



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 24-0378
Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: **STREAMLINE FILING CERTAIN TAX RETURNS**

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

The bill modifies tax filing thresholds for local lodging taxes and for any sales and use taxes collected by jurisdictions that do not use the state sales and use tax simplification system (SUTS). It also requires that all home rule jurisdictions use the SUTS system beginning July 1, 2025. The bill increases state and local expenditures in FY 2024-25 only.

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

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Sales and Use Tax Simplification Task Force.

Table 1
State Fiscal Impacts Under Bill 1

		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

Filing thresholds. The bill requires home rule municipalities that do not use the sales and use tax simplification system (SUTS) and local taxing jurisdictions that levy a local lodging tax to allow taxpayers to file returns and pay taxes as follows:

- taxpayers that annually collect less than \$2,000 in tax must file and pay taxes no more than once every year;
- taxpayers that collect \$2,000 to \$25,000 in tax must file and pay taxes no more than once every three months; and
- taxpayers that collect more than \$25,000 must file and pay taxes monthly.

The bill also allows the Department of Revenue (DOR) to permit taxpayers who collect more than \$600 in tax per month to file no more than once every three months. Currently, that threshold is \$300 in tax per month.

Use of SUTS system. Under current law, home rule taxing jurisdictions are not required to use SUTS. The bill requires that all home rule local taxing jurisdictions use the SUTS system by July 1, 2025. Failure to comply prohibits a taxing jurisdiction from participating in streamlined licensing and tax administration provisions for retailers with limited physical presence in the jurisdiction.

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 Bill 1

	FY 2024-25	FY 2025-26
Department of Revenue		
GenTax Programming & Testing	\$15,200	-
My Biz Colorado Changes	\$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 based on 5 hours of contract programming at a rate of \$231.75 per hour, and testing costs are based on 275 hours at a rate of \$35 per hour for systems support office testing and 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 Secretary of State's Office, 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

The bill increases impacts revenue and expenditures for local jurisdictions that levy a sales tax in a few ways. Home rule municipalities that are not currently using SUTS will incur costs to modify systems and procedures to utilize the SUTS system by July 1, 2025, and will be responsible for the current bank batch transfer fees, estimated at \$260 per year. Currently, the seven jurisdictions that are not currently using SUTS include Aspen, Castle Rock, Central City, Delta, Sterling, Telluride, and Woodland Park.

Cities that are not currently using SUTS or local governments with lodging taxes will have increased costs to modify their software to align with the new filing thresholds. Local governments may also see a shift in when they receive revenue, as retailers may be filing taxes less frequently. Impacts will vary by local government.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. Provisions related to filing thresholds and timing apply to returns filed on or after the bill's effective date.

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