



**PLEASE
SUPPORT SB 19-131**

Exempt Certain Businesses From Destination Sourcing Rule

Sponsors: Senator Rob Woodward, Senator Jack Tate,
Representative Kevin Van-Winkle, Representative Jeni Arndt, and Representative Colin Larson

In 2018, the Colorado Department of Revenue unilaterally decided that it would begin enforcing a sales tax policy that demanded that retailers collect and remit sales taxes based upon where the customer receives the product. This will be a HUGE burden on small retailers.

SB19-131 would exempt Colorado small business from the first \$100,000 of out-of-jurisdiction sales. At least that puts Colorado businesses on a more level playing field with the out-of-state retailers who are selling into Colorado, because the *Wayfair* Supreme Court decision demands a *de minimis* exemption of at least \$100,000.

Let's take Paula Steige, owner of MacDonal Book Shop in Estes Park – a customer from Berthoud calls to order a \$10 book. The Book Shop employee must search the internet to determine what tax rate applies at that customer's home address, collect those taxes, then at the end of the month complete the sales tax forms to Berthoud in order to remit the \$0.77 in sales taxes. Perhaps Human Bean Coffee in Loveland gets a delivery order from UberEats to deliver a latte to a business in Johnstown. The barista must determine the tax rate and determine if the particular address is part of a special taxing district. Then owner Frank Sherman must fill out the forms and remit the \$0.52 taxes at the end of the month.

The problem is certainly exacerbated by the complex tax structure and 750 sales tax rates and tax bases that apply to addresses across the state.

Keep in mind that it wasn't the Legislature that decided to start collecting taxes based on destination. The decision was made unilaterally by the Department of Revenue (DOR). It was clear that the decision was made in haste because they've decided to waive enforcement twice already. Furthermore, DOR is mandating this even though the state doesn't yet offer a database

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that will allow retailers to check each address to determine the correct tax rate. They are setting up Colorado small business for a task that will be expensive and time consuming, and that will certainly result in violations and penalties because it will be near impossible to determine the sales tax for every address in the state.

FACTS¹:

- Colorado has almost 85,000 small businesses who have annual revenues less than \$100,000.
- Those small businesses represent 60% of all sales tax accounts, but generate less than 0.4% of gross sales tax
- For those small businesses, the cost of collecting out of district sales tax exceeds the taxes collected.

Although this bill does not mandate home rule cooperation, it does provide a framework that would encourage compliance.

SAMPLE IMPACTS:

- *DENVER COUNTY*
 - [Meier Skis](#) - “For us to determine what the tax rates are based on the ship to and then to file a report and to actually disperse those taxes that we collect is mind-boggling” Contact at 844-966-3754
 - [Casa Verde Paint](#) - Laurie Hessemer Owner, Does not have the software and cannot afford a bookkeeper to track all the tax rates. “This is a setback for small business.” Contact at 303-777-0517
- *AURORA*
 - [Banta Promotions](#) - Initially stopped selling once the new tax law came out and worked on how to solve the tax problem. Mentioned going out of business was one of the options. Contact at 303-680-7680
- *GRAND JUNCTION*
 - [Wiggy’s Sleeping Bags](#) - This company said they will no longer sell and ship to Colorado residents outside of Grand Junction. They will still sell to out-of-state customers and people who visit their shop. Contact at PO Box 2124, Grand Junction, CO 81502 or 866-411-6465
- *EL PASO COUNTY*
 - [Rachel Beck, VP Government Affairs for Colorado Springs Chamber & EDC](#) - Consensus that the tax was implemented prematurely and further research has to be conducted. One business person said their immediate reaction was to stop selling to Colorado residents altogether. Contact at (719)-459-6022

¹ 12-19-18 study by Department of Revenue Office of Research Analysis

- Dale Ross, owner and manager of Rocky Mountain Soaps. Due to the 650 or so different tax rates in the state of Colorado and the Department of Revenue's unilateral decision last year, Dale's company had to completely shut down their website. This lost them over \$1,000 in sales during their busiest time of the year. "There are no good resources for small businesses to handle these issues."
- *LONGMONT*
 - Peter Novak, co-owner of Longmont artisan jewelry business RockHill Designs. Novak, whose Longmont artisan jewelry business RockHill Designs does business in multiple states, said the rules as written are "impossible in some ways" to comply with. His bookkeeping software keeps track of sales based on zip code, but even addresses in the same zip code can have different tax rates in Colorado.² One of business owner Novak's chief concerns is whether or not he will need to obtain sales tax licenses for each of Colorado's 71 home-rule cities that collect their own taxes — including Denver, Fort Collins and Colorado Springs — in addition to the single license he already has for the state and the many jurisdictions for which it handles collections. Contact at 720-600-2906 or peter.novak@rockhill-designs.com
- *LOVELAND*
 - Christy Fowler owner of Loveland woodworking supply company Blue Sky Supply. "It makes you look at retirement a lot sooner," Fowler said in comments delivered to state officials. "It makes you look at moving to other states to have a business." Contact at 720-245-1173
- *ESTES PARK*
 - Ann Wilcocks, in Estes Park, owns two small business. She ships a very limited amount out of district and, "...the cost and amount of work to put in all the jurisdictions in the state, not to mention getting sales tax licenses in home rule cities, puts small businesses at a real disadvantage, and I fear it will put some businesses out of business. If this doesn't get fixed, we will no longer be able to ship to our customers in Colorado. Big companies that can afford software to easily do calculations of sales tax and make payments to the state will have a big advantage over small retailers." Contact at 970-577-8100 or 970-215-8031

VOTE YES ON SB19-131

² Denver Post, <https://www.denverpost.com/2018/12/06/colorado-delays-new-online-sales-tax/>