

Memorandum

James Jacobs

Sustainability Committee

RE: State Sales Tax Revenue

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Sales taxes provide the second largest source of state government tax revenue after income taxes. The Colorado Legislative Council projected in the March 2010 forecast that state sales and use receipts will increase from an estimated \$2.04 billion in FY 2010 to \$2.17 billion in FY 2011 and decline slightly to \$2.15 billion in FY 2012. The projected FY 2011 increases are due partly the temporarily elimination of the vendor discount fee and the sales tax exemption on cigarette purchases, along with a series of bills that eliminated a number of sales tax exemptions.

The state sales tax rate is 2.9%. Thus, each 1% sales and use tax rate will raise a projected \$750 million in FY 2011 (2,174/2.9) and \$741 million in FY 2012. Historically, Colorado usually ranks at or near the bottom among the 45 states that levy state government sales taxes on both a per capita and per \$1,000 of income basis. On the other hand, Colorado usually ranks third, after Louisiana and the District of Columbia, in both per capita and per income for local government sales tax receipts. When combined, Colorado is near the national average in both methods of measuring state government and local government tax revenue.

Estimated Colorado State Sales Tax Revenues		
	(Millions of Dollars)	
	2011-2012	2010-2011
Sales	1,979	2,010
Use	171	164
Total	2,150	2,174
rate per 1% (now 2.9%)	741	750
Each 1.0%	\$741 million	\$750 million

Colorado Legislative Council, March 2010 Forecast