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REVISED FISCAL NOTE

(replaces fiscal note dated January 31, 2018)

Drafting Number: LLS 18-0445
Prime Sponsors: Sen. Crowder

Date: February 15, 2018
Bill Status: Senate Appropriations
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Bill Topic: STATE SALES TAX EXEMPTION FOR USED MOTOR VEHICLES

- Summary of Fiscal Impact:
- State Revenue (checked)
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government (checked)
- Statutory Public Entity

This bill exempts the purchase of used motor vehicles from state sales and use tax, which will decrease state revenue on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This revised fiscal note reflects the bill as amended by the Senate Finance Committee.

Table 1
State Fiscal Impacts Under SB 18-077

Table with 4 columns: Category, General Fund, FY 2018-19, FY 2019-20. Rows include Revenue, Expenditures, and Transfers.

Summary of Legislation

This bill exempts the sale of used motor vehicles from state sales and use tax if the vehicle has previously been titled in the state. Local governments and special districts that collect sales tax on motor vehicles are not required to adopt this exemption.

Background

Sales and use taxes on used motor vehicles are collected either by a used automotive dealership at the point of sale or, for private party sales, by the county during vehicle registration. Currently, there are approximately 5.9 million registered vehicles in the state. The average age of all licensed motor vehicles is about 13 years.

State Revenue

This bill is expected to decrease General Fund revenue by approximately \$74 million in FY 2018-19 and \$77 million in FY 2019-20, with similar ongoing reductions. This decrease in revenue is based on the estimates of total used car sales in the state grown by 8 percent in FY 2018-19 and 5 percent in FY 2019-20, based on historical trends in vehicle sales. These estimates assume this bill will affect sales tax collection beginning in FY 2018-19. The number and average price of used vehicles depends on market conditions, which could be stronger or weaker than estimated in this fiscal note.

TABOR Refund

The bill decreases state revenue subject to TABOR by \$74 million in FY 2018-19 and \$77 million in FY 2019-20. State revenue is not currently expected to exceed the TABOR limit in either year and no refund is required. Therefore, the bill is not expected to impact TABOR refunds in these years. However, refunds in future years when the state next collects a TABOR surplus will be reduced.

Local Government Impact

Beginning in FY 2018-19, county clerks will be required to modify procedures and provide training related to sales tax collection during the registration process for used motor vehicles. This workload impact is expected to be minimal.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Counties
Municipalities
Revenue

Information Technology
Regional Transportation District
Special Districts