



Updated: January 29, 2018

## COALITION TO SIMPLIFY COLORADO SALES TAX

<https://simplifycosalestax.com/>

### MISSION

The mission of the coalition is to reform Colorado's excessively complex sales and use tax system with multiple goals: fairness, simplicity, and predictability for business; revenue neutrality to avoid any adverse impact on local and state public services; and a competitive economic environment in Colorado that will attract employers. This coalition of businesses, trade organizations, and other interested taxpayers will drive reforms to achieve these goals.

### THE PROBLEMS

Colorado's complex sales and use tax system is a significant burden on businesses, resulting in considerable costs to comply with a complex array of taxing jurisdictions. Due to unclear guidance and differences between jurisdictions, potential sales tax revenue is under-realized by taxing authorities. These jurisdictions then attempt to recoup taxes in audits that add penalties and interest (often two to three times market rates) to back-taxes that the business often did not know were due. Consumers are often hit with unexpected taxes after a sale—frustrating them and resulting in dissatisfaction with businesses that are just trying to fulfill a legal mandate. Based on tax appeal legislation this coalition advocated in 2016, businesses can now challenge audits in at least one independent court before being required to pay an assessment.\* However, the overall complexity needs reform. It is impossible to quantify the businesses that decide not to locate to Colorado and the jobs lost due to the convoluted sales tax environment.

- Colorado ranked **39<sup>th</sup> of states** on the sales tax component in the Tax Foundation's 2017 State Business Tax Climate Index. The same report shows that only **six other states** allow localities to define the sales tax base (see Table 15). [taxfoundation.org](http://taxfoundation.org)
- Colorado has a patchwork of **756 specific geographic areas with different sales tax rates and bases** created by 294 taxing jurisdictions with overlapping boundaries. This produces what the state Department of Revenue called in a December, 2013 report a "heavy burden on businesses operating in our state."
- In 2013, the Council on State Taxation (COST) rated Colorado as the fourth worst state in the country (with a grade of D) in its Scorecard on Tax Appeals & