



Legislative Council Staff *Nonpartisan Services for Colorado's Legislature*

Revised Fiscal Note

(replaces fiscal note dated January 11, 2024)

Drafting Number:	LLS 24-0378	Date:	February 21, 2024
Prime Sponsors:	Rep. Kipp; Taggart Sen. Bridges; Van Winkle	Bill Status:	Senate Finance
		Fiscal Analyst:	Anna Gerstle 303-866-4375 anna.gerstle@coleg.gov

Bill Topic: **STREAMLINE FILING SALES & USE TAX RETURNS**

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

The bill allows the Department of Revenue to increase sales and use tax filing thresholds. It also clarifies home rule jurisdictions' ability to collect sales and use tax from retailers without a physical presence in the state. The bill increases state expenditures in FY 2024-25 only and impacts local revenue collection and statutory public entity workload.

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

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

**Table 1
State Fiscal Impacts Under HB 24-1041**

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	General Fund	\$17,200	-
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$2,580	-

Summary of Legislation

The bill specifies that home rule taxing jurisdictions that do not use the state sales and use tax simplification system (SUTS) must not collect sales and use tax from a retailer that does not have a physical presence in the state, unless the retailer elects to collect or remit sales tax or enters into a voluntary collection agreement with the jurisdiction.

Beginning January 1, 2025, the bill also allows the Department of Revenue (DOR) to permit taxpayers who collect less than \$600 in sales or use tax per month to file no more than once every three months. Currently, that threshold is \$300 per month. Beginning January 1, 2026, DOR may increase that threshold by rule.

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

Local governments may see a shift in when they receive revenue, as retailers may be filing taxes less frequently due to the increased filing threshold in SUTS. The provision specifying that local governments that collect their own sales and use tax may not collect from retailers without a physical presence in the state codifies current practice into law and, thus, is not expected to have a fiscal impact.

Statutory Public Entity

The bill increases workload for the Statewide Internet Portal Authority 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

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.