BILL TOPIC: "Electronic Sales & Use Tax Simplification System"

A BILL FOR AN ACT

CONCERNING AN ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM, AND, IN CONNECTION THEREWITH, REQUIRING THE SOLICITATION FOR BIDS AND DEVELOPMENT OF THE SYSTEM AND ESTABLISHING THE IMPLEMENTATION OF THE SYSTEM FOR THE ADMINISTRATION AND COLLECTION OF SALES AND USE TAX LEVIED BY THE STATE AND ANY LOCAL TAXING JURISDICTIONS.

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. The bill requires

Capital letters or bold & italic numbers indicate new material to be added to existing statute. Dashes through the words indicate deletions from existing statute.
the department of revenue to solicit bids for the development of an electronic sales and use tax simplification system (system). The bill specifies that the bids may be sought through the state procurement process or through an open and transparent cooperative agreement outside of the procurement process that is reviewed and approved by a newly created evaluation committee.

The bill defines the system as providing, at a minimum, among other things:

- Accurate address location information;
- A single application process for sales tax licenses;
- A uniform sales and use tax remittance form;
- A single point of remittance; and
- A taxability or exemption matrix.

The bill creates a 5-member evaluation committee consisting of:

- Two legislative members of the sales and use tax simplification task force, one from the majority party and one from the minority party;
- One representative of the department of revenue;
- One representative of the Colorado municipal league; and
- One representative of the business community.

The bill establishes deadlines, with possible extensions, as approved by the evaluation committee, for:

- When bids must be received for the development of the system;
- When any contract for the development of the system must be entered into; and
- When the system must be online for use by the state for state sales and use tax and by the state for state-collected local sales and use tax.

The bill specifies that it is the general assembly's intent that a certain number of local taxing jurisdictions with home rule charters voluntarily use the system when the system comes online. Additionally, the bill states that it is the general assembly's intent that all local taxing jurisdictions with home rule charters voluntarily use the system within a specified number of years.

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

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) The sales and use tax simplification task force (task force) has met several times in the interim between the 2018 and 2019 legislative
sessions and has again heard testimony from both businesses and local
governments about the complex nature of our state and local sales and use
tax system;

(b) In enacting this act, the task force's objective is to take the next
step toward the development and implementation of an electronic sales
and use tax simplification system to be used by the state and local taxing
jurisdictions for the administration and collection of sales and use tax;

(c) It is the task force's intent that the electronic sales and use tax
simplification system allow for various payment options, including
contributions by the state, local taxing jurisdictions, or retailers; and

(d) It is the task force's intent to move forward with simplifying
certain administrative details of the state and local sales and use tax
system for the state and local taxing jurisdictions, but on an elective basis
for any municipality or county with a home rule charter in order to protect
the important legal authority of such entities as set forth in section 6 of
article XX of the state constitution.

SECTION 2. In Colorado Revised Statutes, add 39-26-802.7 as
follows:

39-26-802.7. Electronic sales and use tax simplification system
- solicitation for bids - development - implementation - legislative
intent - definitions. (1) AS USED IN THIS SECTION, UNLESS THE CONTEXT
OTHERWISE REQUIRES:

(a) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(b) "ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM" OR
"SYSTEM" MEANS A COMPUTER SOFTWARE SYSTEM THAT AT A MINIMUM:

(I) PROVIDES ACCURATE ADDRESS LOCATION INFORMATION TO BE USED BY A RETAILER TO DETERMINE THE CORRECT LOCAL TAXING
(II) Provides a single application process for state sales tax licenses and sales tax licenses for all local taxing jurisdictions;

(III) Provides a uniform sales and use tax remittance form for the state and all local taxing jurisdictions;

(IV) Provides a single point of remittance for state sales or use tax and any sales or use tax levied by a local taxing jurisdiction;

(V) Provides a taxability or exemption matrix;

(VI) Provides access to the data that the state or any local taxing jurisdiction may need for purposes of auditing taxpayers or for reconciling sales and use tax revenue projections;

(VII) Is able to interface with all existing accounting systems used by the retailers, the state, or local taxing jurisdictions;

(VIII) Allows for various payment options to pay for the cost of the development and implementation of the system, including contributions by the state, local taxing jurisdictions, or retailers, or any combination thereof;

(IX) Allows for changes to the sales and use tax base or rates of the state or any local taxing jurisdiction, and maintains a history of those changes, including the effective date of such changes; and

(X) Allows for changes to the jurisdictional boundaries
OF A LOCAL TAXING JURISDICTION OVER TIME AND MAINTAINS A HISTORY
OF THOSE CHANGES, INCLUDING THE EFFECTIVE DATE OF SUCH CHANGES.

