



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25B-1021: RETENTION OF VENDORS FEES FOR COLLECTING SALES TAX.

Prime Sponsors:

Rep. Woog; Hartsook
Sen. Kirkmeyer

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Published for: House State Affairs

Drafting number: LLS 25B-0043

Version: Initial Fiscal Note

Date: August 21, 2025

Fiscal note status: This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill increases the sales tax vendor fee cap to \$2,000 per retailer per filing period and disallows the vendor fee cap and rate to be reduced beginning January 1, 2026.

Types of impacts. The bill is projected to affect the following areas on a continuous basis:

- State Expenditures
- State Revenue
- TABOR Refunds
- Local Government

Appropriations. The bill requires General Fund appropriations of \$62,308 for FY 2025-26 and \$31,171 for FY 2026-27.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	-\$110,208	-\$220,416	-\$220,416
State Expenditures	\$70,198	\$39,061	\$8,702
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	-\$220,416	Not estimated
Change in State FTE	0.4 FTE	0.4 FTE	0.0 FTE

**Table 1A
State Revenue**

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$110,208	-\$220,416	-\$220,416
Cash Funds	\$0	\$0	\$0
Total Revenue	-\$110,208	-\$220,416	-\$220,416

**Table 1B
State Expenditures**

Fund Source	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$62,308	\$31,171	\$8,702
Cash Funds	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$7,890	\$7,890	\$0
Total Expenditures	\$70,198	\$39,061	\$8,702
Total FTE	0.4 FTE	0.4 FTE	0.0 FTE

Summary of Legislation

Under current law, retailers are allowed to keep 4 percent of their sales tax collections, up to \$1,000 per retailer per filing period, to cover their expenses of collecting state sales tax on behalf of the state. This allowance is known as the sales tax vendor fee. The bill increases the maximum dollar amount that a retailer may retain as a vendor fee from \$1,000 to \$2,000 beginning January 1, 2026.

In addition, beginning January 1, 2026, the bill disallows the vendor fee from falling below 2 percent of tax reported and disallows the maximum retainable dollar amount from falling below \$2,000.

Background

The vendor fee is a service fee the state allows retailers to retain for their costs in collecting and remitting sales tax to state and local governments. Only tax returns with less than \$1,000,000 and submitted on time to the Department of Revenue are allowed to retain the vendor fee. Table 2 below includes a history of state vendor fee rates.

Table 2
Colorado Sales Tax Vendor Fee History

Dates	Vendor Fee
July 1, 1935 to June 30, 1965	5.00 percent
July 1, 1965 to June 30, 2003	3.33 percent
July 1, 2003 to June 30, 2005	2.33 percent
July 1, 2005 to February 28, 2009	3.33 percent
March 1, 2009 to June 30, 2009	1.35 percent
July 1, 2009 to June 30, 2011	0 percent
July 1, 2011 to June 30, 2014	2.22 percent
July 1, 2014 to December 31, 2019	3.33 percent
January 1, 2020 to present	4.00 percent

[House Bill 19-1245](#) capped the vendor fee at \$1,000 per filing period per retailer, where a retailer with multiple locations in the state is counted as one retailer for the purposes of the vendor fee allowance cap. In 2024, retailers retained a total of \$56.5 million in sales tax vendor fees.

An amount of sales tax revenue equal to any portion of vendor fees not retained by retailers because they exceed the HB 19-1245 filing period limit is typically allocated to the Housing Development Grant Fund (HDGF), except that in FY 2024-25 through FY 2031-32, \$35,985,000 of this amount is allocated to the General Fund instead under [House Bill 24-1434](#). For FY 2032-33 and future years, \$985,000 of this amount is allocated to the General Fund instead.

[Senate Bill 22-006](#) clarified that the calculation of sales tax revenue to be allocated to the HDGF should only account for vendor fee changes in HB 19-1245. Functionally, this means that any other future vendor fee changes do not impact how much sales tax revenue is allocated to the HDGF, regardless of how a vendor fee change impacts total sales tax revenue. In FY 2024-25, sales tax revenue attributable to the HB 19-1245 vendor fee changes totaled \$76.8 million, of which \$40.8 million was allocated to the HDGF. The HDGF is used to fund affordable housing projects through a competitive grant process administered by the Division of Housing in the Department of Local Affairs.

