



**Colorado
Legislative
Council
Staff**

SB16-130

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-1025

Date: March 4, 2016

Prime Sponsor(s): Sen. Scott

Bill Status: Senate Finance

Fiscal Analyst: Greg Sobetski (303-866-4105)

BILL TOPIC: METHODS TO COLLECT CONSUMER USE TAX

Fiscal Impact Summary	FY 2015-2016 <i>(current year)</i>	FY 2016-2017	FY 2017-2018
State Revenue	<u>(\$904,000)</u>	<u>(\$1,877,000)</u>	<u>(\$2,017,000)</u>
General Fund	(904,000)	(1,877,000)	(2,017,000)
State Expenditures		<u>\$48,877</u>	
General Fund		48,877	
TABOR Impact		<u>(\$1,877,000)</u>	<u>(\$2,017,000)</u>
Appropriation Required: \$48,877 - Department of Revenue (FY 2016-17).			
Future Year Impacts: Ongoing state revenue reduction.			

Summary of Legislation

The 2015 Colorado individual income tax form includes lines requiring taxpayers to compute and remit use tax due on purchases made during the 2015 tax year. The bill prohibits the Department of Revenue (DOR) from auditing a taxpayer for any amount reported on one of the use tax lines, and prohibits the inclusion of these lines on individual income tax forms for future tax years.

Background

The state has assessed a use tax since 1937. Use tax is levied when the state sales tax is due but was not collected, generally either because the seller was not authorized to collect taxes or because the property was purchased from an out-of-state retailer. When sales tax is not collected, the consumer is responsible for remitting use tax directly to the state.

Under current law, the executive director of the DOR is authorized to collect and compute use tax according to his or her own schedules and systems. The DOR added five new lines to the Colorado individual income tax return for tax year 2015, requiring taxpayers to report and remit use taxes owed to the state and to certain special districts. These lines have not appeared on previous state income tax forms.

State Revenue

The bill reduces state General Fund revenue by \$904,000 in the current FY 2015-16, \$1,877,000 in FY 2016-17, \$2,017,000 in FY 2017-18, and similar amounts in subsequent years. The estimate for FY 2015-16 represents a half-year impact.

Assumptions. The bill is assumed to reduce General Fund use tax revenue beginning in tax year 2016. Through March 2, 2016, the DOR had received and processed 824,115 individual income tax returns for tax year 2015, assumed to represent approximately 30.8 percent of the total population of returns. Use taxes were remitted on 2.4 percent of returns, with the average taxpayer reporting use tax remitting \$26.84. These figures are assumed to be representative of the total population of use taxpayers and use tax payments for tax year 2015. For 2016 and subsequent tax years, the revenue reduction is grown by the December 2015 LCS sales tax revenue forecast. It is assumed that the percentage of taxpayers reporting use tax collections on their state income tax forms will remain consistent with the 2015 rate in future years.

The bill is not expected to affect state use tax revenue for tax year 2015. The revenue reduction for the current FY 2015-16 represents a half-year impact for the revenue reduction expected for tax year 2016.

TABOR Impact

This bill reduces state revenue from use taxes, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill reduces both 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 available for the General Fund budget in the future during years the state does not collect money above the TABOR limit.

The state is not expected to collect a TABOR surplus in the current FY 2015-16.

State Expenditures

This bill will increase state General Fund expenditures by \$48,877 in FY 2016-17 only. Expenditures are summarized in Table 1 and detailed below.

Cost Components	FY 2016-17	FY 2017-18
Computer Programming and Testing	\$47,677	
Document Management	1,200	
TOTAL	\$48,877	\$0

Department of Revenue. This bill requires changes to the DOR's GenTax software system. Changes are programmed by a contractor at a rate of \$200 per hour. The changes in this bill, including removal of the use tax lines from the individual income tax form and associated data mapping, are expected to increase General Fund expenditures by \$40,000, representing 200 hours of programming. All GenTax programming changes are tested by department staff. Testing for this bill will require expenditures for contract personnel totaling \$7,677, representing 320 hours of testing at a rate of \$23.99 per hour. Additionally, the bill requires changes to the paper tax form. Costs of \$1,200 for document management will be reappropriated to the Department of Personnel and Administration.

Local Government Impact

Beginning FY 2015-16, the bill reduces revenue to special districts for which the DOR collects use tax. The impact to individual special districts will depend on the amount of use tax remitted from taxpayers in each district and the district use tax base and tax rate. The Regional Transportation District (RTD) and the Scientific and Cultural Facilities District (SCFD) are expected to experience revenue reductions as a result of the bill. Assuming that approximately 61.9 percent of state taxable sales occur in these districts, and that state and local use tax bases are the same, the bill is expected to decrease RTD and SCFD use tax revenue by the amounts shown in Table 2.

Table 2. Special District Revenue Reduction Under SB16-130			
	FY 2015-16 <i>(current year)</i>	FY 2016-17	FY 2017-18
Regional Transportation District	(\$193,000)	(\$400,000)	(430,000)
Scientific and Cultural Facilities District	(19,000)	(40,000)	(43,000)

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2016-17, the bill requires a General Fund appropriation of \$48,877 to the Department of Revenue. From this amount, \$1,200 should be reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

Counties
Municipalities
Revenue

Information Technology
Regional Transportation District
Special Districts

Research Note Available

An LCS research note for SB16-130 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.