



# Sales and Use Tax Simplification Task Force

Colorado Department of Revenue  
July 13, 2022



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Department of Revenue  
Taxation Division



## Agenda

- SUTS Update
- SB21-260 Retail Delivery Fee Implementation
- Vendor Fee
- Sales Tax Return Restructuring



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# Sales and Use Tax System (SUTS)



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## Filing System Usage

- Almost \$100,000,000 remitted through SUTS through May 31, 2022.
- Approximately 50,000 returns per month from approximately 830 retailers.
- 56 cities have signed the SUTS agreement, and 53 of those cities are live in the system.





## SUTS Integrations

- Third-party bulk filing is available in SUTS. GovOS is willing to work with companies should they need assistance utilizing the functionality.
- Shopping cart integration.
  - A WooCommerce plug-in was developed and made available via an open source platform for anyone to use for free.
  - WooCommerce and Shopify have contracted with Avalara (TTR) to integrate the sales tax data into their first party shopping carts. These two platforms account for around 45% of the ecommerce market share.



## SUTS Governance

- Governance committee
  - Executive Committee meets quarterly to review and prioritize work within the existing appropriation.
  - Q & A with the members.
- DOR also meets quarterly with home-rule cities and CML.



## Retail Delivery Fees in SUTS

Retail Delivery Fee Phase	Jul	Aug	Sep	Oct	Nov	Dec
Account Structure	█					
Form & Filing		█				
Registration & Queries			█			
XML & ACH Exports			█			
UAT & Training					█	
Go Live						█



## SB21-260 Retail Delivery Fee



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## Retail Delivery Fee Basics

- \$0.27 per “retail delivery” (adjusted annually for inflation).
- A “retail delivery” is a retail sale of tangible personal property for delivery by a motor vehicle to the purchaser at a location in Colorado.
- The fee is imposed on the purchaser, and is collected and remitted by the retailer.

[Tax.Colorado.gov/retail-delivery-fee](https://Tax.Colorado.gov/retail-delivery-fee)



## Retail Delivery Fee Basics

- Each sale is a single retail delivery even if multiple shipments are required.
- The fee applies whether the delivery by motor vehicle is made by the retailer or by a third party.





## Fee Exemptions

- At least one delivered item must be subject to state sales tax.
- The fee applies only to retail sales (not wholesale sales).
- The fee does not apply if the purchaser is exempt from state sales tax (e.g., governments and charitable organizations).



## Fee Implementation

- Fee collection began July 1, 2022. First returns will be due August 22, 2022 (for monthly filers).
- CDOR is not prioritizing enforcement of the collection requirement as long as retailers are paying the full amount of the fees due.
- CDOR will be generous in granting requests for penalty and interest waiver.



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# Vendor Fee



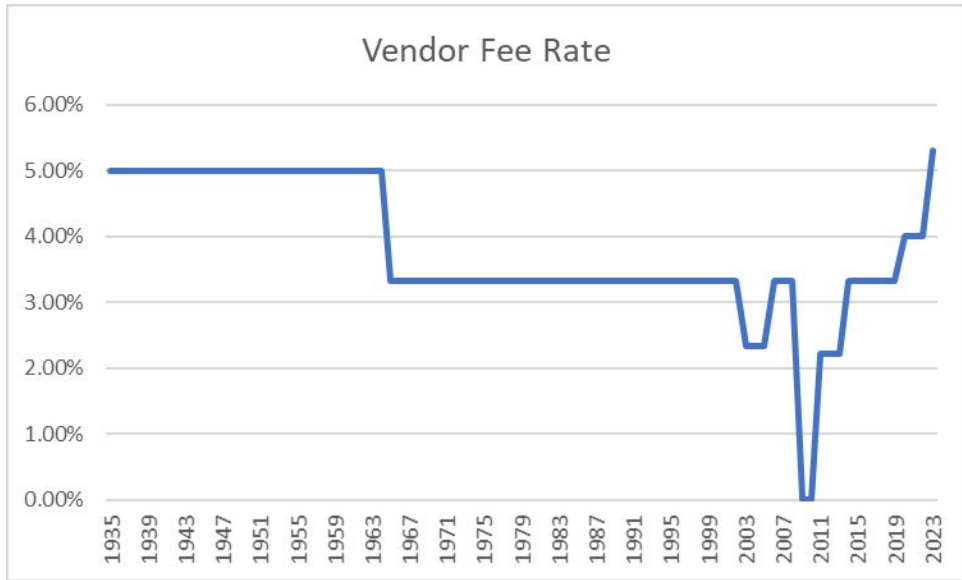
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## Vendor Fee Basics

- Most retailers are permitted to retain a portion of the sales tax collected each period to cover their expenses in collecting state sales tax.
  - Currently, the fee is 4.0% with a maximum of \$1,000 per period. Retailers with sales in excess of \$1 million for a filing period are not allowed a vendor fee.
  - The fee is forfeited if the retailer is late in filing a return or paying the tax due.
- Most state-administered local jurisdictions also allow a vendor fee.





