

A Note about “Fiscal Notes”

Many states require legislators to file a document estimating how much the state would need to provide in the budget or whether it would increase revenue.

Sample Fiscal Note Content (Colorado)

An initiative that would make child restraint systems sales tax free would result in a small amount of lost tax dollars, compared to the awareness it would build to promote the use of child restraints which save the lives of very young children. The estimated revenues lost by exempting child restraints would be \$353,848, which is about .002 percent of the Colorado budget for 2013.ⁱ It is less than .05% of the Colorado budget surplus, \$1.1 billion.ⁱⁱ

Calculating the Revenue Implications

We applied a conservative calculation to arrive at that figure. We looked at the population of children under eight and assumed that parents would purchase three child restraints during that period, and also assumed that a percentage of those children would be using “hand-me-down” child restraints. We calculated the purchase of those three child restraints and applied the 2.9% sales tax.ⁱⁱⁱ There are nuances to the calculation which are described below.

First, we looked at the number of live births in Colorado in 2013 (65,004) from the Colorado Health Information Dataset^{iv} and removed 40% from that pool of infants because we assumed that some parents would use “hand-me-down” car seats from either their older children or from relatives or friends, to protect their child.^v This results in a pool of 39,002 Colorado infants. We applied an average cost of \$100 per seat and applied the Colorado sales tax of 2.9%. For that first year of life, there would be \$113,106 in lost revenues.

To evaluate the consequences of tax exempt car seats for a child until they can safely use seat belts for restraint, we assumed that parents would need to buy two more child restraint systems during that period. This is based on the recommendations of the National Highway Traffic Safety Administration (NHTSA) which estimates that a child will graduate through three restraints from infancy through age 8.^{vi} We sought the estimated tax consequences of parents needing to buy two more restraints for their children from age 1 through age 8. From the Colorado Health Information Dataset, there were about 484,252 kids in that group in 2013. We again reduced that number based on the use of “hand-me-down” car seats. This results in a pool of 290,551 kids needing child restraints (a larger car seat and a booster seat).

Thus, over those seven years after children grow out of infant seats, an estimated 581,102 child restraints will be purchased, an average of 83,014 per year. Applying the 2.9% sales tax, the revenue consequence would be \$240,742.

In total, adding the infants and pool of children 1 through 8, the lost revenues per year are an estimated \$353,848, about .002 percent of the Colorado budget for 2013. It is less than .05% of the Colorado budget surplus, \$1.1 billion.^{vii}

Because cities and towns in Colorado levy their own sales tax on top of the 2.9% state tax, there would be small revenue losses in municipalities. We also provide a formula for this calculation [below](#).

Tax Policy Requires Conservative Application of Tax Exemptions

Tax exemptions should be applied conservatively, in ways where there 1) is genuine benefit to the state; 2) a compelling need for the niche of consumers involved and 3) a relatively small fiscal impact. The loss of a child is a tragic event for a Colorado family, and further, in the case of child passenger safety, societal costs will be saved in public health care costs because children are so much more likely to survive in a car seat.

Colorado's Experience with Sales Tax Immunity

Tax immunity is not new to Colorado. Colorado exempts certain products from sales tax. They include:

- Durable medical equipment
- Intrauterine Devices
- Computer software pre-packaged with computer hardware and computer software maintenance contracts
- Food and nutritional products
- On line subscription fees, including newspapers and magazines
- Products that assist the blind
- Cosmetic medical treatments
- Drug, cholesterol and blood testing kits

The complete list of Colorado state sales tax exemptions can be found [here](#). Many states have a tradition of offering tax holidays for a short period of time, most often to prepare kids for back-to-school and emergency preparedness.^{viii} However in 2012 a bill was considered and failed to provide a tax holiday for back-to-school products, sports and recreational goods and computers less than \$1000.^{ix}

Other States Experience Exempting Child Restraints

In 2014, Florida passed a law exempting car seats and youth bike helmets^x when it passed the 49th booster seat law in the U.S. In addition, Connecticut has exempted car seats for some years.^{xi} Hawaii provides a tax credit.^{xii}

Revenue Formula

Infant seats:

$(\text{State Birth Rate}) \times (.60) \times (\text{estimated average sales tax revenue per infant seat}) = \text{Revenue lost per year}$

EX. Colorado infants: $(\text{Colorado birth rate}) \times (.60) \times (\$100 \times \text{state sales tax})$

Note – In this equation and the following one, the .60 represents the “hand-me-down coefficient,” which assumes that 40% of children will use hand-me-down child restraints.

Children 1-8:

$(\text{Size of population in age group}) \times (.60) \times (\text{Number of child restraint system categories used by children in age group}) \div (\text{size of age group in years}) \times (\text{estimated average sales tax revenue per child restraint unit}) = \text{Revenue lost per year}$

EX. Colorado children ages 1-8: $(\text{number of children ages 1-8 in the state}) \times (.60) \times (2, \text{ or front-facing and booster seats}) \div (7 \text{ years}) \times (\$100 \times \text{state sales tax})$

Note – The second equation works for infant seats because the size of age category and number of child restraint categories are both equal to 1. The first equation is simplified for ease of use.

ⁱ \$19.9 billion, Colorado Department of Revenue,

<http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251749703489&ssbinary=true>

ⁱⁱ Colorado General Assembly, “Focus Colorado: Economic and Revenue Forecast,” available at <http://www.colorado.gov/legcouncil/Forecast/13JuneForecast.pdf>, last accessed 10.13.2014

ⁱⁱⁱ Colorado Sales/Use Tax, Colorado Department of Revenue, available at <http://www.colorado.gov/cms/forms/dor-tax/dr1002.pdf>, last accessed 10.13.2014

^{iv} Colorado Health Information Dataset, Colorado Department of Public Health of Environment, available at <http://www.chd.dphe.state.co.us/cohid/>

^v This is a responsible practice for parents, and they should determine whether the car seat has expired and whether the restraint was recalled through the National Highway Transportation Safety Administration.

<http://www.odj.nhtsa.dot.gov/recalls/childseat.cfm>

^{vi} <http://www.safercar.gov/parents/Right-Seat-Age-And-Size-Recommendations.htm>

^{vii} Colorado General Assembly, “Focus Colorado: Economic and Revenue Forecast,” available at <http://www.colorado.gov/legcouncil/Forecast/13JuneForecast.pdf>, last accessed 10.13.2014

^{viii} “2014 State Sales Tax Holidays,” available at http://www.taxadmin.org/fta/rate/sales_holiday.html

^{ix} Hoover, T, “Colorado sales-tax holiday bill dies in Senate committee,” available at http://www.denverpost.com/ci_20569610/colorado-sales-tax-holiday-bill-dies-senate-committee, last accessed 10/10/2014; HB1150, introduced January 18, 2013, available at <http://legiscan.com/CO/bill/HB1150/2013>, last accessed 10.10.2014

^x Tax Information Publication, Florida Department of Revenue, May, 2014, available at <http://dor.myflorida.com/dor/tips/pdf/tip14a01-05.pdf>, last accessed 10.14.2014

^{xi} “Exemptions from Sales and Use Taxes,” State of Connecticut, Department of Revenue Services, <http://www.ct.gov/drs/cwp/view.asp?a=1477&Q=269920&drsPNavCtr>, last accessed 08.28.2014.

^{xii} “Safety Laws in Hawaii,” Hawaii Department of Motor Vehicles, available at <http://www.dmv.org/hi-hawaii/safety-laws.php#Child-Car-Seat-Laws>, last accessed 10.14.2014

