

May 11, 2026

Senate Finance Committee
Colorado State Capitol
200 East Colfax Avenue
Denver, CO 80203

RE: House Bill 26-1418: Online Gaming Tax

Dear Members of the Senate Finance Committee:

On behalf of the Entertainment Software Association (ESA), which represents the nation's leading video game publishers and developers, we write to express our concerns with House Bill 1418. As drafted, the bill would impose a tax on Colorado residents for purchases made within online games. We share the goal of improving youth mental health and recognize its urgency. Using a targeted tax on video game players to fund general mental health services is not an appropriate or effective policy solution and we urge the committee to oppose the bill.

While well-intentioned, a tax on video game players to support wide-ranging mental health programs is poorly aligned with the scope of the issue. HB 1418 places responsibility for a complex societal challenge on a single industry and targets a single constituency to pay for services they may never need or never access. The bill draws from concepts in HB 1148, which the House Judiciary Committee rejected just weeks ago due to similar concerns. These policy concerns are compounded by significant implementation and privacy challenges

Implementation Challenges and Privacy Concerns

To implement this tax, companies would need to collect geolocation data from users across the country—not just in Colorado—to determine tax eligibility. This would force companies to collect sensitive user data solely for taxation purposes—an unnecessary expansion of data collection that raises serious privacy concerns. Companies that have deliberately chosen not to collect this type of sensitive information would now be compelled to do so. In practice, this could require the ongoing collection and retention of IP addresses, device location signals, billing addresses, and other identifying data to verify where a transaction occurs, creating new repositories of sensitive information that may be vulnerable to misuse, unauthorized access, or cybersecurity breaches. It also runs counter to widely accepted data minimization principles, which encourage businesses to collect only the information reasonably necessary to provide a service.

In effect, this policy would force businesses to gather more personal data from consumers solely for taxation purposes, raising significant privacy concerns. This expanded data collection burden is disproportionate to the limited benefit the tax is expected to generate and does little to address the broader, underlying drivers of youth mental health challenges.

Negative Impact on Consumers

HB 1418 introduces a new, unavoidable cost that will be passed on to consumers. A 5% tax on in-game purchases may appear modest, but it adds yet another expense for video game players in Colorado who are already experiencing a rising cost of living. Because the tax is applied at the point of sale, consumers will pay it on every purchase, with no ability to avoid or offset the cost, even though they may never receive the mental health services their money is going to fund.

Youth Mental Health Cannot Be Solved by Targeting One Industry

For more than three decades, ESA members—representing leading video game publishers and console makers—have invested in advanced player safety tools, as well as robust parental and user controls, to help ensure games are safe for children and teens. We share the goal of protecting young people online and appreciate efforts to improve digital safety for Colorado families.

However, HB 1418 singles out one industry to address a complex, multifaceted challenge. This approach overlooks both the video game industry's strong track record on safety and the broader factors that contribute to youth mental health. It is especially concerning given the positive role games can play. Peer-reviewed research shows that not all screen time is the same—video games, in moderation, can support mental well-being, offering stress relief, social connection, and cognitive engagement.

Global research further underscores the benefits of gaming: players widely report that video games provide mental stimulation, reduce stress, and create accessible experiences for individuals with diverse abilities. A growing body of academic evidence also links gameplay to improvements in feelings of loneliness, depression, and overall well-being. These findings underscore that video games are not a primary driver of youth mental health challenges—and should not be treated as such in policymaking.

Conclusion

For these reasons, we urge the Committee to reject HB 1418 and instead pursue solutions that are evidence-based, appropriately targeted, and effective in addressing youth mental health. ESA and its members stand ready to serve as a resource to the committee as you try to navigate this complicated and evolving landscape. Please reach out to the undersigned with any questions.

Sincerely,

Andrew O'Connor
Senior Director, State Government Relations
Entertainment Software Association

Senate Finance

05/11/2026

HB26-1418 Online Add-on Transaction Fee Youth Serv Enter

Typed Text of Testimony Submitted

Name, Position, Representing	Typed Text of Testimony
Bennett Rutledge Against themselves	Chair Kipp and members of the committee, good morning, Bill HB26-1418 - Online Add-on Transaction Fee Youth Services Enterprises is another attempt to circumvent TABOR, and to create several new chunks of bureaucracy. It quotes usage statistics, but does not connect any need for the services funded to the persons being taxed by the "enterprises". Vote no on HB26-1418 - Online Add-on Transaction Fee Youth Services Enterprises.



May 11, 2026

Dear Chair Kipp and Members of the Senate Finance Committee,

On behalf of Children's Hospital Colorado, the patients and families, and communities we serve, we are writing to respectfully ask for your vote in support of **House Bill 26-1418 Online Add-on Transaction Fee Youth Service Enterprise**.

Children's Hospital Colorado is proud to partner with the community to advocate for the health and well-being of kids and families. Our work goes beyond our hospital walls and into the communities we support. In addition to our patient care, Children's Hospital Colorado supports families by providing care coordination, advocacy and facilitating access to community programs and resources.

There is already a ubiquitous nature of social media and online gaming use among youth. In 2024, 85% of U.S. teens ages 13-17 reported playing video games, with 41% saying they play them at least once a day. According to the American Psychological Association, teenagers spend nearly 5 hours a day on social media apps and 41% of teens with the highest social media usage rate their overall mental health as poor or very poor. Research shows that 3 hours per day on social media doubles the risk of poor mental health including experiencing symptoms of depression and anxiety. According to the National Institutes of Health, adolescents who experience cyberbullying are more than four times as likely to report thoughts of suicide and attempts as those who didn't.

Online gaming can impact youth mental health through a duality of risks and benefits. While it can offer social connections, stress release, and cognitive perks - excessive use is strongly linked to depression, anxiety, and addiction like-symptoms. There are many nuanced factors influencing impact such as usage patterns where too much time gaming can replace important activities and protective factors like sleep, exercise and social interaction. Content and environmental factors and individual vulnerability also play a role.

There are also companies who are pushing problematic play and engagement. That's why we're supporting House Bill 1418 as a forward-looking investment and exciting opportunity to support Colorado youth mental health and wellbeing, ensuring young people have the support they need to be safe, healthy, and successful—both online and offline. The bill implements a key strategy used in public health by ensuring that the revenue from these fees on will be used to specifically repair and prevent potential harm to youth mental health and well-being.

Thank you for your continued support of the health and wellbeing of Colorado kids. In this effort, we encourage you to vote in favor of House Bill 1418 to support Colorado youth mental health and well-being.

Thank you for your time and consideration of this important legislation. Please let us know if you have any questions.

Sincerely,

Ellen Stern
Director of Government Affairs
Children's Hospital Colorado

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Affiliated with
 University of Colorado
Anschutz Medical Campus