



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 24-0381
Prime Sponsors:

Date: October 23, 2023
Bill Status: Bill Request
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Bill Topic: **UNIFORM DEFINITION AND REPORT FOR LOCAL LODGING TAX**

**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 establishes a uniform definition for “short-term rental unit” subject to a local lodging tax and aligns reporting requirements related to remittance of a local lodging tax to reporting requirements for remittance of other local taxes. It minimally increases state workload and may potentially increase or decrease local lodging tax revenue.

**Appropriation
Summary:** No appropriation is required.

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

Summary of Legislation

The bill requires local taxing jurisdictions—including any home rule locality—that impose a local lodging tax to use the definition of a “short-term rental unit” in state statute when subjecting these units to a local lodging tax. The bill also requires these jurisdictions to apply the same standards to an accommodation intermediary as to a marketplace facilitator that is obligated to collect and remit a local lodging tax. It also prohibits local taxing jurisdictions from requiring additional reporting information from accommodation intermediaries that are not similarly required from other marketplace facilitators. The bill declares application of a uniform definition for “short-term rental unit” and standardized reporting requirements to be matters of statewide concern.

Background

Accommodation Intermediaries and Marketplace Facilitators. An accommodation intermediary facilitates the sale of an accommodation unit—such as a short-term rental unit, hotel room, or other lodging unit—and is not the accommodation provider itself. Similarly, and more generally, a marketplace facilitator facilitates the sale of a seller’s product and is not the seller itself.

State lodging taxes. The state does not impose a lodging tax, although the state sales tax is imposed on lodging. Because it is part of the state sales tax base, lodging is also subject to sales tax in local governments and special districts that have state-collected sales taxes.

State-collected and state-administered local lodging taxes. There are two types of lodging tax districts that are in state law: local marketing districts and county lodging tax districts. The Local Marketing District Act allows counties and municipalities to create local marketing districts either by themselves or as a group. There are currently six local marketing districts with lodging tax rates ranging from 1.4 percent to 5.5 percent. Separately, any county in the state may impose a county lodging tax up to 2.0 percent. There are currently 33 counties with a lodging tax. Both types of tax are collected and administered by the Department of Revenue. Revenue generated by each type of tax has limitations on its use.

Other local lodging taxes. In Colorado, home-rule municipalities can impose lodging taxes under their own authority, setting both the tax base and rate, and locally administering and collecting the tax.

State Expenditure

The bill minimally increases workload in the Department of Local Affairs (DOLA) to provide technical assistance, upon request, to counties or municipalities that have formed a local marketing district and/or levy lodging taxes concerning implementation of the bill’s requirements. This potential workload can be accomplished within existing appropriations.

Local Government

The bill may affect lodging tax revenue to counties and municipalities with a local marketing district and/or a lodging tax. Depending on how short-term rentals are currently defined by local jurisdictions, applying the uniform definition of short-term rental unit may increase or decrease lodging tax revenue, or have no effect.

The bill’s provisions regarding reporting requirements and audit activities may have also impact local government workload, depending on current local practices. To the extent that a local entity relies on extensive reporting information from lodging taxpayers, the change to reporting requirements may impact the locality’s licensing and regulation processes.

Effective Date

The bill takes effect January 1, 2025, assuming no referendum petition is filed.

State and Local Government Contacts

Counties
Revenue

Local Affairs

Municipalities