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MEMORANDUM

TO: The Sales and Use Tax Simplification Task Force
FROM: Ed DeCecco
DATE: September 11, 2019
SUBJECT: Task Force Continuation

The following are potential amendments to section 39-26-802, Colorado Revised Statutes, to be included in a bill request to continue the Sales and Use Tax Simplification Task Force that Esther van Mourik prepared based on discussions from prior meetings:

39-26-802. Sales and use tax simplification task force - creation. (1) (b) The task force shall study sales and use tax simplification between the state and local governments, including home rule municipalities, to identify opportunities and challenges within existing fiscal frameworks to adopt innovative revenue-neutral solutions that do not require constitutional amendments or voter approval. The task force shall: ~~consider the feasibility of:~~

(I) (A) ~~Having a third-party entity responsible for state or local sales and use tax administration, return processing, and audits~~ SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE DEVELOPMENT OF THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019;

(B) ONCE THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM DESCRIBED IN SENATE BILL 19-006, ENACTED IN 2019, IS ONLINE, MONITOR AND ENCOURAGE PARTICIPATION BY BUSINESSES AND HOME RULE MUNICIPALITIES;

(II) CONSIDER THE FEASIBILITY OF making audits of retailers more uniform for all state and local taxing jurisdictions in the state;

(III) ~~Utilization of certified software for sales and use tax administration and collection of state and local sales and use tax; and~~

(IV) CONSIDER utilization of a single sales and use tax return for state and local taxing jurisdictions;

(V) CONSIDER AREAS TO STREAMLINE THE REQUIREMENTS FOR STATE AND LOCAL SALES TAX LICENSES, USE TAX LICENSES, AND BUSINESS LICENSES;

(VI) DETERMINE WHETHER THE ISSUANCE OF LOCAL BUILDING PERMITS AND THE LEVYING OF USE TAX ON BUILDING MATERIALS CAN BE SIMPLIFIED;

(VII) CONSIDER, FROM THE PERSPECTIVE OF POSSIBLE SIMPLIFICATION, ALL SALES AND USE TAXES LEVIED BY THE REGIONAL TRANSPORTATION DISTRICT, THE SCIENTIFIC AND CULTURAL FACILITIES DISTRICT, ANY LOCAL IMPROVEMENT DISTRICTS, ANY REGIONAL TRANSPORTATION AUTHORITY, ANY MULTI-JURISDICTIONAL HOUSING AUTHORITY, AND ANY HEALTH SERVICES DISTRICT;

(VIII) CONSIDER, FROM THE PERSPECTIVE OF POSSIBLE SIMPLIFICATION, ANY MASS TRANSPORTATION SYSTEM TAX, PUBLIC SAFETY IMPROVEMENT TAX, METROPOLITAN DISTRICT TAX, LOCAL MARKETING DISTRICT TAX, AND COUNTY LODGING DISTRICT TAX;

(IX) CONSIDER, FROM THE PERSPECTIVE OF POSSIBLE SIMPLIFICATION, USE TAXES LEVIED BY THE STATE, STATE-COLLECTED LOCAL JURISDICTIONS, AND HOME RULE JURISDICTIONS;

(X) REVIEW AND COMPARE THE STATE'S SALES AND USE TAX DEFINITIONS WITH THE STANDARD SALES TAX DEFINITIONS DEVELOPED AND ADOPTED BY LOCAL TAXING JURISDICTIONS PURSUANT TO SENATE JOINT RESOLUTION 14-038, ENACTED IN 2014, TO DETERMINE IF ANY SIMPLIFICATION MIGHT BE ACHIEVED BETWEEN THE TWO SETS OF DEFINITIONS;

(XI) TAKE TESTIMONY FROM RETAILERS, BOTH LARGE AND SMALL, REGARDING THE CHANGES TO THE VENDOR FEE IMPLEMENTED PURSUANT TO HOUSE BILL 19-1245, ENACTED IN 2019;

(XII) SEEK REGULAR UPDATES FROM THE OFFICE OF INFORMATION TECHNOLOGY AND THE DEPARTMENT OF REVENUE REGARDING THE PURCHASE AND DEVELOPMENT OF A GLOBAL INFORMATION SYSTEM (GIS) DATABASE TO MAINTAIN JURISDICTIONAL BOUNDARIES OF SALES TAX DISTRICTS AND TO CALCULATE APPROPRIATE SALES AND USE TAX RATES FOR INDIVIDUAL ADDRESSES FOR WHICH THE DEPARTMENT OF REVENUE RECEIVED AN APPROPRIATION IN SENATE BILL 19-006, ENACTED IN 2019;

(XIII) REVIEW ANY EVALUATIONS OF SALES AND USE TAX EXPENDITURES PREPARED BY THE OFFICE OF THE STATE AUDITOR THAT ARE COMPLETED PURSUANT TO SECTION 39-21-305, UNLESS A LEGISLATIVE INTERIM STUDY COMMITTEE OR OTHER TYPE OF LEGISLATIVE COMMITTEE, TASK FORCE, OR STUDY GROUP IS FORMED TO REVIEW SUCH EVALUATIONS. IF A LEGISLATIVE INTERIM STUDY COMMITTEE OR OTHER TYPE OF LEGISLATIVE COMMITTEE, TASK FORCE, OR STUDY GROUP IS FORMED TO REVIEW SUCH EVALUATIONS, THE TASK FORCE SHALL SEEK REGULAR UPDATES FROM SUCH COMMITTEE REGARDING ANY DECISIONS THAT SUCH COMMITTEE MIGHT MAKE

RELATED TO ANY SALES OR USE TAX EXPENDITURE EVALUATED BY THE OFFICE OF THE STATE AUDITOR;

(XIV) REVIEW THE PROCESS BY WHICH STATE AND LOCAL SALES TAXES ARE COLLECTED FOR THE PURCHASE OF A MOTOR VEHICLE IN ORDER TO EXPLORE OPTIONS FOR FURTHER SIMPLIFICATION;

(XV) EXPLORE OPTIONS FOR ELIMINATING A DEPARTMENT OF REVENUE REQUIREMENT FOR TAXPAYERS TO USE BRANCH ID REPORTING;

(XVI) CONSIDER AN INCREASE TO THE FILING THRESHOLD AMOUNT FOR MONTHLY SALES TAX FILINGS MADE TO THE DEPARTMENT OF REVENUE;

(XVII) CONSIDER AN ISOLATED OR OCCASIONAL SALE EXEMPTION WHEN A TAXPAYER CHOOSES TO SELL THEIR BUSINESS IN AN ASSET SALE; AND

(XVIII) CONTINUE TO CONSIDER THE BUSINESS IMPACT OF THE DESTINATION SOURCING RULES SET FORTH IN SECTION 39-26-104 (3).