



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 22

Revised Fiscal Summary

Date:	April 19, 2023	Fiscal Analyst:	Emily Dohrman (303-866-3687)
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LCS TITLE: TEMPORARY SALES TAX REDUCTION

This revised fiscal summary reflects changes adopted by the Title Board on April 19, 2023.

Fiscal Summary of Initiative 22

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.colorado.gov/bluebook. 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 July 1, 2024 to June 29, 2025, the measure reduces General Fund revenue from sales and use taxes by an estimated \$17.7 million in FY 2024-25. The 2.9 percent sales tax is reinstated on July 1, 2025. The absence of a sales tax rate on June 30, 2025 will reduce revenue by an additional \$84.2 million in FY 2024-25, for a total revenue reduction of \$101.9 million. The measure will also reduce revenue to the marijuana tax and aviation cash funds by reducing the 2.9 percent state sales taxes on marijuana and jet and aviation fuel to 2.89 percent.

State expenditures. The measure reduces the amount of state General Fund revenue available to spend, save, or refund to taxpayers in FY 2024-25. Based on current forecasts, the measure is expected to reduce the amount of revenue required to be refunded to taxpayers under TABOR, with no net impact on the amount available for the budget. To administer the tax rate change, the measure is expected to increase General Fund expenditures for the Department of Revenue by about \$145,000 in each of FY 2023-24 and FY 2024-25.

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. Some taxpayers will have more after-tax income available to spend or save, increasing their consumption of goods and services. For some taxpayers, the reduction in the amount of TABOR refunds received will be greater than the reduction in the amount of tax owed, reducing on net the amount of after-tax income available to spend or save. 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.