

Revisions to Colorado Tax Exemptions and Credits
Attachment A

Exemption / Credit Considered	Summary of Current Law and Proposal	FY 2010-11		FY 2011-12		Statutory Citation	Implementation Date	Duration of Proposal
		Fiscal Impact	Fiscal Impact	Fiscal Impact	Fiscal Impact			
1 Suspend Exemption for Direct Mail Advertising	Current law allows for sales and use tax exemptions for all materials used by cooperative direct mail advertisers generating discount coupons, advertising leaflets, preprinted newspaper supplements, or other printed documents. This proposal would eliminate the exemption for three years.	\$1,450,000	\$1,450,000	\$1,450,000	\$1,450,000	39-26-102 (15)	7/1/2010	3 years
2 Suspend Exemption for Industrial and Manufacturing Energy Use	Current law allows for an exemption on all sales and purchases of energy used in industrial or manufacturing services in Colorado. This proposal would suspend this exemption for two years.	\$48,000,000	\$48,000,000	\$48,000,000	\$48,000,000	39-26-102 (21)	7/1/2010	2 years
3 Eliminate Exemption for Non-Essential Food Containers	Current law allows for the purchase of materials used by food or meal vendors to be exempt from sales tax if those materials are sold at the time of food or beverage purchase without a separate charge to the consumer. This proposal would make taxable non-essential items, such as: cartons, napkins, bags, condiments, and plasticware at restaurants.	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000	39-26-707 (1) (c) and (d)	7/1/2010	Ongoing
4 Eliminate Exemption for Candy and Soft Drinks	Current law allows for an exemption on sales tax for nearly all food sold at grocery stores. This proposal would modify the existing definition of taxable food items to exclude candy and soft drinks that are non-essential, less-healthy food choices.	\$17,900,000	\$17,900,000	\$17,900,000	\$17,900,000	39-26-707 (1) (e)	7/1/2010	Ongoing
5 Suspend Exemption for Agricultural Compounds and Bull Semen	Current law allows for insecticides, fungicides, vaccines, hormones, and other animal drugs used in caring for livestock to be exempt from taxation. Likewise, all sales and purchases of bull semen for agricultural or ranching purposes are exempt. This proposal would suspend these sales tax exemptions for three years.	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	39-26-716 (2) (d)	7/1/2010	3 years
6 Suspend Exemption for Pesticides	Current law allows for all pesticides that fall under the Pesticide Act under Article 9 of Title 35 to be exempt from sales tax. This proposal would suspend this exemption for three years.	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	39-26-716 (2) (e)	7/1/2010	3 years
7 Limit Corporate Enterprise Zone Investment Tax Credit to \$250,000	Current law allows for any depreciable equipment purchased and used within an enterprise zone to be eligible for a 3% tax credit. This proposal would limit the amount of investment tax credits per taxpayer to \$250,000 per year, for three years, beginning January 1, 2011.	\$4,450,000	\$4,450,000	\$8,900,000	\$8,900,000	39-30-104	1/1/2011	3 years

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8 Revise Alternative Fuel Vehicle Credits	Effective January 1, 2010, taxpayers can receive a tax credit up to \$6,000 per year for certain alternative fuel vehicles (\$7,500 per year for plug-in hybrids). This proposal would limit which vehicles would be eligible for this credit - to no longer include vehicles with miles per gallon (mpg) rates between 30 and 40 mpg.	\$1,250,000	\$2,500,000			39-22-516	1/1/2011	Ongoing
9 Limit Gross Conservation Easement Credits	Current law allows for taxpayers to receive an income tax credit for conservation easements on property, equal to 50% of the value of the easement, not to exceed \$375,000. This proposal would reduce the maximum per credit to not exceed \$135,000.	\$13,000,000	\$26,000,000			39-22-522	1/1/2011	3 years
10 Elimination of Alternative Minimum Tax and Tax Credit	Current law in Colorado on taxable income mirrors the federal definition of taxable income. This also applies to the federal allowance for alternative minimum tax and the alternative minimum tax credit. This proposal would repeal the alternative minimum tax and tax credit in Colorado.	\$2,500,000	\$5,000,000			39-22-105	1/1/2011	Ongoing
11 Eliminate Software Exemption	Current regulations promulgated by the Department of Revenue allow for an exemption for software purchases so long as: 1) it is not packaged for repeat sale, 2) it is not subject to a non-negotiable, tear open license agreement, and 3) it is not delivered on a disc or other tangible medium. This proposal seeks to redefine the regulations followed by the Department (specifically related to the definition of tangible personal property), to limit the vast number of exemptions currently allowed by these regulations.	\$15,000,000	\$15,000,000			39-26-102 (15)	1/1/2011	Ongoing
12 Enforce Sales Tax Collections for Online Purchases	Current law does not specifically enforce the collection of state sales tax on internet purchases. This proposal would seek to enforce such tax collection responsibility associated with purchases of goods against certain online vendors. Such online vendors would be vendors that associate with in-state affiliates that help the vendor to establish and maintain their in-state market.	\$5,000,000	\$5,000,000			No statute change	1/1/2011	Ongoing

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13 Limit Net Operating Loss to \$250,000	Current law allows for corporations that incur a loss in a given tax year to carry that loss forward to offset income in a future year, allowing corporations to get "back to zero" net income before paying income taxes. This proposal would temporarily limit the amount of net operating loss to be carried forward and applied against income to \$250,000, for each of the next three years. The net operation loss period would also be extended for three years, to coincide with the years that corporations would be limited by this cap.	\$16,750,000	\$33,500,000	39-22-504	1/1/2011	3 years

Total Impact of All Exemption and Credit Revisions: \$131,800,000 \$169,750,000