HB 18-1315

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FINAL FISCAL NOTE

Drafting Number:	LLS 18-0942	**Date:**	August 13, 2018
Prime Sponsors:	Rep. McLachlan; Becker J. Sen. Kefalas; Lundberg	**Bill Status:**	Signed into Law
		Fiscal Analyst:	Meredith Moon | 303-866-2633 Meredith.Moon@state.co.us

Bill Topic: MANUFACTURED HOME SALES TAX EXEMPTION

Summary of Fiscal Impact:

- ☒ State Revenue
- ☒ State Expenditure (*minimal*)
- ☐ State Transfer
- ☒ TABOR Refund
- ☒ Local Government (*conditional*)
- ☐ Statutory Public Entity

This bill expands the sales and use tax exemption for manufactured homes. This bill will result in an ongoing annual decrease in state revenue. Local governments will have a revenue decrease conditional upon their adoption of the exemption.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under HB 18-1315

		FY 2018-19	FY 2019-20
Revenue	General Fund	-	($811,200)
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	-	($811,200)

Summary of Legislation

Beginning July 1, 2019, this bill exempts manufactured homes from state sales and use tax. The manufactured homes must be in compliance with the National Manufactured Housing Construction and Safety Standards Act of 1974 in order to qualify for the exemption. Under current law, 48 percent of a manufactured home price is exempt from state sales and use tax.

Background

A manufactured home must be compliant with U.S. Housing and Urban Development standards, which were established under the aforementioned act and went in effect June 15, 1976. In addition to the criteria under the 1974 act, manufactured homes are defined under current state law as built and assembled away from the home site, designed for residential occupancy, not having motor power, and not licensed as a vehicle. Manufactured homes must be registered with the Colorado Division of Motor Vehicles in the Department of Revenue in order to obtain a title for the manufactured home. There were 113,303 manufactured homes registered in Colorado as of January 2018.

Assumptions

Because available land for manufactured homes has become more scarce, this fiscal note assumes that manufactured home sales will slow, averaging about 900 sales per year. Between 2015 and 2017, manufactured home sales averaged about 1,050 sales per year. The sales price for manufactured homes is expected to be consistent with average U.S. sales prices, as reported by the U.S. Census Bureau annually. This average price was grown by the Legislative Council Staff's March forecast for Denver-Boulder-Greeley inflation rate to arrive at FY 2019-20 estimates. The sales price of a manufactured home is expected to average about $70,000 per year. Since the sales tax exemption that exists under current law applies to both manufactured and modular homes, it is assumed that 10 percent of the homes sold under the current exemption are modular. Therefore, instead of applying the remaining 52 percent to the state revenue reduction in this fiscal note, only 42 percent is applied.

State Revenue

This bill is expected to reduce General Fund revenue by $811,200 in FY 2019-20, with similar reductions in future years. To the extent that sales differ from the assumptions used in this fiscal note, actual revenue impacts may vary.

TABOR Refund

This bill reduces state revenue by $811,200 in FY 2019-20, which will reduce the amount of money required to be refunded under TABOR. Since the bill reduces revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget. However, the bill will reduce money for the General Fund budget in the future during years when the state does not collect revenue above the TABOR limit. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

Beginning in FY 2019-20, the bill will create a one-time minimal workload increase for the Department of Revenue to update systems and forms. No change in appropriations is required.

Local Government

The sales tax exemption for manufactured homes is not by default extended to counties or municipalities. However, the bill is expected to reduce revenue to special districts collecting sales taxes on the same tax base as the state — the Regional Transportation District and Scientific and Cultural Facilities District — by a minimal amount.

To the extent that other local governments choose to authorize the exemption at a local level, sales tax revenue collected by these jurisdictions will be reduced. These impacts are not estimated.

Effective Date

This bill was signed into law by the Governor on May 24, 2018, and took effect on August 8, 2018.

State and Local Government Contacts

Counties	Information Technology
Local Affairs	Regional Transportation District
Municipalities	Special Districts
Revenue	