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Fiscal Note

Drafting Number: LLS 23-0222
Prime Sponsors: Sen. Gardner

Date: February 8, 2023
Bill Status: Senate Transportation
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Bill Topic: **CAR SHARING PROGRAM SALES USE & OWNERSHIP TAX**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill requires peer-to-peer car sharing programs to verify that shared car owners have paid sales and use and specific ownership taxes, or acquired their car tax-free on the condition that sales and use tax is collected when the car is rented. It increases state expenditures in FY 2023-24 only and increases local government workload on an ongoing basis.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$5,292 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 23-055

| | | Budget Year FY 2023-24 | Out Year FY 2024-25 |
|-----------------------------|------------|-----------------------------------|--------------------------------|
| Revenue | | - | - |
| Expenditures | Cash Funds | \$5,292 | - |
| Transfers | | - | - |
| Other Budget Impacts | | - | - |

Summary of Legislation

This bill requires peer-to-peer car sharing programs to verify that shared car owners have paid state and local taxes, or acquired their car tax-free on the condition that sales and use tax is collected when the car is rented. For owners that elect to pay sales and use tax on rentals, car sharing programs are required to collect and remit the tax.

In addition, car sharing programs must verify that an owner has paid specific ownership tax on their vehicle. The bill gives shared car owners the option to pay their specific ownership tax at a rate of 2 percent of rental fees each time the car is rented or leased. It also authorizes county commissioners and the governing bodies of municipalities to enforce the collection of taxes and fees on cars rented by a car sharing program.

Background

Under current law, car rental businesses can pay specific ownership tax in two ways: by paying in full when registering a vehicle or by paying monthly at the rate of 2 percent of rental fees, excluding any sales tax or insurance collected, for each vehicle rented during the month. Specific ownership taxes are apportioned and distributed to local governments and special districts. The bill aligns shared car owners, who are not currently eligible for any alternate tax payment options, with this payment option available to car rental businesses.

State Expenditures

State expenditures in the Department of Revenue (DOR) will increase by \$5,292 in FY 2023-24 only. Expenditures are paid from the DRIVES Cash Fund.

The DOR will have costs to configure a new tax exemption type for the car sharing program and to build a new report to show a list of vehicles that use this new tax exemption. One-time programming costs of \$4,500 are required to configure the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs assume 20 hours at a rate of \$225 per hour, and that testing can be accomplished within existing appropriations. In addition, the Office of Information Technology (OIT) will have costs of \$792, or 8 hours at a rate of \$99 per hour, to provide support services for these system changes. The DOR will be billed by OIT for these costs.

Local Government

The bill increases workload for county commissioners and the governing bodies of municipalities to enforce the collection of taxes and fees on cars rented by a car sharing program.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed, and applies to vehicles registered with a car sharing program on or after February 1, 2024.

State Appropriations

For FY 2023-24, the bill requires an appropriation of \$5,292 to the Department of Revenue from the DRIVES Cash Fund.

State and Local Government Contacts

Counties
Regulatory Agencies

Information Technology
Revenue

Municipalities
Transportation