

**First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO**

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 25-0196.01 Alison Killen x4350

SENATE BILL 25-046

SENATE SPONSORSHIP

Bridges and Kipp, Amabile, Coleman, Cutter, Exum, Jaquez Lewis, Jodeh, Michaelson
Jenet, Snyder

HOUSE SPONSORSHIP

Taggart,

Senate Committees
Finance

House Committees

A BILL FOR AN ACT

101 **CONCERNING LOCAL GOVERNMENT SALES OR USE TAX**
102 **INVESTIGATIONS, AND, IN CONNECTION THEREWITH,**
103 **ESTABLISHING UNIFORM CONFIDENTIALITY STANDARDS FOR THE**
104 **PROTECTION OF TAXPAYER INFORMATION.**

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 applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Sales and Use Tax Simplification Task Force. Section 1 of the bill establishes uniform confidentiality standards for the protection of taxpayer information used or obtained in connection with a sales or use

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

SENATE
3rd Reading Unamended
February 3, 2025

SENATE
Amended 2nd Reading
January 31, 2025

tax investigation performed by a third-party auditor on behalf of a local taxing jurisdiction. Third-party auditors are generally prohibited from divulging or making known in any way to any person information that is obtained from a sales or use tax investigation on behalf of a local taxing jurisdiction or disclosed in any document, report, or return filed in connection with local sales or use taxes. Third-party auditors are permitted to disclose taxpayer information in certain limited circumstances, including disclosure to:

- An official, employee, hearing officer, attorney, or other public agent of the local taxing jurisdiction who is authorized to receive such information in connection with the local taxing jurisdiction's sales or use tax investigation performed by the third-party auditor;
- A requesting taxpayer, or the taxpayer's authorized agent, of the taxpayer's own tax filings;
- The department of revenue (department) for purposes of statistical analysis and publication as authorized by current law; and
- The department and the federal internal revenue service as necessary and pertinent to a taxpayer's compliance or failure to comply with state or federal tax law.

Violation of the confidentiality provisions in **section 1** is a misdemeanor punishable by a fine of not more than \$1,000 per violation.

Section 2 clarifies the authority of the executive director of the department to share taxpayer information with statutory local governments, special districts, and requesting home rule jurisdictions as necessary to facilitate dispute resolution, coordination, intergovernmental agreements, and information sharing between the department and such local governments consistent with current law, which prohibits the disclosure of any such shared information to any third party.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 29-2-217 as
3 follows:

4 **29-2-217. Local taxing jurisdictions sales or use tax**
5 **investigations - confidentiality requirements - limitations -**
6 **enforcement - definitions.** (1) AS USED IN THIS SECTION, UNLESS THE
7 CONTEXT OTHERWISE REQUIRES:

8 (a) "LOCAL TAXING JURISDICTION" HAS THE SAME MEANING AS SET

1 FORTH IN SECTION 39-26-802.7 (1)(b) AND INCLUDES A:

2 (I) STATUTORY LOCAL GOVERNMENT;

3 (II) SPECIAL DISTRICT;

4 (III) REQUESTING HOME RULE JURISDICTION; AND

5 (IV) SELF-COLLECTING HOME RULE JURISDICTION.

6 (b) "SALES OR USE TAX" INCLUDES ALL LOCAL SALES OR USE
7 TAXES AND ALL TAXES DESCRIBED IN SECTION 29-2-201 (8).

8 (c) "SELF-COLLECTING HOME RULE JURISDICTION" MEANS A HOME
9 RULE JURISDICTION THAT IS NOT A REQUESTING HOME RULE JURISDICTION.

10 (d) "TAXPAYER" HAS THE SAME MEANING AS SET FORTH IN
11 SECTION 39-21-101 (4). "TAXPAYER" INCLUDES A "RETAILER" OR
12 "VENDOR" AS DEFINED IN SECTION 39-26-102 (8).

13 (e)(I) "THIRD-PARTY AUDITOR" MEANS A PRIVATE INDIVIDUAL OR
14 ENTITY THAT IS NOT AN OFFICIAL, EMPLOYEE, HEARING OFFICER, OR
15 ATTORNEY, OR OTHERWISE A PUBLIC AGENT OF A LOCAL TAXING
16 JURISDICTION, THAT CONDUCTS A SALES OR USE TAX INVESTIGATION OF A
17 TAXPAYER ON BEHALF OF A LOCAL TAXING JURISDICTION.

18 (II) FOR PURPOSES OF THIS SUBSECTION (1)(e), "PUBLIC AGENT OF
19 A LOCAL TAXING JURISDICTION" INCLUDES:

20 (A) AN OFFICIAL, EMPLOYEE, OR AGENT OF THE DEPARTMENT OF
21 REVENUE WHO CONDUCTS A SALES OR USE TAX INVESTIGATION OF A
22 TAXPAYER ON BEHALF OF A LOCAL TAXING JURISDICTION IN ACCORDANCE
23 WITH THIS PART 2 AND ARTICLE 21 OF TITLE 39; AND

24 (B) AN OFFICIAL, EMPLOYEE, OR AGENT OF THE MULTISTATE TAX
25 COMMISSION, ESTABLISHED IN SECTION 24-60-1301, WHO CONDUCTS A
26 SALES OR USE TAX INVESTIGATION OF A TAXPAYER ON BEHALF OF A LOCAL
27 TAXING JURISDICTION PURSUANT TO SECTION 24-60-1306, AND IN

