Senate Sponsorship
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House Sponsorship
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Appropriations

A Bill for an Act

Concerning an electronic sales and use tax simplification

State of Colorado

First Regular Session
Seventy-second General Assembly

PREAMENDED
This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 19-0225.01 Esther van Mourik x4215

SENATE BILL 19-006

Bill Summary
(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that

Shading denotes HOUSE amendment  Double underlining denotes SENATE amendment
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.
Sales and Use Tax Simplification Task Force. The bill requires the department of revenue (department), within existing resources, to conduct a sourcing method in accordance with the applicable provisions of the procurement code, and any applicable rules, for the development of an electronic sales and use tax simplification system (system). The bill also requires the department to involve stakeholders to develop the scope of work.

The bill specifies that on and after the date the system is online the department is required to accept any returns and payments processed through the system for state sales and use tax and for any sales and use taxes that are collected by the department on behalf of any local taxing jurisdiction.

The bill specifies that it is the general assembly's intent that a certain number of local taxing jurisdictions with home rule charters voluntarily use the system when the system comes online. Additionally, the bill states that it is the general assembly's intent that all local taxing jurisdictions with home rule charters voluntarily use the system within a specified number of years.

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Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) The sales and use tax simplification task force (task force) has met several times in the interim between the 2018 and 2019 legislative sessions and has again heard testimony from both businesses and local governments about the complex nature of our state and local sales and use tax system;

(b) In enacting this act, the task force's objective is to take the next step toward the development and implementation of an electronic sales and use tax simplification system to be used by the state and local taxing jurisdictions for the acceptance of returns and processing of payments for the sales and use tax levied by the state and any local taxing jurisdictions;
(c) It is the task force's intent that the electronic sales and use tax simplification system allow for various payment options, including contributions by the state, local taxing jurisdictions, or retailers; ___

(d) It is the task force's intent to move forward with simplifying certain administrative details of the state and local sales and use tax system for the state and local taxing jurisdictions, but on an elective basis for any municipality with a home rule charter in order to protect the important legal authority of such entities as set forth in section 6 of article XX of the state constitution; and

(e) It is the task force's intent that the cost of the initial funding and ongoing maintenance of the electronic sales and use tax simplification system be paid for from the additional sales tax revenues that the state is receiving as a result of the United States Supreme Court's decision in *South Dakota v. Wayfair, Inc., et al.*, which allowed states to require retailers without physical presence in the state to collect sales tax on purchases made by in-state customers so long as the sales tax system in the state is not too burdensome for the out-of-state retailer.

SECTION 2. In Colorado Revised Statutes, 39-26-123, **amend** (3) as follows:

39-26-123. Receipts - disposition - transfers of general fund surplus - sales tax holding fund - creation - definitions. (3) For any state fiscal year commencing on or after July 1, 2013, the state treasurer shall credit eighty-five percent of all net revenue collected under the provisions of this article **ARTICLE 26** to the old age pension fund created in section 1 of article XXIV of the state constitution. The state treasurer shall credit to the general fund the remaining fifteen percent of the net revenue.
revenue, less:

(a) Ten million dollars, which the state treasurer shall credit to the older Coloradans cash fund created in section 26-11-205.5 (5); \textit{C.R.S.} \\
(b) Ten million dollars for the 2019-20 state fiscal year, which the state treasurer shall credit to the electronic sales and use tax simplification system cash fund created in section 39-26-802.7 (3); and \\
(c) Eight million seven hundred fifty thousand dollars for the 2020-21 state fiscal year, which the state treasurer shall credit to the electronic sales and use tax simplification system cash fund created in section 39-26-802.7 (3).

\textbf{SECTION 3.} In Colorado Revised Statutes, \textbf{add} 39-26-802.7 as follows:

39-26-802.7. Electronic sales and use tax simplification system - sourcing method - implementation cash fund - legislative intent - definitions. (1) As used in this section, unless the context otherwise requires:

(a) \textquote{DEPARTMENT} means the department of revenue.