## Vendor Fees in Other States

- 45 states and the District of Columbia impose a sales tax.
- Of those, 18 do not allow any vendor fee.
- The remaining 28 have rates between 0.25% and 5% (1.67% is the average). Caps range from \$0 to \$15,000 per filing period, with an average of \$874.







## Colorado Vendor Fee Impacts

- Revenue Impact:
  - 2017: \$95,676,000
  - 2019: \$107,884,000
- In 2017, 88 retailers (out of approximately 102,000) accounted for 30% of the total vendor fees retained. More than half of the total fees were retained by 503 retailers.



## Recent Developments

- HB19-1245: Increased rate from 3.33% to 4.0% and imposed a \$1,000 per filing-period cap.
- HB21-1312: Disallowed the vendor fee for any period during which a retailer's sales exceed \$1 million.
- SB22-006: Temporarily increases the rate to 5.3% for any period during which a retailer's taxable sales are less than \$100,000.



# Sales Tax Return Simplification



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## Structure of the Return

					1. Gross Sales	
					2. Schedule A Total	
		<b>State</b>	<b>RTD/CD</b>	<b>District</b>	<b>County</b>	<b>City</b>
3. Line 1 less Line 2	Calculations ↓					
4. Schedule B Total						
5. Net Taxable Sales						

Jurisdictions →



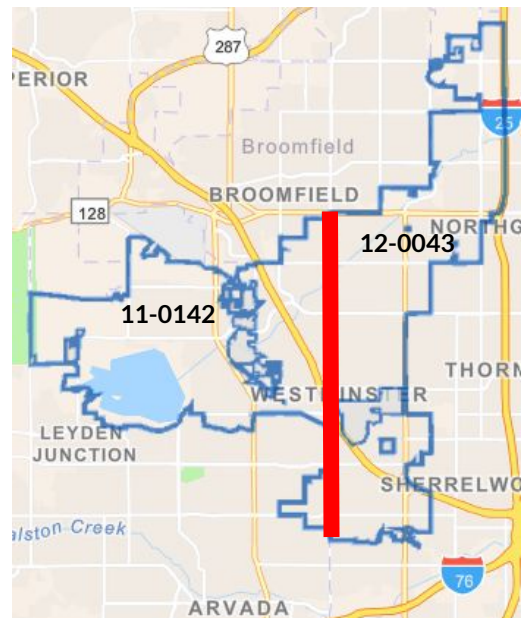
## Structure of the Return

	State	RTD/CD	District	County	City
1. Sales of Food					
2. Machinery					
3. Residential Energy					
4. Ag. Exemptions					
5. Low-emitting vehicles					



## Location Codes and Sites

- Each unique combination of jurisdictions is assigned a location code
- When retailers register a new site, it is assigned to a location code
- Allow DOR to distribute tax to local jurisdictions





## Why This Structure?

- Historic relevance of physical locations
- Historic reliance on paper forms
- Programs and Distributions Reliant on Return Data



## Sourcing Rules

### *Pre-Wayfair*

- Nexus was based on physical presence
- Collection only in shared jurisdictions

### *Post-Wayfair*

- Economic nexus
- Statewide destination sourcing
- “Non-physical” Sites



## Challenges with the Current Structure

- Multiplies the number of returns (or increases the complexity of electronic files) and increases the detail retailers must track
- Growth in types of special districts empowered to impose sales tax, and in the number of districts electing to impose that tax, are necessitating additional columns



## Jurisdiction-Based Reporting Solution

	Gross Sales	Deductions Exemptions	Net Taxable Sales	Tax Rate	Tax on Net Taxable
State					
RTD					
SCFD					
Adams County					
Arapahoe County					

Diagram annotations: A vertical blue arrow labeled "Jurisdictions" points downwards from the top row to the bottom row. A horizontal blue arrow labeled "Calculations" points from the "Deductions Exemptions" column to the "Tax on Net Taxable" column.





## Benefits of Jurisdiction-Based Reporting

- Simplifies the return, particularly for statewide businesses that file electronically. Could also simplify SUTS filings.
- Easy to onboard new local governments and accommodate changes to existing local tax collections
- Reduces risks posed by base disparity
- Increased local control over vendor fee



## Trade-Offs of Jurisdiction-Based Reporting

- Cost to make the change
- Decreased transparency
- No Tax Expenditure Detail





## Related Program Changes

- Cigarette Tax Local Share Distribution
- RTD/SCFD Spending Requirements
- Inter-governmental Revenue Sharing Agreements
- Regional Tourism Tax Increment Distributions

