



Economic Impact of Eliminating the Colorado Sales Tax on Restaurant Food January 2013

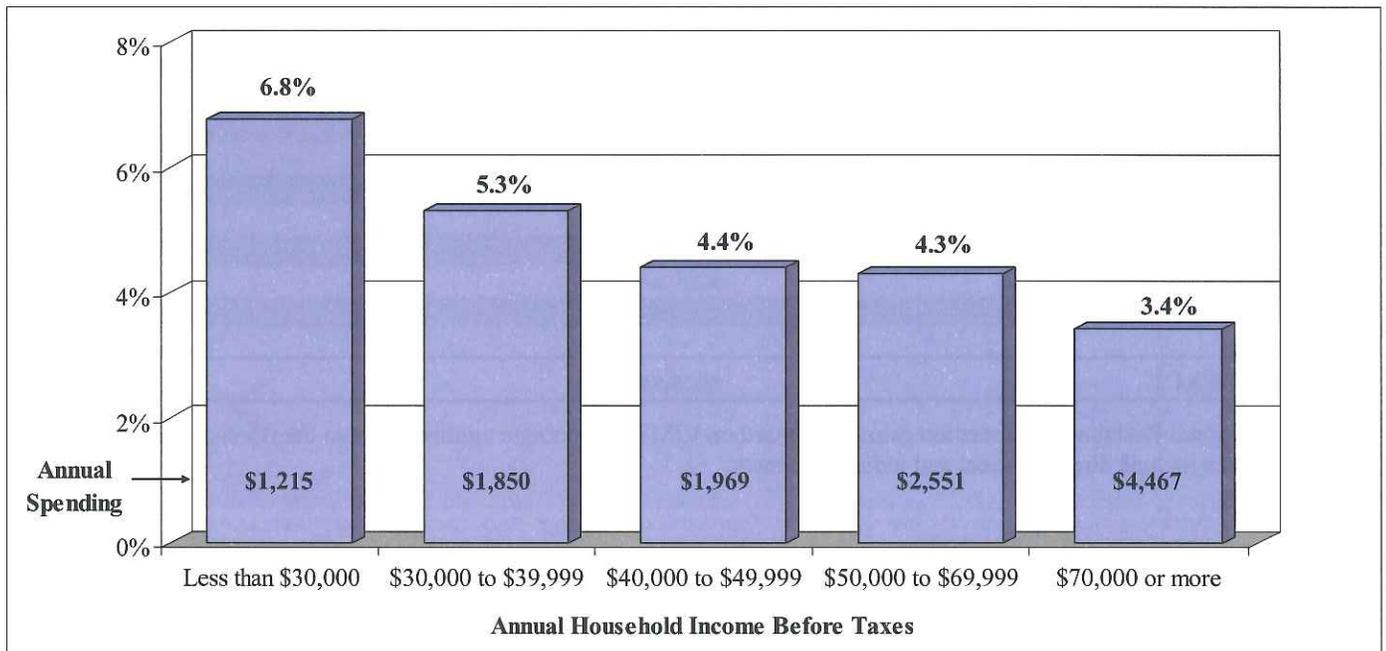
Summary

- Restaurants are an essential part of daily life for many Americans. Almost one-half of adults are restaurant patrons on a typical day, and the average American spends 47 percent of their food dollar in restaurants. In Colorado, eating and drinking places – the primary component of the restaurant industry which accounts for roughly three-fourths of the total restaurant and foodservice workforce – are projected to register sales of over \$9 billion in 2013 and employ more than 190,000 individuals.
- Eliminating the sales tax on restaurant food will have a positive impact both on Colorado’s households and the overall economy. The National Restaurant Association estimates that eliminating the sales tax on restaurant food will generate an additional \$436 million in economic activity in Colorado, create more than 5,000 new jobs within the state, and boost incomes of Colorado households by nearly \$130 million.

Meals Taxes Disproportionately Impact Lower-Income Households

- According to the Bureau of Labor Statistics’ Consumer Expenditure Survey, the average U.S. household spent \$2,620 on restaurant food in 2011, which represented 4.1 percent of its pre-tax income.
- Among households with annual income of less than \$30,000, spending on restaurant food represented 6.8 percent of their pre-tax income, or nearly three percentage points above the national average. As a result, sales taxes on restaurant food have a disproportionately larger impact on lower income households.

Household Spending on Restaurant Food as a Percent of Annual Income
By Household Income Level



Source: Bureau of Labor Statistics, National Restaurant Association; 2011 data

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- In 2013, taxable sales of restaurant food (excluding alcohol) in Colorado are projected to total approximately \$7 billion. Based on the 2.9 percent tax rate, this would generate sales tax revenue of roughly \$203 million. Assuming that total restaurant spending would remain unchanged* from the individual consumer's perspective, eliminating the sales tax means this \$203 million would be pumped back into the economy in the form of additional restaurant sales.
- According to economic multiplier figures from the Bureau of Economic Analysis, every additional \$1 spent in Colorado restaurants generates \$2.15 in total economic output and \$0.64 in total household earnings within the state. Moreover, every additional \$1 million spent in Colorado restaurants generates 25.1 jobs within the state.
- If the elimination of the 2.9 percent state sales tax would result in \$203 million in additional restaurant sales, total economic output in Colorado will increase by nearly \$436 million. The additional spending will also create more than 5,000 jobs across all industries in the state, while household earnings will rise by nearly \$130 million.

Total Economic Impact of Eliminating the Colorado Sales Tax on Restaurant Food By Industry Sector in Colorado

Colorado Industry	Output	Jobs	Household Earnings
Agriculture, forestry, fishing, and hunting	\$5,420,100	61	\$1,157,100
Mining	\$2,090,900	5	\$324,800
Utilities	\$6,049,400	12	\$1,116,500
Construction	\$2,233,000	20	\$913,500
Manufacturing	\$31,485,300	119	\$5,765,200
Wholesale trade	\$16,422,700	73	\$5,176,500
Retail trade	\$15,062,600	199	\$5,237,400
Transportation and warehousing	\$9,114,700	69	\$3,227,700
Information	\$14,494,200	39	\$2,882,600
Finance and insurance	\$24,745,700	129	\$5,866,700
Real estate and rental and leasing	\$34,002,500	202	\$3,166,800
Professional, scientific, and technical services	\$15,854,300	122	\$7,551,600
Management of companies and enterprises	\$7,389,200	32	\$3,410,400
Administrative and waste management services	\$7,937,300	122	\$3,207,400
Educational services	\$2,354,800	44	\$1,136,800
Health care and social assistance	\$16,463,300	172	\$7,754,600
Arts, entertainment, and recreation	\$2,842,000	49	\$1,096,200
Accommodation	\$2,842,000	26	\$730,800
Food services and drinking places	\$209,841,100	3,484	\$65,995,300
Other services	\$9,236,500	96	\$3,836,700
Households	N/A	17	\$121,800
TOTAL IMPACT	\$435,881,600	5,091	\$129,676,400

Source: National Restaurant Association estimates, based on RIMS II economic multipliers from the Bureau of Economic Analysis
Note: Figures include direct, indirect and induced impacts.

*For example, if a consumer purchases \$20 in restaurant food, they would pay an additional \$0.58 in sales tax and the total bill would be \$20.58. This analysis assumes that consumers will continue to spend the full \$20.58 even after the sales tax is eliminated, which would mean their total outlays would remain unchanged. However, the \$0.58 would remain in the economy in the form of additional restaurant spending, rather than taken out through sales tax collections.