



# Sales and Use Tax Simplification Task Force

Colorado Department of Revenue  
August 10, 2022



**COLORADO**  
Department of Revenue  
Taxation Division



# Agenda

- SUTS Update
- HB22-1039 Exemption Form Update
- Discussion on Sales Tax Return Restructuring



---

# Sales and Use Tax System (SUTS) Update



**COLORADO**  
Department of Revenue  
Taxation Division



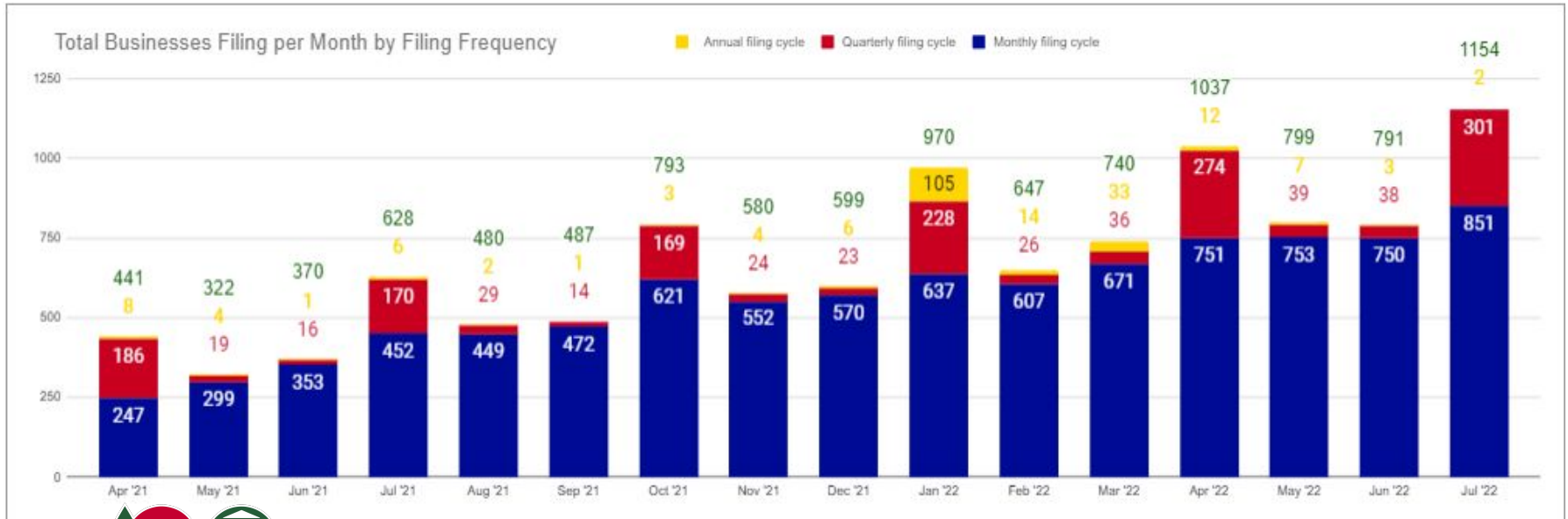
## SUTS Contract Status and Terms

Fiscal Year 2020	\$2,956,700
Fiscal Year 2021	\$924,400
Fiscal Year 2022	\$879,350
Fiscal Year 2023	\$855,000
Total for all fiscal Years:	\$5,615,450

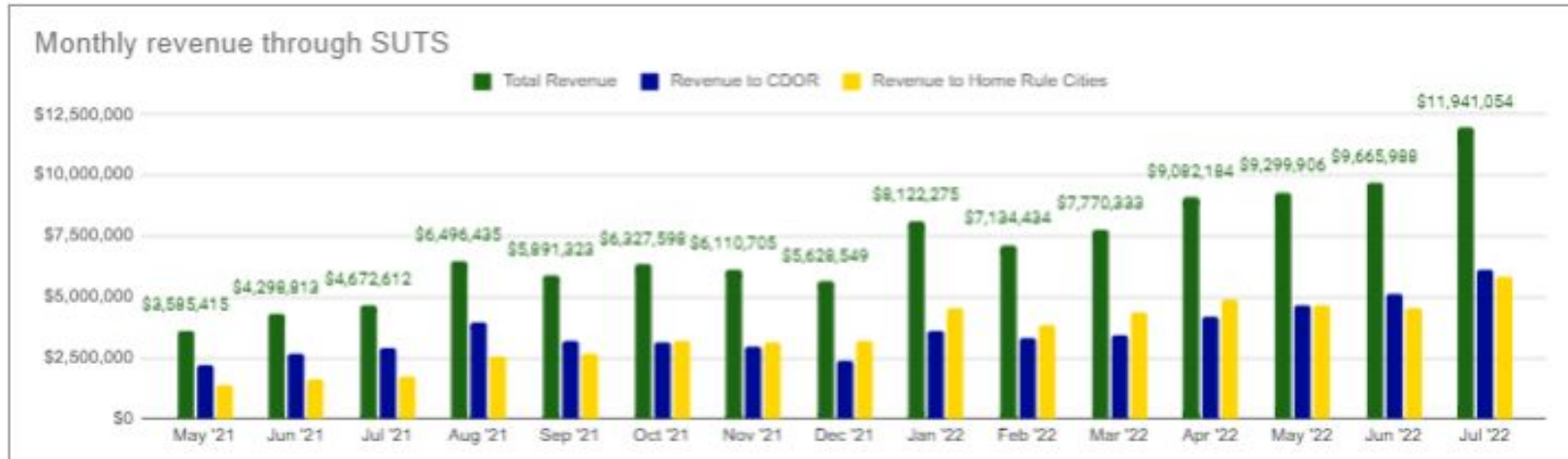
Current Contract Expiration Date: June 30, 2023 (contract includes option to extend at 1-year intervals at the same rate)



