



Legislative
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FISCAL NOTE

Drafting Number:	LLS 20-0234	Date:	January 22, 2020
Prime Sponsors:	Rep. Snyder; Benavidez Sen. Moreno; Court	Bill Status:	House Finance
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Bill Topic: **LONG-TERM LODGING SALES TAX EXEMPTION**

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
	<input type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill limits the state sales tax exemption for long-term lodging to natural persons and maintains the sales tax exemption for local governments unless they explicitly subject long-term lodging to their sales and use tax. This bill will increase General Fund revenue beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, which was recommended by the Tax Expenditure Evaluation Interim Committee.

**Table 1
State Fiscal Impacts Under HB 20-1020**

		FY 2020-21	FY 2021-22
Revenue	General Fund	at least \$3.7 million	at least \$7.4 million
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	at least \$3.7 million	at least \$7.4 million

Summary of Legislation

Beginning on January 1, 2021, this bill limits the state sales tax exemption on long-term lodging to natural persons. Long-term lodging includes stays of 30 days or more at hotels, apartment hotels, lodging houses, motor hotels, guesthouses, guest ranches, trailer coaches, mobile homes, auto camps, or trailer courts and parks. The bill also continues the application of the sales tax exemption to local governments unless they choose to explicitly subject long-term lodging to their local sales and use tax rates.

Background

The Office of the State Auditor (OSA) evaluated the long-term lodging sales tax expenditure and presented its report to the Tax Expenditure Evaluation Interim Committee. Their report estimated the state General Fund revenue impact of this exemption under current law at \$12.3 million for tax year 2017 based on the Colorado Department of Revenue's Retail Sales Report for 2015, along with data obtained from the Corporate Housing Providers Association. The population of people who stay in long-term lodging was not estimated; however, it was reported that long-term lodging is used by people who were relocated by their employers, those seeking temporary residence because of natural disasters or fires, those experiencing financial hardship, and those living in high-end hotels seeking luxury services. OSA's report can be found here: https://leg.colorado.gov/sites/default/files/2018-te8_long-term_lodging_exemption.pdf

"Natural person" is not expressly defined in the Colorado Revised Statutes; however, Black's Law Dictionary defines a natural person as "a human being, naturally born, versus a legally generated juridical person."

Assumptions

The Department of Revenue does not track the revenue impact of this tax expenditure. This fiscal note assumes, as estimated in OSA's aforementioned report, that approximately 75 percent of the untaxed lodging retail sales can be attributed to the long-term lodging sales tax exemption. Of this 75 percent, it is assumed that natural persons account for half of this untaxed lodging retail sales. It is also assumed that corporate housing provider revenue is separate from the lodging retail sales data, and that natural persons account for 25 percent of corporate retail sales. If corporate housing provider sales are included in lodging retail sales data, the revenue estimate in this fiscal note will be lower. Due to data limitations of revenue estimates in this fiscal note, estimates may be changed as more information becomes available.

State Revenue

This bill increases state General Fund revenue by at least \$3.7 million in FY 2020-21 (half-year impact) and by at least \$7.4 million in FY 2021-22, with similar impacts in future years. This revenue is subject to TABOR.

State Expenditure

This bill may require an increase in workload for the Department of Revenue for changes in this tax expenditure's administration. Any form or other changes needed to administer taxes will be incorporated in the annual process for updating forms.

TABOR refunds. The bill is expected to increase state General Fund obligations for TABOR refunds by at least \$3.7 million in FY 2020-21. Under current law and the December 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers.

Local Government

If local governments choose to subject long-term lodging to their sales and use tax, local sales tax revenues will increase.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed. This bill applies to sales taxes levied on or after January 1, 2021.

State and Local Government Contacts

Counties
Personnel

Information Technology
Revenue

Municipalities
Regional Transportation District