



Legislative Council Staff

Research Note

Version: Final

Date: 5/18/2017

Bill Number

House Bill 17-1203

Sponsors

*Representative Lebsock and
Senators Martinez Humenik and
Crowder*

Short Title

*Local Government Special Sales
Tax On Retail Marijuana*

Research Analyst

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Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective May 4, 2017.

Background

In 2012, Colorado voters adopted Amendment 64, which legalized recreational marijuana use as a matter of state law. The following year, voters passed Proposition AA that specifically authorized the state, and home-rule cities, to levy a special sales tax on retail marijuana. This proposition remained silent on the authority of counties and statutory cities in such cases.

The authority of counties to levy a special sales tax on marijuana became the subject of a lawsuit. Adams County voters approved a resolution authorizing the county to levy a countywide special sales tax on legal marijuana in 2014. Claiming that this tax was unauthorized by state law, three home rule cities in Adams County challenged it. This claim was upheld by the Colorado Court of Appeals in 2016 when it ruled that counties or statutory towns do not have either the constitutional or statutory authorization to impose a special sales tax on retail marijuana.

House Action

House Local Government Committee (March 8, 2017). At the hearing, the committee heard testimony in favor of the bill from representatives of the Colorado Municipal League, Pueblo County, the cities of Northglenn, Commerce City, and Aurora, the County Sheriffs of Colorado, and Terrapin Care Station. A student from University of Colorado spoke in opposition to the bill. A

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representative from Colorado Counties, Inc. provided a neutral position on the bill. The committee adopted L.001, and referred the bill, as amended to the House Committee of the Whole. Amendment L.001 clarifies that the imposed tax is a sales tax.

House second reading (March 23, 2017). The House adopted the House Local Government Committee report. The House passed the bill on second reading with no amendments.

House third reading (March 31, 2017). The House passed the bill on third reading with no amendments.

House Consideration of Senate Amendments (April 17, 2017). The House concurred with the Senate amendments and repassed the bill.

Senate Action

Senate Local Government Committee (April 4, 2017). At the hearing, representatives from the Adams County Board of County Commissioners, the Adams County Education Association, and Adams 14 Education Foundation spoke in opposition to the bill. Representatives from Pueblo County, the Colorado Municipal League, Terrapin Care Station, and the cities of Northglenn and Commerce City spoke in support of the measure. A representative from Colorado Counties, Inc. testified in a neutral position.

The committee adopted amendment L.009, and referred the bill, as amended, to the Senate Committee of the Whole. Amendment L.009 adds a declaration regarding the special sales tax on retail marijuana and outlines the distinct taxing authority of home rule municipalities, counties, and statutory municipalities. The declaration also specifies that counties and statutory municipalities should take into account the total tax rate that would exist if the tax is adopted by voters.

Senate second reading (April 10, 2017). The Senate adopted the Senate Local Government Committee report and passed the bill with no additional amendments.

Senate third reading (April 11, 2017). The Senate passed the bill on third reading with no additional amendments.

Relevant Research

Colorado Court of Appeals No. 15CA1743:
https://www.courts.state.co.us/Courts/Court_of_Appeals/Opinion/2016/15CA1743-PD.pdf

Legislative Council Staff, *State Taxes on Marijuana*, Issue Brief, October 2014:
<http://leg.colorado.gov/publications/state-taxes-marijuana-2014>