



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

Initiative 46

Fiscal Summary

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<b>Date:</b>	October 5, 2021	<b>Fiscal Analyst:</b>	David Hansen (303-866-2633)
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**LCS TITLE: TEMPORARY SALES TAX RATE REDUCTION**

**Fiscal Summary of Initiative 46**

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at [www.ColoradoBlueBook.com](http://www.ColoradoBlueBook.com). This fiscal summary identifies the following impact.

**State revenue.** By reducing the state sales and use tax rate from 2.9 percent to 2.89 percent from January 1, 2023 to December 31, 2024, the measure reduces General Fund revenue from sales and use taxes by an estimated \$8.2 million in FY 2022-23, \$14.6 million in FY 2023-24, and by \$6.9 million in FY 2024-25. Estimates for FY 2022-23 and FY 2024-25 represent half-year impacts, and the estimate for FY 2023-24 represents a full-year impact. The measure will also reduce revenue to the marijuana tax and aviation cash funds by reducing the regular 2.9 percent state sales taxes on marijuana and jet and aviation fuel to 2.89 percent.

**State expenditures.** The measure reduces General Fund collections from FY 2022-23 to FY 2024-25, which will reduce General Funds available to be spent or saved unless revenue exceeds the state's constitutional spending limit in one or more budget years. If revenue in one or more years exceeds the state spending limit, the measure will instead reduce the amount of revenue above the state spending limit to be refunded to taxpayers. To administer the tax rate change, the measure is expected to increase General Fund expenditures for the Department of Revenue by \$14,400.

**Local government impact.** The measure will reduce revenue retained within a tax increment district to finance projects utilizing state sales tax revenue and may impact local budgets within those districts.

**Economic impacts.** Taxpayers will have higher after-tax income available to spend or save, increasing their consumption of goods and services. The measure may decrease state government spending. Any overall change in economic activity will depend on the net economic impact of lower tax burdens on households and businesses and reduced investment in public services.

**Program expenditures potentially impacted by measure.** The measure reduces sales and use tax revenue, which is deposited to the General Fund. The three largest areas of program expenditures supported by the General Fund are health and human services programs, K-12 education, and corrections and judicial operations.