1 ACCORDANCE WITH THE MULTISTATE TAX COMPACT, SET FORTH IN PART
2 13 OF ARTICLE 60 OF TITLE 24.

3 (2) (a) EXCEPT IN ACCORDANCE WITH A JUDICIAL ORDER OR AS
4 OTHERWISE PROVIDED IN SUBSECTIONS (2)(b)(I) TO (2)(b)(IV) OR (3) OF
5 THIS SECTION, A THIRD-PARTY AUDITOR SHALL NOT DIVULGE OR MAKE
6 KNOWN IN ANY WAY ANY INFORMATION OBTAINED FROM A SALES OR USE
7 TAX INVESTIGATION CONDUCTED BY THE THIRD-PARTY AUDITOR ON
8 BEHALF OF A LOCAL TAXING JURISDICTION, OR DISCLOSED IN ANY
9 DOCUMENT, REPORT, OR RETURN FILED IN CONNECTION WITH ANY OF THE
10 TAXES OR FEES WITHIN THE SCOPE OF THIS PART 2. A THIRD-PARTY
11 AUDITOR CHARGED WITH THE CUSTODY OF SUCH INVESTIGATORY
12 INFORMATION, DOCUMENTS, REPORTS, AND RETURNS SHALL NOT BE
13 REQUIRED TO PRODUCE ANY SUCH INFORMATION OR DOCUMENTATION IN
14 ANY ACTION OR PROCEEDING IN ANY COURT EXCEPT IN AN ACTION OR
15 PROCEEDING UNDER THE PROVISIONS OF THIS PART 2 OR PART 3 OF THIS
16 ARTICLE 2 TO WHICH THE LOCAL TAXING JURISDICTION AUTHORIZING THE
17 SALES OR USE TAX INVESTIGATION IS A PARTY, IN WHICH EVENT THE
18 COURT MAY REQUIRE THE PRODUCTION OF, AND MAY ADMIT IN EVIDENCE,
19 SO MUCH OF THE INFORMATION AND DOCUMENTATION AS IS PERTINENT TO
20 THE ACTION OR PROCEEDING.

21 (b) NOTWITHSTANDING SUBSECTION (2)(a) OF THIS SECTION, A
22 THIRD-PARTY AUDITOR MAY:

23 (I) DISCLOSE THE CONTENTS OF ANY REPORT PREPARED BY THE
24 THIRD-PARTY AUDITOR, AND ANY INFORMATION, DOCUMENTS, REPORTS,
25 AND RETURNS RELIED UPON IN PREPARING THE REPORT, TO AN OFFICIAL,
26 EMPLOYEE, HEARING OFFICER, ATTORNEY, OR OTHER PUBLIC AGENT OF
27 THE LOCAL TAXING JURISDICTION AUTHORIZED TO RECEIVE SUCH

1 INFORMATION IN CONNECTION WITH THE LOCAL TAXING JURISDICTION'S
2 SALES OR USE TAX INVESTIGATION PERFORMED BY THE THIRD-PARTY
3 AUDITOR;

4 (II) DELIVER TO A TAXPAYER OR THE TAXPAYER'S DULY
5 AUTHORIZED REPRESENTATIVE A COPY OF ANY RETURN OR REPORT FILED
6 IN CONNECTION WITH THE TAXPAYER'S TAXES OR FEES WITHIN THE SCOPE
7 OF THIS PART 2;

8 (III) PROVIDE INFORMATION TO THE DEPARTMENT FOR THE
9 PUBLICATION BY THE DEPARTMENT OF STATISTICS IN ACCORDANCE WITH
10 SECTION 39-21-113 (5); AND

11 (IV) PROVIDE INFORMATION TO THE DEPARTMENT AND THE
12 FEDERAL INTERNAL REVENUE SERVICE AS NECESSARY AND PERTINENT TO
13 A TAXPAYER'S COMPLIANCE OR FAILURE TO COMPLY WITH STATE OR
14 FEDERAL TAX LAW.

15 (3) A TAXPAYER WHO FILED A DOCUMENT, REPORT, OR RETURN
16 WITH THE STATE OR A LOCAL TAXING JURISDICTION MAY WAIVE THE
17 CONFIDENTIALITY PROTECTIONS SET FORTH IN SUBSECTION (2)(a) OF THIS
18 SECTION AS TO SUCH DOCUMENT, REPORT, OR RETURN. SUCH WAIVER
19 MUST BE VOLUNTARY, IN WRITING, AND SIGNED BY THE TAXPAYER OR THE
20 TAXPAYER'S DULY AUTHORIZED REPRESENTATIVE.

21 (4) ANY THIRD-PARTY AUDITOR, INCLUDING ANY OFFICIAL,
22 EMPLOYEE, ATTORNEY, OR OTHER AGENT OF A THIRD-PARTY AUDITOR,
23 WHO WILLFULLY VIOLATES ANY OF THE PROVISIONS OF THIS SECTION IS
24 GUILTY OF A MISDEMEANOR AND, UPON CONVICTION THEREOF, SHALL BE
25 PUNISHED BY A FINE OF NOT MORE THAN ONE THOUSAND DOLLARS PER
26 VIOLATION.

27 **SECTION 2.** In Colorado Revised Statutes, 39-21-113, **amend**

1 **as it will become effective July 1, 2025,** (35) as follows:

2 **39-21-113. Reports and returns - rule - repeal.**

3 (35) Notwithstanding the confidentiality requirements in this section, the
4 executive director has the authority to share taxpayer information as
5 necessary pursuant to ~~section 29-2-208~~ SECTIONS 29-2-208 AND 29-2-213
6 TO 29-2-215.

7 **SECTION 3. Effective date.** This act takes effect July 1, 2025.

8 **SECTION 4. Safety clause.** The general assembly finds,
9 determines, and declares that this act is necessary for the immediate
10 preservation of the public peace, health, or safety or for appropriations for
11 the support and maintenance of the departments of the state and state
12 institutions.