



Legislative Council Staff

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Fiscal Note

Drafting Number: LLS 22-0170
Prime Sponsors: Rep. Benavidez
Sen. Kolker

Date: January 17, 2022
Bill Status: House Finance
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Bill Topic: FARM CLOSE-OUT EXEMPTION EXCLUDE MOTOR VEHICLES

Summary of Fiscal Impact:

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

The bill excludes sales of vehicles subject to state registration requirements from the farm close-out sale tax exemption. The bill will increase state revenue on an ongoing basis and will minimally increase one-time expenditures. The bill will increase local government revenue and may increase workload on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was recommended by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under HB 22-1023

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	General Fund	\$46,700 to \$243,200	\$48,100 to \$248,100
Expenditures		-	-
Transfers		-	-
Other Budget Impacts	TABOR Refund	\$46,700 to \$243,200	\$48,100 to \$248,100

Summary of Legislation

The bill excludes vehicles subject to state registration requirements from the farm close-out sales tax exemption.

Background

The farm close-out sale tax exemption was enacted in 1945. A farm close-out sale applies to farms and ranches that completely shut-down their operations and sell all tangible personal property that was used in those operations. A farm close-out sale can be conducted by a sale at auction or privately.

Vehicles subject to registration requirements include motor vehicles, trailers, and other vehicles. The state exempts farm tractors and other types of mobile machinery from registration.

State Revenue

The bill is estimated to increase General Fund revenue by \$46,700 to \$243,200 in FY 2022-23 and between \$48,100 and \$248,100 in FY 2023-24, with ongoing impacts in subsequent years. Sales and use tax revenue is subject to TABOR.

Data and assumptions. Based on industry contacts, farm close-out sales are often attributable to retirements and sales of land and operations. The range of estimated vehicle sales assumes about 4.0 vehicles per close-out sale that are subject to state registration requirements including trucks, cars, and trailers. Vehicles per farm close-out sale were estimated from data on trucks per farm from the U.S. Department of Agriculture's 2017 Agricultural Census and registered vehicles per household from the Department of Revenue and the State Demography Office. Based on projected farmland losses and average farm size, or assuming about 0.9 percent of used car sales each year could be attributable to retiring farm producers, vehicle sales could range from about 70 to 420 vehicles annually. Lastly, the analysis assumes an average used vehicle sales price of between \$22,700 and \$23,300 from U.S. Bureau of Transportation statistics on the average price of a used car in 2020, adjusted for inflation.

State Expenditures

The bill will minimally increase expenditures for the Department of Revenue for one-time programming costs and updates in FY 2022-23 to guidance publications and form instructions. This fiscal note assumes these expenditures can be accomplished within existing appropriations.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2021 Legislative Council Staff revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24.

Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save.

Local Government

The bill will increase sales and use tax revenue on an ongoing basis for impacted state-administered taxing jurisdictions. The amount of increase on various taxing jurisdictions cannot be determined based on available information.

The bill may minimally increase workload on an ongoing basis for local county clerks depending on where vehicles are registered.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties	Information Technology
Municipalities	Regional Transportation District
Revenue	School Districts
Special Districts	