expenditures for the Department of Revenue by about \$297,210 in FY 2024-25.

Local Government

The measure will reduce sales tax revenue retained within a tax increment districts that are permitted to retain a sales tax increment and may impact local budgets within those districts.

Effective Date

If approved by voters at the 2024 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Information Technology

Revenue

Revisions from Fiscal Summary

The fiscal impact statement was updated from the revised fiscal summary to reflect the most recent data and assumptions used in the June 2023 Economic and Revenue Forecast.