



**Colorado  
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**MEMORANDUM**

February 27, 2013

**TO:** Representative Gerou  
**FROM:** Larson Silbaugh, (303-866-4720)  
**SUBJECT:** Fiscal Assessment of Proposed Amendment **HB1059\_L.001**.

This memorandum is an assessment of the fiscal impact of the attached proposed amendment to **HB13-1059**. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

**Summary of Proposed Amendment**

This amendment narrows the sales and use tax exemption in the bill from all telecommunications equipment to only broadband equipment.

**Fiscal Impact of Amendment**

The fiscal note dated January 24, 2013 estimates that the original bill will reduce sales and use tax revenue by \$8.2 million in FY 2013-14 and \$10.0 million in FY 2014-15. If amendment L.001 is adopted, the bill will reduce sales and use tax revenue an estimated \$1.6 million in FY 2013-14 and \$1.9 million in FY 2014-15.

The fiscal note is based on use tax returns from the telecommunications industry. According to the most recent data from the U.S. Census Bureau, about 19.2 percent of sales in the telecommunications sector was from Internet service in 2007. Applying this percentage to the original fiscal note, reduces the revenue impact by \$6.7 million in FY 2013-14 and \$8.1 million in FY 2014-15.

The Department of Revenue will process fewer requests for sales and use tax refunds because fewer companies will qualify, but it will likely take longer to process each return. The Department will have to verify that equipment purchased by telecommunications providers is being used to provide broadband Internet services. The expenditures in the fiscal note dated January 24th were not adjusted.

## **Bill's Revised Fiscal Impact with Amendment**

If this amendment is adopted, the bill will still be assessed as having a State and Local Fiscal Impact. State sales and use tax revenue will be reduced by \$1.6 million in FY 2013-14 and \$1.9 million in FY 2014-15.

HB1059\_L.001

HOUSE COMMITTEE OF REFERENCE AMENDMENT

Committee on Business, Labor, Economic, & Workforce

Development.

HB13-1059 be amended as follows:

- 1 Amend printed bill page 2, strike lines 12 through 14 and substitute  
2 "THAT IS USED DIRECTLY IN THE PROVISION OF BROADBAND  
3 COMMUNICATIONS SERVICE THAT IS CAPABLE OF SPEEDS THAT ARE  
4 GREATER THAN OR EQUAL TO FOUR MEGABITS PER SECOND FOR  
5 DOWNLOAD AND ONE MEGABIT PER SECOND FOR UPLOAD IS EXEMPT FROM  
6 TAXATION UNDER PART".
- 7 Page 2, strike line 19 and substitute "(d) (I) (K), (1) (d) (I) (L), and (10);  
8 and **add** (1) (d) (I) (M) as".
- 9 Page 3, line 21, after "EQUIPMENT" insert "THAT IS USED DIRECTLY IN THE  
10 PROVISION OF BROADBAND COMMUNICATIONS SERVICE" and strike  
11 "C.R.S.;" and substitute "C.R.S.".
- 12 Page 3, strike lines 22 through 27.
- 13 Page 4, strike lines 1 through 11 and substitute:
- 14 "(10) (a) Notwithstanding any provision of this section to the  
15 contrary, and except as provided in paragraph (b) of this subsection (10),  
16 a town, city, or county may exempt from its sales tax sales to a  
17 telecommunications provider of equipment used directly in the provision  
18 of telephone service, cable television service, ~~broadband communications~~  
19 ~~service~~, or mobile telecommunications service.
- 20 (b) A town, city, or county may not adopt a sales tax exemption  
21 pursuant to the authority set forth in paragraph (a) of this subsection (10)  
22 unless the exemption applies in a uniform and nondiscriminatory manner  
23 to the telecommunications providers of telephone service, cable television  
24 service, ~~broadband communications service~~, and mobile  
25 telecommunications service."

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