



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

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<b>Drafting Number:</b>	LLS 21-1006	<b>Date:</b>	October 7, 2021
<b>Prime Sponsors:</b>	Rep. Snyder; Titone Sen. Pettersen	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** **GASOLINE & 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 minimally decreases state revenue, and may also 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 enacted 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. For taxpayers who make a good faith effort to comply with the requirements of the bill, penalties for noncompliance are waived through December 2022, so long as taxpayers correct erroneous returns and pay the amount of tax due. Penalties are reduced for cases where a taxpayer makes a late filing, but not a late payment.

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 expected to decrease Highway Users Tax Fund revenue by a minimal amount beginning in FY 2021-22, due to the reduced penalties for late fuel tax filings. 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 less costly, 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 was signed into law by the Governor on July 6, 2021, and takes effect on January 1, 2022, assuming no referendum petition is filed.

## State and Local Government Contacts

Information Technology

Personnel

Revenue