



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

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LCS TITLE: SALES TAX RATE REDUCTION

Fiscal Summary of Initiative 41

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. By reducing the state sales and use tax rate from 2.9 percent to 2.89 percent beginning July 1, 2023, the measure reduces General Fund revenue from sales and use taxes by an estimated \$14.2 million in FY 2023-24, with ongoing reductions in future fiscal years. The estimate for FY 2023-24 represents a full-year impact. The measure will also reduce revenue to the marijuana tax and aviation cash funds by reducing the regular 2.9 percent state sale taxes on marijuana and jet and aviation fuel to 2.89 percent.

State expenditures. The measure reduces the General Fund amount available to be spent or saved in FY 2023-24 and future fiscal years. To administer the tax rate change, the measure is expected to increase General Fund expenditures for the Department of Revenue by \$15,000. In addition, because the measure decreases state revenue, it will decrease the amount of General Fund refunded to taxpayers in years when the state collects revenue above its constitutional spending limit.

Local government impacts. The measure will reduce revenue retained within a tax increment district to finance projects utilizing state sales tax revenue and may impact local budgets within those districts.

Economic impacts. Taxpayers will have higher after-tax income available to spend or save, increasing their consumption of goods and services. The measure may decrease state government spending. Any overall change in economic activity will depend on the net economic impact of lower tax burdens on households and businesses and reduced investment in public services.

Program expenditures potentially impacted by measure. The measure reduces sales and use tax revenue, which is deposited to the General Fund. The three largest areas of program expenditures supported by the General Fund are health and human services programs, K-12 education, and corrections and judicial operations.