



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

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<b>Drafting Number:</b>	LLS 21-1006	<b>Date:</b>	May 21, 2021
<b>Prime Sponsors:</b>	Rep. Snyder; Titone	<b>Bill Status:</b>	House Trans. & Local Govt
		<b>Fiscal Analyst:</b>	Greg Sobetski   303-866-4105 Greg.Sobetski@state.co.us

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**Bill Topic:** **GASOLINE AND SPECIAL FUEL TAX RESTRUCTURING**

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**Summary of Fiscal Impact:**

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

The bill eliminates the current law allowance for up to three tax-deferred transactions before fuel tax is imposed, and makes clarifying amendments to the fuel tax statutes. It is not expected to increase or decrease state revenue, but may accelerate revenue collections. It decreases one-time state expenditures by an indeterminate amount.

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**Appropriation Summary:** No appropriation is required.

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**Fiscal Note Status:** This fiscal note reflects the introduced bill.

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## Summary of Legislation

The state motor fuel excise tax is assessed on the importation and distribution of gasoline and special fuel, including diesel. Under current law, fuel may be transacted up to three times before tax is collected, though these transactions are only tax-deferred, not tax-exempt. The bill requires tax to be paid when fuel is first acquired, sold, imported into, or removed from any terminal in Colorado. It requires that terminal operators verify that a person receiving fuel from a terminal is a licensed distributor or exempt from taxation, and requires the operator to collect the tax due if the purchaser is not one of these.

The bill also makes modifications to the fuel tax statutes to remove obsolete or duplicative provisions, make clarifications, and codify current fuel tax collection practices.

## Background

The Department of Revenue (DOR) collects the state fuel tax. Currently, tax-deferred transactions are tracked in a software system maintained by a contract vendor. The software system is scheduled to be discontinued, and the contract between DOR and the vendor will not be renewed.

## State Revenue

The bill is not expected to increase or decrease state revenue from taxes, fees, or fines. The requirement that tax be paid when first transacted in the state may accelerate tax collections, but it is not expected to increase total revenue collected across fiscal years.

## State Expenditures

The bill decreases state expenditures by an indeterminate amount in FY 2021-22 only.

Under both current law and the bill, DOR will need to migrate its fuel tax administration platform from a software system scheduled for discontinuation to its GenTax software system. The bill simplifies the fuel tax in a way that will make programming the system easier, reducing expenditures for computer programming. The cost to program the system to current law has not been estimated, and the department has not received appropriations for this cost. Therefore, no decrease in appropriations is required.

## Effective Date

The bill takes January 1, 2022, assuming no referendum petition is filed.

## State and Local Government Contacts

Information Technology

Personnel

Revenue