

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 13-0215
Prime Sponsor(s): Rep. Nordberg

Date: February 4, 2013
Bill Status: House Finance
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TITLE: CONCERNING A SALES AND USE TAX HOLIDAY FOR A DISASTER-
PREPAREDNESS ITEM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue General Fund - reduction	(\$1.4 million)	(\$1.4 million)
State Expenditures General Fund	\$11,534	\$7,690
FTE Position Change	0.3 FTE	0.2 FTE
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See state appropriation section.		
Local Government Impact: See local government impact section.		

Summary of Legislation

This bill creates a sales and use tax holiday for disaster preparedness items suggested by the Federal Emergency Management Agency. Exempted items include batteries, weather radios, duct tape, first aid kits, flashlights, shovels, gas cans, coolers, artificial ice, and bottled water up to a limit of \$60 for each item. Portable generators that cost less than \$1,000 are also exempt. These items would be exempt from the state sales and use tax on the first weekend in September of 2013, 2014, and 2015. Retailers have the option of participating in the sales tax holiday.

Background

Many other states have sales tax holidays that exempt certain types of goods, such as school supplies and energy efficient appliances, from the state sales and use tax for a short amount of time. Two states, Alabama and Virginia, have sales tax holidays for emergency preparedness supplies. Florida and Louisiana created temporary emergency preparedness sales tax holidays in recent years, but they were not continued. These other states with emergency preparedness sales tax holidays exempt items similar to the list in the bill, but sometimes include hurricane storm shutters. Similar sales tax holidays last from two to seven days.

State Revenue

This bill will reduce state sales tax revenue by **\$1.4 million in FY 2013-14 and \$1.4 million in FY 2014-15**. Based on the experience of other states, per capita spending on items exempt during a two day emergency preparedness sales tax holiday is equal to \$9.24. Using population forecasts from the State Demography Office, taxpayers will purchase about \$48.7 million in tax exempt emergency preparedness items during the sales tax holiday in FY 2013-14 and \$49.4 million in FY 2014-15. The revenue estimates take into account the state sales tax rate and the state vendor fee. This revenue estimate assumes that disaster preparedness spending would have occurred without the sales tax holiday.

State Expenditures

The tax holiday is expected to generate questions from taxpayers and responding to those questions will cost **\$11,534 and 0.3 FTE in FY 2013-14 and \$7,690 and 0.2 FTE in FY 2014-15**. The appropriation will allow the Department of Revenue to answer approximately 3,500 calls in the first year and 1,750 calls in later years.

Because retailers have the option of participating in the sales tax holiday, the Department of Revenue will not process refunds for sales taxes paid on emergency preparedness items purchased during the sales tax holiday.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 1.

Table 1. Expenditures Not Included Under HB13-1150*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,347	\$898
Supplemental Employee Retirement Payments	\$791	\$596
TOTAL	\$2,138	\$1,494

**More information is available at: <http://colorado.gov/fiscalnotes>*

Local Government Impact

This bill has a conditional fiscal impact on local governments. For local jurisdictions that adopt the sales tax holiday, sales tax revenue will decline.

State Appropriations

The Department of Revenue requires a General Fund appropriation of \$11,534 and 0.3 FTE in FY 2013-14.

Departments Contacted

Revenue

Counties

Municipalities