

CHAPTER 20

TAXATION

SENATE BILL 25-046

BY SENATOR(S) Bridges and Kipp, Amabile, Cutter, Exum, Jodeh, Michaelson Jenet, Snyder, Coleman;
also REPRESENTATIVE(S) Taggart, Bird, Boesenecker, Duran, Lindstedt, Phillips, Titone, McCluskie.

AN ACT

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

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

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

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

(a) "LOCAL TAXING JURISDICTION" HAS THE SAME MEANING AS SET FORTH IN SECTION 39-26-802.7 (1)(b) AND INCLUDES A:

- (I) STATUTORY LOCAL GOVERNMENT;
- (II) SPECIAL DISTRICT;
- (III) REQUESTING HOME RULE JURISDICTION; AND
- (IV) SELF-COLLECTING HOME RULE JURISDICTION.

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

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

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

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

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

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

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

(B) AN OFFICIAL, EMPLOYEE, OR AGENT OF THE MULTISTATE TAX COMMISSION, ESTABLISHED IN SECTION 24-60-1301, WHO CONDUCTS A SALES OR USE TAX INVESTIGATION OF A TAXPAYER ON BEHALF OF A LOCAL TAXING JURISDICTION PURSUANT TO SECTION 24-60-1306, AND IN ACCORDANCE WITH THE MULTISTATE TAX COMPACT, SET FORTH IN PART 13 OF ARTICLE 60 OF TITLE 24.

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

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

(I) DISCLOSE THE CONTENTS OF ANY REPORT PREPARED BY THE THIRD-PARTY AUDITOR, AND ANY INFORMATION, DOCUMENTS, REPORTS, AND RETURNS RELIED UPON IN PREPARING THE REPORT, TO AN OFFICIAL, EMPLOYEE, HEARING OFFICER, ATTORNEY, OR OTHER PUBLIC AGENT OF THE LOCAL TAXING JURISDICTION AUTHORIZED TO RECEIVE SUCH INFORMATION IN CONNECTION WITH THE LOCAL TAXING JURISDICTION'S SALES OR USE TAX INVESTIGATION PERFORMED BY THE THIRD-PARTY AUDITOR;

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

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

(IV) PROVIDE INFORMATION TO 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.

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

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

SECTION 2. In Colorado Revised Statutes, 39-21-113, **amend as it will become effective July 1, 2025**, (35) as follows:

39-21-113. Reports and returns - rule - repeal. (35) Notwithstanding the confidentiality requirements in this section, the executive director has the authority to share taxpayer information as necessary pursuant to ~~section 29-2-208~~ SECTIONS 29-2-208 AND 29-2-213 TO 29-2-215.

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

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

Approved: March 20, 2025