(b) \textquote{LOCAL TAXING JURISDICTION} means a city, town, municipality, county, special district, or authority authorized to levy a sales or use tax pursuant to title 24, 25, 29, 30, 31, 32, 37, 42, or 43, and any county, city and county, or municipality governed by a home rule charter.

(c) \textquote{OFFICE OF INFORMATION TECHNOLOGY} or \textquote{OFFICE} means the office of information technology created in section 24-37.5-103.

(d) \textquote{SALES AND USE TAX SIMPLIFICATION TASK FORCE} or \textquote{TASK
FORCE" MEANS THE SALES AND USE TAX SIMPLIFICATION TASK FORCE
CREATED IN SECTION 39-26-802.

(2) (a) The Office of Information Technology, on behalf of
the department, within existing resources, shall conduct a
sourcing method in accordance with the applicable provisions of
the "Procurement Code", articles 101 to 112 of title 24, and any
applicable rules, for the development of an electronic sales and
use tax simplification system. The office and the department
shall involve stakeholders to develop the scope of work.

(b) On and after the date the electronic sales and use tax
simplification system is online, and notwithstanding any law to
the contrary, the department shall accept any returns and
payments processed through the system for state sales and use
tax and for any sales and use taxes that are collected by the
department on behalf of any local taxing jurisdiction.

(c) (I) On and after the date the electronic sales and use
tax simplification system is online, it is the General Assembly’s
intent that at least three local governments governed by a
home rule charter voluntarily use the system for accepting
returns and processing payments of any local sales and use tax.

(II) It is the General Assembly’s intent that the voluntary
use of the system increase every year so that no later than
three years after the effective date of this section all local
governments governed by a home rule charter are voluntarily
using the system.

(3) (a) The electronic sales and use tax simplification
system cash fund is hereby created in the state treasury.
FUND CONSISTS OF MONEY CREDITED TO THE FUND PURSUANT TO SECTION 39-26-123 (3) AND ANY OTHER MONEY THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR TRANSFER TO THE FUND.

(b) The state treasurer shall credit all interest and income derived from the deposit and investment of money in the electronic sales and use tax simplification system cash fund to the fund.

(c) Subject to annual appropriation by the general assembly, the office of information technology may expend money from the fund for the initial funding and ongoing maintenance of the electronic sales and use tax simplification system. Any contract entered into for the system must provide that initial funding payments to the vendor are made on a quarterly basis.

(4) In the interim between the 2019 and 2020 legislative sessions, the office and the department shall regularly provide the sales and use tax simplification task force with any such detailed information regarding the sourcing method progress as is allowed under the procurement code.

SECTION 4. In Colorado Revised Statutes, 24-75-402, add (5)(qq) as follows:

24-75-402. Cash funds - limit on uncommitted reserves - reduction in the amount of fees - exclusions - repeal.

(5) Notwithstanding any provision of this section to the contrary, the following cash funds are excluded from the limitations specified in this section:

(qq) The electronic sales and use tax simplification system
SECTION 5. Appropriation. (1) For the 2019-20 state fiscal year, $9,183,000 is appropriated to the Office of the Governor for use by the Office of Information Technology. This appropriation is from the electronic sales and use tax simplification system cash fund created in section 39-26-802.7 (3), C.R.S. To implement this act, the office of information technology may use this appropriation for the initial funding of the electronic sales and use tax simplification system.

(2) (a) For the 2019-20 state fiscal year, $817,000 is appropriated to the department of revenue. This appropriation is from the electronic sales and use tax simplification system cash fund created in section 39-26-802.7 (3), C.R.S. To implement this act, the department may use this appropriation for the purchase of information technology services, specifically 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.

(b) For the 2019-20 state fiscal year, $817,000 is appropriated to the office of the governor for use by the office of information technology. This appropriation is from reappropriated funds received from the department of revenue under subsection (2)(a) of this section. To implement this act, the office may use this appropriation to provide information technology services for the department of revenue as specified in subsection (2)(a) of this section.

SECTION 6. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.