

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 11-0097  
**Prime Sponsor(s):** Rep. Bradford  
 Sen. Schwartz

**Date:** June 20, 2011  
**Bill Status:** Deemed Lost  
**Fiscal Analyst:** Fiona Sigalla (303-866-3556)

**TITLE:** CONCERNING SALES AND USE TAX EXEMPTIONS FOR THE SALES AND USE OF WOOD FROM TREES HARVESTED IN COLORADO.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b> General Fund	(\$10,634)	(\$14,384)
<b>State Expenditures</b>		
<b>FTE Position Change</b>		
<b>Effective Date:</b> The bill was deemed lost on May 11, 2011. On February 18, 2011, it was referred from the House Finance Committee to the House Appropriations Committee, but no further action was taken.		
<b>Appropriation Summary for FY 2011-2012:</b> None.		
<b>Local Government Impact:</b> See Local Government Impact Section.		

**Summary of Legislation**

This bill would provide a sales and use tax exemption for the sale, storage, and use of wood from salvaged trees killed or infested in Colorado by *spruce* beetles. Wood wholesalers must certify on a Department of Revenue form that a product is lawfully harvested in Colorado and from a salvaged tree killed or infested by spruce beetles. The exemption for spruce beetles is effective July 1, 2011, and would expire on July 1, 2020.

This bill will also extend the sales and use tax exemption for the sale, storage, and use of wood from salvaged trees killed or infested in Colorado by *mountain pine* beetles. Under current law, this exemption will expire on July 1, 2013. This bill will extend that exemption to July 1, 2020.

**State Revenue**

State revenue to the General Fund will be reduced by an estimated **\$10,634** in FY 2011-12 and **\$14,384** in FY 2012-13. Revenue impacts were adjusted to account for the fact that vendors will begin retaining a vendor fee of 2.22 percent of the taxes they collect on July 1, 2011. The impact of this bill was affected by Senate Bill 11-223, which lowered the vendor fee from 3.33 percent to 2.22 percent until June 30, 2014.

The Colorado State Forest Service (CSFS) estimates that roughly 100,000 acres of Colorado trees were infected by the spruce beetle in 2010 and 200,000 acres are infected in 2011. These figures suggest that the amount of wood potentially eligible for this exemption is increasing rapidly. However, the revenue estimate has been restrained because the total amount of spruce likely to be affected is not large, and some of the land is in areas that are inaccessible for harvest.

### **State Expenditures**

Expenditures under this bill will be minimal to process refunds and modify tax collection systems. The Department of Revenue should be able to absorb these costs and can seek additional funding through the budget process if the workload is greater than expected.

### **Local Government Impact**

Sales tax revenue of special districts for which the state collects sales taxes, such as the Regional Transportation District (RTD), will be impacted by the bill to the extent that purchases of wood products occur within the district. The amount of revenue reduction would depend on the total value of exempt sales and the use of such products that occur in each jurisdiction.

### **Departments Contacted**

Revenue      RTD      Natural Resources      Law