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**DEPARTMENT OF REVENUE ILL-EQUIPPED TO ENSURE RETAILERS PROPERLY
COLLECT LOCAL SALES TAXES ACROSS THE STATE**

DENVER— The Colorado Office of the State Auditor (OSA) has issued its audit of Colorado’s Local Sales Taxes and has found that the Department of Revenue (Department) likely has not correctly registered about 11,000 of the more than 103,000 retail business sites that the auditors reviewed. As a result, auditors estimate that in Calendar year 2014, these businesses over-collected as much as \$3.3 million from customers for some jurisdictions and under-collected up to \$3.8 million for others. Municipalities with state-administered sales taxes were the hardest hit financially: the auditors found that about 12 percent of the businesses registered in relation to such municipalities were probably registered in error. “These errors could mostly be avoided if the Department were to use GIS mapping software to manage the complex patchwork of taxing jurisdictions in the state,” said Christopher Harless, Legislative Audit Supervisor.

The Department is responsible for collecting and administering sales taxes for 223 of Colorado’s 297 overlapping sales tax jurisdictions, which includes counties, cities, towns, special districts, and combined authorities. The Department uses the same process for local sales taxes as it does for the state sales tax and maintains a coding system to track the sales taxes that apply to each business location. Home-rule jurisdictions collect and administer their own sales taxes unless they have requested that the Department do so. During Calendar Year 2014, the Department collected \$1.3 billion in net sales taxes on behalf of local governments.

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Auditors found that the Department has not developed a map or other Geographic Information-System (GIS) -based tools to determine whether businesses are properly registered to the applicable taxation districts, which is essential for ensuring that they collect and remit the appropriate amount of local sales taxes. Further, the Department's published forms providing information on taxing jurisdictions were not complete or accurate.

Separately, auditors found that the Department's certification process for companies that provide database resources to businesses for looking up tax jurisdictions based on street addresses may not be fulfilling the General Assembly's intent under Section 39-26-105.3, C.R.S., to provide a means for businesses to accurately determine their sales tax liabilities. Specifically, the Department has not verified the databases' accuracy every 3 years as required and lacked a reliable method for verifying their accuracy. In addition, the providers may be costly for some businesses, while other businesses are using non-certified providers.

The audit makes five recommendations.

The full report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.