State Revenue and Assumptions

The bill is expected to decrease General Fund revenue by \$110,208 in FY 2025-26 and \$220,416 in FY 2026-27 and future years.

In 2024, there were approximately 224 distinct retailers per month who reached the \$1,000 maximum amount. Because only returns with under \$1.0 million in sales can retain the vendor fee, the maximum amount a retailer could retain is \$1,160, equal to \$1.0 million multiplied by

the 2.9 percent tax rate and the 4 percent vendor fee rate. However, based on actual data for vendor fees retained, it is estimated that 224 retailers per month would retain an additional \$82 per filing, on average. In aggregate, the bill is projected to reduce revenue by \$220,416 each calendar year.

State Expenditures

The bill increases state expenditures in the Department of Revenue by about \$70,000 in the current FY 2025-26, \$39,000 in FY 2026-27, and \$9,000 in FY 2027-28 and future years. These costs, paid from the General Fund, are summarized in Table 3 and discussed below.

Table 3
State Expenditures
Department of Revenue

Cost Component	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$22,468	\$22,469	\$0
GenTax Programming and Testing	\$25,562	\$0	\$0
Office of Research and Analysis	\$8,778	\$8,702	\$8,702
Sales and Use Tax System Programming	\$5,500	\$0	\$0
Centrally Appropriated Costs	\$7,890	\$7,890	\$0
Total Costs	\$70,198	\$39,061	\$8,702
Total FTE	0.4 FTE	0.4 FTE	0.0 FTE

Department of Revenue

The DOR will require temporary staff and programming updates to implement the repeal of the vendor fee allowance beginning in FY 2025-26.

Staff

The DOR will require an additional 0.4 tax examiners in FY 2025-26 and FY 2026-27 for the Business Tax Accounting Section and Customer Contact Group, and possibly the Tax Audit and Compliance Section. Based on previous changes to the tax code, it is assumed that changing the sales tax vendor fee will result in a temporary increase in calls to the Customer Care Group and errors in sales and use tax returns immediately following implementation and tapering off after the first few years of implementation. It is estimated that approximately 15 percent of the projected 8,200 paper filers will make additional errors or call for assistance in FY 2025-26, and 7.5 percent in FY 2026-27. Additional staff will respond to questions and work with businesses to understand and correctly incorporate the change in law on their tax returns.

GenTax Programming and Testing

This bill requires expenditures of \$25,562 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$19,535, representing 80 hours of contract programming at a rate of \$244.19 per hour. Costs for system testing include \$3,731 for 91 hours of innovation, strategy, and delivery programming support and \$2,296 for 56 hours of user acceptance testing, both at a rate of \$41 per hour.

Office of Research and Analysis

Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. These costs are estimated at \$8,778, representing 231 hours for data management and reporting at \$38 per hour in FY 2025-26, and \$8,702 (229 hours) for FY 2026-27 and future years.

Sales and Use Tax System Programming

The Sales and Use Tax System—a DOR-managed portal that provides online tax remittance for sales and use tax and Geographic Information System (GIS) to identify the total sales tax rate for a given Colorado location—will require programming to update with the vendor fee changes required by this bill. Programming changes are estimated at \$5,500 based on similar previous projects.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 4 above.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$220,416 in FY 2026-27. The state is not projected to have a refund obligation for the current FY 2025-26. This estimate assumes the [July update to the June 2025 LCS revenue forecast](#). A forecast of state revenue subject to TABOR is not available beyond FY 2026-27.

Because TABOR refunds are paid from the General Fund, decreased General Fund revenue will lower the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save in FY 2026-27 and any future years when the state is over its revenue limit.

Local Government

For state-collected local governments that conform to the state sales and use tax base and vendor fee, the bill will reduce sales tax revenue.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

The bill requires the following General Fund appropriations to the Department of Revenue:

- \$62,308 and 0.4 FTE for the current FY 2025-26; and
- \$31,171 and 0.4 FTE for FY 2026-27.

State and Local Government Contacts

Local Affairs

Revenue

Personnel