



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Fiscal Note

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<b>Drafting Number:</b>	LLS 22-0149	<b>Date:</b>	January 19, 2022
<b>Prime Sponsors:</b>	Rep. Van Winkle; Kipp Sen. Bridges; Woodward	<b>Bill Status:</b>	House Business
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**Bill Topic:** SALES TAX DESTINATION SOURCING RULES EXCEPTION

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**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill extends the small retailer exception from destination-based sales and use tax sourcing rules until October 2022. Depending on the location, the bill may increase or decrease local government and special district revenues in FY 2022-23.

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**Appropriation Summary:** No appropriation is required.

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**Fiscal Note Status:** The fiscal note reflects the introduced bill. The bill was recommended by the Sales and Use Tax Simplification Task Force.

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## Summary of Legislation

This bill allows small retailers to continue sourcing sales to their Colorado business location when collecting and remitting sales and use tax until October 1, 2022, an eight-month extension relative to current law.

## Background

House Bill 19-1240 codified the Department of Revenue's destination-sourcing rules for state and local sales tax collection, requiring retailers to collect and remit sales taxes based on where a buyer takes possession of a purchase. The bill allowed small retailers, those with less than \$100,000 in annual sales, to source sales to their Colorado business location until an online sales tax rate lookup tool developed by the state was available. The bill gave small retailers 90 days after the tool was ready to begin destination sourcing. On April 1, 2021, the Department of Revenue sent a notice to retailers that the tool was ready to use and destination-sourcing rules would be required. Senate Bill 21-282 extended this deadline to February 1, 2022. This bill extends the deadline further, to October 1, 2022.

## Local Government

The bill could increase or decrease city, county, or special district sales and use tax revenue depending on the business locations of small retailers and source of the sale as determined by the Department of Revenue's rules. The effect of the shift to destination sourcing on various taxing jurisdictions cannot be determined based on available information.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State and Local Government Contacts

Counties	Information Technology
Municipalities	Regional Transportation District
Personnel	Revenue
Special Districts	