



Sales & Use Tax Simplification Task Force

# **Electronic Sales & Use Tax Simplification System – Payment Options**

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# Types of Systems

## 1. Geolocation system\*

- State-managed database that allows companies to determine tax rates based on GIS data
- Must have 95% accuracy rate

## 2. Streamlined Sales Tax System

- Adheres to SST standards

## 3. Electronic Sales & Use Tax Simplification System

- Based on RFI DOR#18018

# System Specifications

	SST	RFI
*Geolocation/Accurate address information	x	x
Collect taxes w/ different rates in different jurisdictions	x	x
Single application process for state & local licenses	x	x
Uniform sales & use tax remittance form	x	x
Single point of remittance	x	x
Taxability exemption matrix	x	x
Accommodate changes to tax base & rates + history	x	x
Accommodate local government jurisdictional changes + history	x	x
Data access for state & local governments	x	x
Protects consumer data	x	
Protect legal authority of home rule jurisdictions		x
Comply w/ OIT standards		x
Can interface w/ retailer, local & DOR systems		x

# System Cost Examples

- State-run GIS system:
  - ~\$500k + 8.5 FTE
  - OIT + DOR
- Joint registration & filing system
  - ~\$2 million – City of Denver
- RFI Responses
  - ??

# Payment Options

## 1. Retain an administrative fee

- Many states retain 1% - 2% before distributing to local governments
  - Illinois: 2% fee generated ~\$50 million in 8 months (\$6.2 million/month)

## 2. General Fund appropriation from existing funds

- If and when online sales taxes are collected, they will go into the GF

## 3. Reduce the vendor fee

- Reducing the vendor fee to 3.0% from 3.33% would generate ~\$9.6 million based on FY 2017-18 sales tax collections

# Payment Options

## 4. Increase state sales tax rate

- A 0.1% increase to 3.0% rate would generate ~\$100 million based on FY 2017-18 sales tax collections

## 5. Increase sales tax license fee

- Current license fee is \$16 every two years
- December 2017: 298,615 total sites/licenses - \$2.4 million per year

## 6. SST voluntary compliance revenue

- Ranges from \$3 million - \$7 million per year

# Sales Tax Mitigation Programs

The shift from origin- to destination-based systems caused local jurisdictions to lose sales tax revenue.

- Washington State:
  - GF appropriations for 10+ years
  - Annual payments range between \$20 million and \$28 million
- Tennessee:
  - Estimated \$30 million first year cost



# Louisiana: Dual Systems

- In-state: business as usual
- Out-of-state: single collection body for remote sales
  - One rate for all jurisdictions
  - May not be constitutional, since rate is higher than in some jurisdictions
  - Violates *Complete Auto* Supreme Court case from 1977 – rates on out-of-state taxpayers cannot be higher than in-state taxpayers

# Questions?

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