



CACI COLORADO ASSOCIATION
OF COMMERCE & INDUSTRY

Oppose HB 1190 (Creates a New Tax on Use and Consumption of Energy)

“A tax on energy represents significant changes in local cost structures that will negatively impact our ability to competitively price our product. As there are no other steel producers in Colorado, and since our competition will not be impacted, this will give them a cost advantage. In a time when margins are narrow or non-existent in the steel industry, a major change such as the items listed above may make the difference in success or failure and loss of jobs.” **Evraz Rocky Mountain Steel, Pueblo**

“Ball Corporation’s manufacturing facilities would be severely impacted by the suspension of the tax exemption for utilities used for industrial and manufacturing purposes. This measure alone could create a \$750,000 plus per year increase in our operating costs in CO. Ball also built the instruments on the Hubble Space Telescope in the manufacturing plant in Boulder. Coloradans should be proud of the achievement by a manufacturer in this state that gave the world the means to view the universe.” **Ball Corporation, Boulder**

Description of Bill: Effective March 1, 2010, HB 1190 imposes a sales tax rate of 2.9% on the storage, use or consumption of energy, coal, coke, fuel oil steam, nuclear fuel or gas used in processing, manufacturing, mining, refining, all industrial uses, building construction, and other uses.

Background: Currently, sales and purchases of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel used in processing and manufacturing are defined to be wholesale transactions that are not subject to CO’s sales or use tax. A version of this definition has been included in the state’s sales tax law since it was originally adopted in 1935. If HB 1190 is adopted, industrial consumers of energy sources will be required, for the first time, to pay sales tax on purchases of those energy sources. In the early 1970’s Colorado experienced a recession as did the rest of the country. However, even during that difficult period, the State did not tax the sales and purchases of energy resources.

- HB 1190 creates a fundamental change in tax policy and imposes a new wholesale tax on a segment of industry that is critical for getting CO out of the recession.
- This proposal is contrary to the goal of protecting jobs especially when unemployment rates have increased from 6.9% in Nov. to 7.5% as of December 2009. This proposal hurts manufacturing jobs, especially union jobs within manufacturing including steel mills, cement companies, agricultural, refineries, and coal plants;
- **When utility companies purchase natural gas or coal to produce energy, this bill requires them to charge sales tax which will in turn cause an increase to consumers’ electricity bills;**
- Industrial manufacturers will see a significant increase in their costs which will not only force reductions in wages, benefits and jobs, but will also increase costs of providing products;
- Taxing the purchases of energy without voter approval likely violates the provision of the Colorado Constitution known as TABOR since it is a new tax on a wholesale transaction.

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