



To: Jimmy Reed, Legislative Liaison

From: Amber Egbert, Research & Legislative Services Manager, Taxation Division
Josh Pens, Director of Tax Policy, Taxation Division

Date: 7/25/2023

Re: Responses from CDOR to questions raised during the 7/25/2023 meeting of the Sales and Use Tax Simplification Task Force

Question - Sen Van Winkle and Rep Kipp: When did CDOR begin charging late fees for the retail delivery fee (RDF)? We were told that the Department was planning to have a light touch on enforcement until the legislature could run a fix ([SB23-143](#)) yet many constituents have been contacting us about CDOR imposing late fees related to the RDF.

Response - An RDF account was opened for approximately 127,000 businesses by July 2022, and the Department sent those businesses two pieces of correspondence with directions to close the account if retail deliveries would not be made, including direction that the Department would automatically close accounts in February 2023 if certain criteria were met. Delinquency notices were not implemented until the end of February 2023. These notices were sent to taxpayers in April 2023. In the ten months between account opening and notices of non-compliance, the Department sent several reminders to businesses of the fee and instructions on how to close the account if no retail deliveries were made, and automatically closed the majority of accounts by February 2023.

In addition, the Department worked to manually close many of these accounts; in fact of the 127,000 originally opened, approximately 17,000 remain active as of August 2023. When an account is closed, any penalty associated with the RDF is automatically written off. These actions solve most issues; however, if any business continues to believe it received a penalty inappropriately, it is able to reach out to the Department, and staff are instructed to liberally waive penalties associated with RDF.

Any tax or fee the Department administers generally requires a penalty assessment for non-compliance, and the penalty for RDF was programmed in a manner consistent with the law. If a taxpayer filed a return for a given period, the system calculated the fee, penalty and interest owed at that time and sent a bill to notify the taxpayer if there was any outstanding fee, penalty and interest owed the Department. The taxpayer could reach out to the Department to request that penalties be waived for good cause, as the staff was instructed to liberally waive penalties. We ensured businesses received consistent and clear communication regarding their responsibilities. As stated above, if a business felt that it was not subject to the penalty, it was waived without the need for explanation.



Question - Ms. Vorndran: Are any cities also going to use the MTC model POA form for their tax administration purposes?

Response - The department has discussed this possibility with the practitioners leading the project nationally. They were excited about the possibility of expanding the program to cities. They would like a little more time to get the program in place in more states, but we agreed to work together on introducing the program to interested cities.

Question - Sen Bridges: Is it possible to get updated information and statistics on home-rules that are not participating members on SUTS yet and any information possible about barriers or roadblocks known by the department.

Response - As of 7/25/2023, the following jurisdictions have not yet signed a SUTS agreement as participating jurisdictions. The department's Local Government support team has had interactions with each of these jurisdictions to discuss ways to get them onboarded:

- Grand Junction - The city just completed a system upgrade, and is now in the process of onboarding with a goal of January 1, 2024 start.
- Delta - expressed that they do not want to have further conversations about their interest/ability to participate
- Central City - Central City signed the agreement but has not been able to complete the steps to onboard. The city is now considering becoming state-collected, which would automatically incorporate them into SUTS.
- Castle Pines - in the process of onboarding.
- Castle Rock - The town expressed interest in signing on last fall, but we have not received updates from them recently to set timelines.
- Aspen - in conversations with CDOR currently

The Local Government team has not yet successfully had any discussions with the following municipalities regarding their interest or ability to participate:

- Woodland Park
- Sterling
- Telluride

Question - Ms Vorndran: Is there a way to get information about the number of licensed business in the state and how that has changed over time, as well as data about collections?

Response - There is a lot of this information available currently on the [SUTS Dashboard](#) (the URL of which was provided in the presentation materials, but is good to share and remind task force members to review periodically). The department's state sales tax return historical report shows the number of retailers, the number of returns, the amount of sales, and the amount of state sales tax over time. These reports can be accessed at: <https://cdor.colorado.gov/retail-sales-reports>).