



# SUMMARY REPORT

## *of Interim Committee Activities*

November 2023

### Sales and Use Tax Simplification Task Force

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#### Committee Members:

Senator Kevin Van Winkle, Chair, Representative Cathy Kipp, Vice-chair, Senator Jeff Bridges, Representative Rick Taggart, Josh Pens, Kevin Bommer, Commissioner Tracy Kraft-Tharp, Michelle Bush, Judith Vorndran, Leslie Edwards, Kenneth Keeley, Bryan Archer, Don Korte, Rachel Quintana, and Jim Welte

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#### Committee Charge

The Sales and Use Tax Simplification Task Force (task force) is charged with studying the necessary components of a simplified sales and use tax system for both the state and local governments. The task force must consider whether there are feasible solutions for challenges around, development, maintenance, and utilization of a statewide electronic sales and use tax simplification system created pursuant to [Senate Bill 19-006](#), retail audits, and simplifying use taxes levied by the state and local governments.

#### Calendar of Events

##### July 25<sup>th</sup>

- Election of chair and vice-chair
- Staff presentation
- Updates on sales and use tax legislation during the 2023 legislative session
- Task force member introductory remarks
- Sales and use tax implementation updates from the Department of Revenue
- Sales and use tax implementation updates from the Colorado Municipal League
- Public testimony

##### August 30<sup>th</sup>

- Department of Revenue presentation of Sales and Use Tax System (SUTS) system user experience
- SUTS utilization and marketing panel
- Sales tax audit process panel
- SJR23-004 update and discussion
- Wayfair v. Lakewood update

- Colorado Municipal League presentation
- Public testimony

##### September 13<sup>th</sup>

- Demonstration from the Department of Revenue (DOR) on bulk filing in the SUTS system
- Public testimony
- Bill draft requests

##### October 27<sup>th</sup>

- Public testimony
- Voting on final bill draft recommendations



### Recommended Legislation

As a result of committee discussion and deliberation, the task force recommends the following bills for consideration in the 2024 legislative session.

#### ***Bill A – Streamline Filing Certain Tax Returns***

**Filing thresholds.** The bill requires home rule municipalities that do not use the SUTS system 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 DOR to permit taxpayers who collect more than \$600 in tax per month to file no more than once every three months, beginning with returns filed January 1, 2025. 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.

#### ***Bill B – Hold Harmless for Error in GIS Database Data***

The bill establishes that any vendor relying upon information in DOR's geographic information system (GIS) database to determine which local tax jurisdictions are owed and by what amount is held harmless in an audit by the state or local taxing jurisdiction for an underpayment of tax, charge, or fee liability that results solely from an error or omission in the GIS database data. The bill also declares that addressing the complex and cumbersome nature of Colorado's unique state and local sales tax system through SUTS system, which includes this GIS database, is matter of statewide concern.

#### ***Bill C – Simplify Processes Regarding Certain Local Government Taxes***

The bill modifies the scope of the Sales and Use Tax Simplification Task Force to include simplification of local lodging tax systems. Along with the expanded scope, the bill requires the Sales and Use Tax Simplification Task Force to study the feasibility and implementation of an electronic system for businesses to collect and remit local lodging taxes during the 2024 interim. The task force may propose legislation for the 2025 session for the creation or implementation of this system. Relatedly, DOR is required to issue a request for information for an electronic lodging tax system and present it to the task force by September 1, 2024.

The bill also includes reporting requirements for local governments and the DOR for local lodging tax systems and sales and use taxes on building materials and equipment that are



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integrated into building permits. The bill requires jurisdictions that impose a local lodging tax to file a copy of the resolution or ordinance with the department and report the rate and calculation of the tax.

The bill requires similar reporting for sales and use taxes that are integrated with building permits, but also requires reporting of the information on the permit, timing of remittance, and whether the tax is imposed on asphalt, equipment, storage of equipment, or services. The DOR is required to publish the information twice each year, beginning with a report to be published by July 1, 2025.

### ***Bill D – Uniform Definition and Report for Local Lodging Tax***

The bill requires local taxing jurisdictions—including any home rule locality—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 these standardized reporting requirements to be matters of statewide concern.

### ***Bill E – Update Local Government Sales & Use Tax Collection***

Under current law, DOR administers local sales or use taxes that are imposed by statutory local governments, and if requested, by home rule jurisdictions. The bill modernizes and revises the state laws that govern state administration of local sales or use taxes, including:

- making DOR administration of local sales and use taxes consistent with the administration of state sales tax;
- specifying procedures for local jurisdictions to notify DOR of any changes to sales or use taxes;
- permitting local jurisdictions to allow retailers to retain a percentage of the amount remitted to cover the retailer's expenses in collecting the fee;
- aligns the dispute resolution process for local sales and use tax administration with state sales tax administration, and establishes procedures for if a local tax collected by the department is erroneously remitted to the wrong taxing entity;
- clarifying that vendors who use the state GIS database to determine the jurisdictions to which taxes are owed is held harmless for any tax or fee liability that would be due as a result of an error in the database; and
- requiring local jurisdictions to identify liaisons to coordinate with DOR related to the collection of its sales and use tax; and clarifying which sales and use taxes can be administered by DOR.