(c) "EVALUATION COMMITTEE" MEANS THE EVALUATION
COMMITTEE CREATED IN SUBSECTION (2) OF THIS SECTION.

(d) "LOCAL TAXING JURISDICTION" MEANS A CITY, TOWN,
MUNICIPALITY, COUNTY, SPECIAL DISTRICT, OR AUTHORITY AUTHORIZED
TO LEVY A SALES OR USE TAX PURSUANT TO TITLE 24, 25, 29, 30, 31, 32,
37, 42, OR 43, AND ANY COUNTY, CITY AND COUNTY, OR MUNICIPALITY
GOVERNED BY A HOME RULE CHARTER.

(e) "SALES AND USE TAX SIMPLIFICATION TASK FORCE" OR "TASK
FORCE" MEANS THE SALES AND USE TAX SIMPLIFICATION TASK FORCE
CREATED IN SECTION 39-26-802.

(2) (a) THERE IS HEREBY CREATED A FIVE-MEMBER EVALUATION
COMMITTEE CONSISTING OF:

(I) TWO LEGISLATIVE MEMBERS OF THE SALES AND USE TAX
Simplification Task Force, one from the Majority Party and one
from the Minority Party, appointed by the Legislative Members of
the Task Force;

(II) ONE REPRESENTATIVE OF THE DEPARTMENT OF REVENUE WHO
IS WELL VERSED IN SALES AND USE TAX COLLECTION AND REMITTANCE
ISSUES, APPOINTED BY THE GOVERNOR;

(III) ONE REPRESENTATIVE OF THE COLORADO MUNICIPAL
LEAGUE, APPOINTED BY THE LEAGUE; AND

(IV) ONE REPRESENTATIVE OF THE BUSINESS COMMUNITY WHO IS
WELL VERSED IN SALES AND USE TAX COLLECTION AND REMITTANCE
ISSUES, APPOINTED BY A MAJORITY OF ALL THE MEMBERS OF THE SALES
AND USE TAX SIMPLIFICATION TASK FORCE.
(b) **Appointments to the evaluation committee must be made no later than fifteen days after the effective date of this section.**

(3) (a) **The department, within existing resources, shall solicit bids for the development of an electronic sales and use tax simplification system. The solicitation for bids may, as appropriate, be sought in accordance with the applicable provisions of the "Procurement Code", articles 101 to 112 of title 24, or may be sought through a cooperative agreement outside of the procurement process. The evaluation committee shall determine the appropriate bid process.**

(b) **The evaluation committee shall serve as the evaluation committee for the procurement process if that is the method chosen for the solicitation of bids.**

(c) **If the solicitation of bids is sought through a cooperative agreement outside of the procurement process, the evaluation committee shall act as the entity that approves or denies any cooperative agreement, and the evaluation committee shall ensure that the bids are sought in an open and transparent process.**

(4) **Bids for the development of an electronic sales and use tax simplification system must be received no later than June 30, 2019, or a later date as approved by the evaluation committee.**

(5) **Any contract for the development of an electronic sales and use tax simplification system must be entered into, subject to the approval of the evaluation committee, no later
THAN SEPTEMBER 1, 2019, OR A LATER DATE AS APPROVED BY THE EVALUATION COMMITTEE.

(6) (a) The electronic sales and use tax simplification system must be online for use no later than July 1, 2020, or a later date as approved by the evaluation committee.

(b) On and after the date the electronic sales and use tax simplification system is online, and notwithstanding any law to the contrary, the department shall use the system for state sales and use tax administration and collection and for any sales and use tax administration and collection for sales and use taxes that are collected by the department on behalf of any local taxing jurisdiction.

(c) (I) On and after the date the electronic sales and use tax simplification system is online, it is the general assembly's intent that at least three local governments governed by a home rule charter voluntarily use the system for their local sales and use tax administration and collection.

(II) It is the general assembly's intent that the voluntary use of the system increase every year so that no later than three years after the effective date of this section all local governments governed by a home rule charter are voluntarily using the system.

(7) If the evaluation committee approves an extension of the deadlines as allowed in this section, such an extension may not exceed six months. If more than six months is necessary, then the extension must be approved by the general assembly by bill.

(8) In the interim between the 2019 and 2020 legislative
SESSIONS, THE EVALUATION COMMITTEE SHALL REGULARLY PROVIDE THE
SALES AND USE TAX SIMPLIFICATION TASK FORCE WITH DETAILED
INFORMATION REGARDING THE PROGRESS TOWARD MEETING THE
DEADLINES SPECIFIED IN THIS SECTION.

SECTION 3. Safety clause. The general assembly hereby finds,
determines, and declares that this act is necessary for the immediate
preservation of the public peace, health, and safety.