# Performance Metrics - Filings



# Performance Metrics - Revenue





## System Plans Covered in Contract

- DOR maintains a list of system fixes, improvements, and other changes that can be worked on when resources are available or when required. For example:
  - Better handling of foreign addresses
  - Irregular filers (13 month filers)
  - Better schema validation
  - Tax rate and jurisdiction changes from May and November location elections
  - Processing amended returns
  - Suggestions from participating jurisdictions





## Larger Planned Upgrades

Project	Description	Estimated Timeline	Cost
Editing Text Fields	Admin user can edit certain fields on the front end of the system without programming resources	Q2 of state fiscal year 2022-23	\$2,700
Service Fee Cap	Update logic to accurately calculate sales above \$1.0 million	Q2 of state fiscal year 2022-23	\$1,350
Retail Delivery Fee	Program new account type to accept the retail delivery fee, including communication with DOR tax system of record	Q4 of state fiscal year 2022-23	\$78,000 initial \$57,000 ongoing







## Use Tax Implementation

- Implementation planned later this fiscal year (FY 2022-23), likely in Q3 or Q4
- Exact schedule is dependent on available GenTax programming resources.
- Scoping and business requirement gathering is not started
- No funding is necessary - contract includes use tax.
- Integration with GenTax will de-prioritize other initiatives in that system.





## Feedback from the Cities and Businesses

- Account numbers
  - Account numbers for registered businesses are still not consistently appearing on returns and summary reports
  - Cities can resolve this issue by ensuring that they are regularly sending confirmed account numbers to SUTS; training continues to be provided to cities. This requirement is also explained in the user agreement.





## Feedback from the Cities and Businesses

- Zero Returns
  - Taxpayers mistakenly believe that leaving a row blank will satisfy the return requirements. Zero dollar returns are also getting held back when payments are pending for other jurisdictions.
  - Filing zero dollar returns represents an education and compliance issue. This is not limited to the Sales and Use Tax System
  - The Department continues to look for ways to educate, communicate with, and train businesses on their obligations for filing sales tax. For example, we added a FAQ regarding zero return filing.





## Feedback from the Cities and Businesses

- Challenges with taxpayers understanding the additional obligations of licensing and complying with home rule tax laws
  - The Department consistently works with cities on any improvements that can be made to public guidance regarding SUTS.
  - Many of these issues, however, seem to be compliance issues. Self-administered jurisdictions can address these if they originate with home-rule jurisdiction ordinance compliance.





## SUTS Executive Council

- The SUTS Executive Council meets quarterly to receive updates and information about progress made with the system, Home Rules who have joined, as well as to be aware of ongoing issues or concerns that CDOR receives informally through the Local Government section or at quarterly meetings with CML and our City Partners.
- An initial draft of the SUTS Roadmap was shared with the Executive Council at the November 2021 quarterly meeting.





## Collection of Lodging Taxes

- Collection of lodging taxes is not currently part of the roadmap
- GovOS preliminary estimate of cost to add lodging tax to SUTS:
  - One-time Implementation Cost: \$500k - \$700k
  - Annual Maintenance and Support: \$342k - \$450k
  - Estimated Timeline: 9 months



---

# HB22-1039 Exemption Form Consolidation



**COLORADO**  
Department of Revenue  
Taxation Division



## HB22-1039 Exemption Form Simplification

- HB22-1039 was a task force bill that required the Department to study and, to the extent feasible without impairing the proper administration of the exemptions, simplify the forms and related requirements for persons making tax-exempt purchases.
- The bill requires the initial simplification to be completed on or before July 1, 2023.
- The Department has assigned a Tax Policy Advisor to the project and is in the process of studying the existing forms and form-related requirements.





---

# Sales Tax Return Simplification



**COLORADO**  
Department of Revenue  
Taxation Division

---

## Summary of DOR's proposal

- General proposal is to move away from site-based reporting and towards jurisdiction-based reporting
  - Four options provided
- A simplification that the DOR thinks is possible
  - Will require input from various partners, including the task force, local governments, CML, and the business community.





## Benefits of Jurisdiction-Based Reporting

- Simplifies the return, particularly for statewide businesses that file electronically. Could also simplify SUTS filings.
- Easy to onboard new local governments and accommodate changes to existing local tax collections.
- Reduces risks posed by base disparity.
- Provides increased local control over vendor fee.





# Trade-Offs of Jurisdiction-Based Reporting

- Cost to make the change
- Decreased transparency of location and industry data
- No Tax Expenditure Detail





# Cost of Sales Tax Return Simplification

- Estimated total cost over a two-fiscal-year period is \$2.51M:
  - \$140,000 for paper form changes
  - \$500,000 for SUTS changes (+\$300,000 ongoing costs)
  - \$949,500 for FAST programming of GenTax and Revenue Online changes
  - \$923,000 for internal resource needs for GenTax and Revenue Online changes (+\$250,000 ongoing costs)





# Timing of Sales Tax Return Simplification

- Need a long runway.
- Goal could be to complete the simplification no earlier than January 1, 2025.
  - Perhaps January 1, 2026, would be preferable.
  - Depends on business community input.





## Related Program Changes

- Cigarette Tax Local Share Distribution
- RTD/SCFD Spending Requirements
- Intergovernmental Revenue Sharing Agreements
- Regional Tourism Tax Increment Distributions

