HB 24-1018

Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 24-0549	**Date:**	June 14, 2024
Prime Sponsors:	Rep. Boesenecker Sen. Marchman	**Bill Status:**	Deemed Lost
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Bill Topic: **COLLEGE TEXTBOOK SALES USE TAX EXEMPTION**

Summary of Fiscal Impact:

☒ State Revenue ☐ State Transfer ☒ Local Government
☒ State Expenditure ☒ TABOR Refund ☐ Statutory Public Entity

The bill would have exempted college textbooks from sales and use taxes beginning January 1, 2025. The bill would have decreased state revenue through FY 2028-29, increased state expenditures for implementation, and decreased revenue for local governments that conform to the state tax base.

Appropriation Summary: For FY 2024-25, the bill would have required an appropriation of $35,118 to the Department of Revenue.

Fiscal Note Status: The final fiscal note reflects the introduced bill, as amended by the House Finance Committee. The bill was deemed lost in the House Appropriations Committee on May 9, 2024.

Table 1
State Fiscal Impacts Under HB 24-1018

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue	General Fund	($1.0 million)	($1.9 million)
Expenditures	General Fund	$35,118	$7,328
Other Budget Impacts	TABOR Refund	($1.0 million)	($1.9 million)
	General Fund Reserve	$5,268	$1,099

Summary of Legislation

The bill creates a new sales and use tax exemption for college textbooks sold to college students at campus stores. The tax exemption is valid from January 1, 2025, through December 31, 2029. A county or municipality may choose whether or not to adopt the exemption in its sales and use tax ordinance. The bill requires DOR to collect data for the State Auditor to report on the effectiveness of the measure based on the total amount of money that college students save from the state sales and use tax exemption on textbooks.

Background

The state sales and use tax is imposed at a 2.9 percent rate. By default, sales and use tax exemptions extend only to the special districts that administer a sales tax and conform to the state's sales tax base under existing law—the Regional Transportation District (RTD) and the Scientific and Cultural Facilities District (SCFD). Other local governments may elect to adopt or not adopt any state exemptions into their sales and use tax ordinances.

Assumptions

The analysis was based on estimated enrollment in post-secondary education institutions. For public degree-granting institutions, 222,869 students are estimated per year, using Colorado Department of Higher Education (CDHE) enrollment data. The fiscal note uses Fall 2022 national enrollment data from the U.S. Department of Education National Center for Education Statistics to estimate enrollment for private degree-granting institutions, as well as non-degree-granting institutions such as trades, vocational schools, and seminaries. It is estimated that 301,220 students in Colorado per year will be impacted by the tax exemption.

The fiscal note assumes that the average cost of a textbook ranges from $100 to $150 and the number of required textbooks per student per year depends on whether the student is a full- or part-time graduate or undergraduate student, or a student of another type of post-secondary institution. Based on trends and data from the National Association of College Stores annual survey, it is estimated that 30 percent of college textbooks will be purchased as new at college campus stores. About $66 million is expected to be spent on textbooks in college campus stores per year.

State Revenue

The bill is estimated to decrease General Fund revenue by $1.0 million in FY 2024-25, a half-year impact, and by $1.9 million per year starting in FY 2025-26. This revenue decrease will continue through FY 2028-29, with the amount increasing in future years depending on post-secondary education enrollment growth, college textbook requirements, and inflation. Sales and use tax revenue is subject to TABOR.

State Expenditures

The bill will increase state expenditures from the General Fund by about $35,100 in FY 2024-25 and $7,330 in FY 2025-26 and subsequent years through FY 2028-29. Expenditures are summarized in Table 2 and detailed below.

Table 2
Expenditures Under HB 24-1018

	FY 2024-25	FY 2025-26
Department of Revenue		
GenTax Programming and Testing	$27,210	-
Office of Research and Analysis	$7,392	$7,328
Document Management (paid to DPA)	$516	-
Total Cost	**$35,118**	**$7,328**

GenTax Programming and Testing. For FY 2024-25, the bill will require changes to DOR's GenTax software system. This includes $18,540 in GenTax programming costs, $5,950 in development and testing in support of the programming, and $2,720 in business and user acceptance testing following the programming.

Office of Research and Analysis. The Office of Research and Analysis within the Department of Revenue will perform 231 hours of work at a rate of $32 per hour in FY 2024-25, and 228 hours of work in future years, to update database fields and conduct ongoing reporting.

Document Management. For FY 2024-25, DOR will incur $516 in document management costs. This includes updates to two tax return forms. These expenditures will occur in the Department of Personnel and Administration (DPA) using reappropriated DOR funds. The population workload impact is expected to be minimal and absorbable.

Other Budget Impacts

TABOR refunds. The bill is expected to decrease 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 March 2024 Legislative Council Staff revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill will decrease sales and use tax revenue for the state-collected local governments and special districts that incorporate the exemption and conform to the state tax base. The bill allows state-collected city and county governments to include the exemption in their sales tax base, but does not require this.

The bill will decrease revenue for the Regional Transportation District (RTD) and the Scientific and Cultural Facilities District (SCFD), both of which use the state sales tax base. Based on the size of each district's tax base compared with the state tax base, decreased revenue is estimated as follows:

- RTD – The bill will reduce revenue to RTD by an estimated $195,000 in FY 2024-25 (half-year impact), and by $381,000 annually from FY 2025-26 through FY 2028-29.
- SCFD – The bill will reduce revenue to SCFD by an estimated $19,500 in FY 2024-25 (half-year impact), and by $38,100 annually from FY 2025-26 through FY 2028-29.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. The sales tax exemption under the bill takes effect January 1, 2025.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of $35,118 to the Department of Revenue, of which $516 is reappropriated to the Department of Personnel and Administration.

State and Local Government Contacts

State Auditor	Revenue	Counties
Municipalities	Special Districts	Regional Transportation District
Local Affairs	Regulatory Agencies	

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the General Assembly website.