

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0676	Date: January 22, 2014
Prime Sponsor(s): Rep. McLachlan; Coram Sen. Roberts	Bill Status: House Finance
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SHORT TITLE: SALES & USE TAX EXEMPTION FOR UTE INDIANS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
General Fund	Less than \$5,000 Reduction Per Year	
State Expenditures		
FTE Position Change		
Appropriation Required: None needed		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill clarifies that sales taxes do not apply to purchases made on a reservation, or delivered to the reservation, if the purchaser is an enrolled tribal member. In addition, it exempts sales of automobiles from sales taxes if they are made by an enrolled tribal member and the automobile will be registered at an address on a reservation. It also allows for a sales tax exemption if the sale is made on the reservation to a legal entity that is owned or partially owned by an enrolled tribal member.

Background

Under current law, sales made to tribal members on a reservation are exempt from Colorado sales taxes. In order to qualify for this exemption, two conditions must be met:

- The sale must occur on the reservation; and
- the purchaser must be an enrolled member of the tribe and live on the reservation.

When an automobile is purchased outside of the reservation by an enrolled member of a tribe that lives on the reservation, that transaction can be exempt from sales taxes if the automobile is delivered to an address on the reservation. In most cases, sales taxes are not collected because the automobile is delivered to the reservation. However, the tribal member has to pay an additional fee for the delivery.

State Revenue

This bill will reduce state sales and use tax revenue by a small, indeterminate amount each year.

Assumptions. Under current law, sales of automobiles to tribal members that are delivered to an address on a reservation are exempt from sales taxes. When the delivery fee for a vehicle is more than the sales taxes due on a vehicle, it would not be delivered and the transaction would occur off the reservation making it a taxable transaction. This is only the case for the sale of very inexpensive motor vehicles or very high delivery fees, therefore this situation is expected to occur only a few times per year. This bill would exempt sales of automobiles that will be registered to enrolled tribal members living on the reservation, the majority of which are already exempt from sales taxes.

State Expenditures

Although this bill would increase the workload for the Department of Revenue, the change in business practices can be accomplished within existing resources.

Assumptions. This bill clarifies that legal entities that are owned or partially owned by tribal members also qualify for the sales tax exemption. The Department of Revenue will need to identify and calculate the ownership interest of legal entities that file an application for the sales tax exemption. This change in business practices can be accomplished within existing resources.

Local Government Impact

This bill would affect the local sales taxes due on a few transactions per year, reducing local government revenue similar to the state revenue impact.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Revenue
Cities

Personnel and Administration
Clerks and Recorders

Counties