



COLORADO FISCAL
POLICY INSTITUTE

**Revenue Options proposed by Governor Ritter
For Fiscal Year 2010-2011**

Accompanying dollar amount is expected revenue generated annually by implementation of the proposal. Information taken from FY 2010-2011 budget documents released by the Colorado Office of State Planning and Budgeting.

Suspend sales tax exemption for industrial and manufacturing energy use - \$48 million

- Suspends for two years the sales tax exemption for the sale and purchase of all energy for industrial or manufacturing use.
- Original exemption enacted in 1937.

Temporarily cap gross conservation easement credits[†] - \$26 million

- Reduces the annual conservation easement credits by half, by a mechanism yet to be determined.
- Proposed cap would last three years.

Temporarily limit the net operating loss for a corporation^{} - \$ 33.5 million**

- Currently, corporations can use losses from previous years to offset the profit in the current year in order to reduce their taxable income.
- This proposal would limit the amount a corporation can offset using losses from previous years to \$250,000 per year.
- Proposed limit would last three years.

Eliminate the sales tax exemption for candy and soft drinks - \$17.9 million

- Permanently ends the sales tax exemption for candy and soft drinks (currently, most food intended for home consumption is exempt from sales tax).
- Original food exemption enacted in 1980.

Redefine types of software included in exemption - \$15 million (minimum)

- Narrows the types of software that are subject to the current sales tax exemption.
- Current regulation was formulated in 2006. The Department of Revenue believes that this regulation is not the correct interpretation of the law.

Temporarily limit corporate enterprise zone investment tax credits[†] - \$8.9 million

- Currently, any depreciable equipment purchased and used within an enterprise zone eligible for a 3% investment tax credit.
- This proposal would cap the enterprise zone investment tax credit at \$250,000 per year per corporation.

Enforce sales tax collections for online purchases^{*} - \$5 million

- Colorado currently only requires sales tax collection for online purchases from in-state retailers. This proposal would compel out-of-state retailers that use in-state affiliates to charge sales tax.
- Proposed cap would last three years and affect fewer than 50 corporations.

Eliminate alternative minimum tax and tax credit[†] - \$5 million

- The alternative minimum tax (AMT) was intended for high-income individuals who reduce their tax liability through certain tax breaks. The AMT is accompanied by an alternative minimum tax credit.
- The AMT credit is consistently larger than the tax, thus reducing state revenue.
- This proposal seeks to permanently eliminate both the alternative minimum tax and credit, which is expected to result in net revenue gain.

Suspend exemption for pesticides - \$2.9 million

- Suspends for three years the sales tax exemption on pesticides used for agricultural and livestock production.
- Original exemption enacted in 1999.

Narrow alternative fuel vehicle credits[†] - \$2.5 million

- Excludes buyers of alternative fuel vehicles that get between 30-40 miles per gallon from receiving a credit or rebate.

Eliminate exemption for non-essential food containers – \$2.1 million

- Permanently eliminates the sales tax exemption for non-essential food containers that are passed on to the customer for free. Examples include: cartons bags, napkins and condiments for restaurants.
- Original exemption enacted in 1978.

Suspend exemption for agricultural compounds and bull semen - \$1.5 million

- Suspends for three years the sales tax exemption on bull semen and agricultural compounds including insecticides, fungicides, vaccines, hormones, and similar compounds.
- Original exemption enacted in 1999.

Suspend exemption for materials used in direct mail advertising - \$1.45 million

- Suspends for three years the sales tax exemption on materials used for direct mail advertising.

**COFPI has proposed a version of this measure.*

[†] Cap falls under TABOR timing restriction, so only half of the annual amount would be generated in FY 2010-11. Under Article 10 section 20 (8) of TABOR, tax rate increases and redefinitions of taxable income are only applicable starting the calendar year following enactment. Because the state fiscal year begins July 1st, income tax changes will begin halfway through the fiscal year. For instance, any such change enacted before the end of calendar year 2010 would then be applicable beginning January 1st, 2011— only the second half of Fiscal Year 2011.

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