

April 27, 2026

House Finance Committee  
Colorado State Capitol  
200 East Colfax Avenue  
Denver, CO 80203

**RE: House Bill 26-1418: Online Gaming Tax**

Dear Members of the House Finance Committee:

On behalf of the Entertainment Software Association (ESA), which represents the nation’s leading video game publishers and developers, we write to express our concerns with House Bill 1418. As drafted, the bill would impose a tax on Colorado residents for purchases made within online games. We share the goal of improving youth mental health and recognize its urgency. Using a targeted tax on video game players to fund general mental health services is not an appropriate or effective policy solution and we urge the committee to oppose the bill.

While well-intentioned, a tax on video game players to support wide-ranging mental health programs is poorly aligned with the scope of the issue. HB 1418 places responsibility for a complex societal challenge on a single industry and targets a single constituency to pay for services they may never need or never access. The bill draws from concepts in HB 1148, which the House Judiciary Committee rejected just weeks ago due to similar concerns. These policy concerns are compounded by significant implementation and privacy challenges.

**Negative Impact on Consumers**

HB 1418 would impose a new 5% tax on in-game video game purchases, layered on top of Colorado’s existing sales tax framework. Colorado already taxes digital goods under current law and this bill attempts to classify a tax as “a fee” in order to avoid voter approval requirements in a way that raises serious legal and policy concerns.

Additionally, HB 1418 introduces a new, unavoidable cost that will be passed on to consumers. A 5% tax on in-game purchases may appear modest, but it adds yet another expense for video game players in Colorado who are already experiencing a rising cost of living. Because the tax is applied at the point of sale, consumers will pay it on every purchase, with no ability to avoid or offset the cost, even though they may never receive the mental health services their money is going to fund.

**Youth Mental Health Cannot Be Solved by Targeting One Industry**

For more than three decades, ESA members—representing leading video game publishers and console makers—have invested in advanced player safety tools, as well as robust parental and user controls, to

help ensure games are safe for children and teens. We share the goal of protecting young people online and appreciate efforts to improve digital safety for Colorado families.

However, HB 1418 singles out one industry to address a complex, multifaceted challenge. This approach overlooks both the video game industry's strong track record on safety and the broader factors that contribute to youth mental health. It is especially concerning given the positive role games can play. Peer-reviewed research shows that not all screen time is the same—video games, in moderation, can support mental well-being, offering stress relief, social connection, and cognitive engagement.

Global research further underscores the benefits of gaming: players widely report that video games provide mental stimulation, reduce stress, and create accessible experiences for individuals with diverse abilities. A growing body of academic evidence also links gameplay to improvements in feelings of loneliness, depression, and overall well-being. These findings underscore that video games are not a primary driver of youth mental health challenges—and should not be treated as such in policymaking.

### **Implementation Challenges and Privacy Concerns**

To implement this tax, companies would need to collect geolocation data from users across the country—not just in Colorado—to determine tax eligibility. This would force companies to collect sensitive user data solely for taxation purposes—an unnecessary expansion of data collection that raises serious privacy concerns. Companies that have deliberately chosen not to collect this type of sensitive information would now be compelled to do so. In practice, this could require the ongoing collection and retention of IP addresses, device location signals, billing addresses, and other identifying data to verify where a transaction occurs, creating new repositories of sensitive information that may be vulnerable to misuse, unauthorized access, or cybersecurity breaches. It also runs counter to widely accepted data minimization principles, which encourage businesses to collect only the information reasonably necessary to provide a service.

In effect, this policy would force businesses to gather more personal data from consumers solely for taxation purposes, raising significant privacy concerns. This expanded data collection burden is disproportionate to the limited benefit the tax is expected to generate and does little to address the broader, underlying drivers of youth mental health challenges.

### **Conclusion**

For these reasons, we urge the Committee to reject HB 1418 and instead pursue solutions that are evidence-based, appropriately targeted, and effective in addressing youth mental health. ESA and its members stand ready to serve as a resource to the committee as you try to navigate this complicated and evolving landscape. Please reach out to the undersigned with any questions.

Sincerely,



Andrew O'Connor  
Director, State Government Relations  
Entertainment Software Association

House Finance

04/27/2026

HB26-1418 Online Add-on Transaction Fee Youth Serv Enter

Typed Text of Testimony Submitted

Name, Position, Representing	Typed Text of Testimony
Bennett Rutledge  Against  themselves	Chair Woodrow, members of the committee, good afternoon,  HB26-1418 Online Add-on Transaction Fee Youth Service Enterprise is a bill which:  • Establishes another lump of bureaucracy to the mass of Colorado Government  • Drains tens of millions of dollars annually from the pockets of already overtaxed Coloradans  • Is another exercise in elected officials practicing medicine without a clue  • Another puff on the pipe packed with the fantasy that if government must do it or it won't get done right  ote no on HB26-1418 Online Add-on Transaction Fee Youth Service Enterprise.