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Fiscal Note

Drafting Number: LLS 24-0378 Date: January 11, 2024
Prime Sponsors: Rep. Kipp; Taggart Bill Status: House Finance
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Bill Topic: STREAMLINE FILING SALES AND USE TAX RETURNS

Summary of Fiscal Impact:
State Revenue [] State Transfer [] Local Government [x]
State Expenditure [x] TABOR Refund [] Statutory Public Entity [x]

The bill modifies tax filing thresholds for any sales and use taxes collected by jurisdictions that do not use the state sales and use tax simplification system (SUTS). It also requires that all home rule jurisdictions use the SUTS system beginning July 1, 2025. The bill increases state and local expenditures in FY 2024-25 only.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$17,200 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 24-1041

Table with 3 columns: Category, Budget Year FY 2024-25, and Out Year FY 2025-26. Rows include Revenue, Expenditures (General Fund), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

Filing thresholds. Beginning January 1, 2025, the bill requires home rule taxing jurisdictions that do not use the sales and use tax simplification system (SUTS) to modify taxpayers' filing thresholds as follows:

- taxpayers that annually collect less than \$2,000 in tax must file and pay taxes no more than once every year;
- taxpayers that collect \$2,000 to \$25,000 in tax must file and pay taxes no more than once every three months (quarterly); and
- taxpayers that collect more than \$25,000 must file and pay taxes monthly.

Beginning January 1, 2025, the bill also allows the Department of Revenue (DOR) to permit taxpayers who collect more than \$600 in tax per month to file no more than once every three months. Currently, that threshold is \$300 in tax per month.

Use of SUTS system. Under current law, home rule taxing jurisdictions are not required to use SUTS. The bill requires these jurisdictions to use the SUTS system by July 1, 2025. Failure to comply prohibits a taxing jurisdiction from participating in streamlined licensing and tax administration provisions for retailers with limited physical presence in the jurisdiction.

State Expenditures

The bill increases state General Fund expenditures in the DOR by \$17,200 in FY 2024-25 only. Costs are listed in Table 2 and described below.

Table 2
Expenditures Under HB 24-1041

	FY 2024-25	FY 2025-26
Department of Revenue		
GenTax Programming & Testing	\$15,200	-
MyBizColorado Updates	\$2,000	-
Total Cost	\$17,200	-

Department of Revenue. The DOR will incur one-time costs in FY 2024-25 to modify filing thresholds in the GenTax and MyBizColorado systems. Workload will also increase to support the home rule cities in transitioning to the SUTS system and to notify taxpayers of filing threshold changes.

- **GenTax changes.** GenTax costs are estimated at \$15,200, including programming and testing. Programming costs are \$1,159, based on 5 hours of contract programming at a rate of \$231.75 per hour, and testing costs are \$9,625, based on 275 hours at a rate of \$35 per hour for innovation, strategy, and delivery testing, and \$4,416 based on 138 hours at a rate of \$32 per hour for user acceptance testing.

- **MyBizColorado changes.** The MyBizColorado system allows businesses to file with the state, including obtaining a sales tax license and wage withholding account from the DOR. Changes to the system are made by the Statewide Internet Portal Authority (SIPA), which then bills the DOR for the cost of changes. The cost to modify filing thresholds is estimated at \$2,000 for DOR to pay for the programming changes.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Local Government

The bill increases impacts revenue and expenditures for local jurisdictions that levy a sales tax in a few ways. Home rule municipalities that are not currently using SUTS will incur costs to modify systems and procedures to utilize the SUTS system by July 1, 2025, and will be responsible for the current bank batch transfer fees, estimated at \$260 per year. As of January 2024, Aspen, Delta, Sterling, and Telluride are not using SUTS.

Cities that are not currently using SUTS will have increased costs to modify their software to align with the new filing thresholds. Local governments may also see a shift in when they receive revenue, as retailers may be filing taxes less frequently. Impacts will vary across local governments.

Statutory Public Entity

The bill increases workload for SIPA to make modifications to the MyBizColorado system. Updates are expected to cost about \$2,000, paid for by the DOR, as discussed above.

Effective Date

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

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$17,200 to the Department of Revenue.

State and Local Government Contacts

Counties	Municipalities	Revenue
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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.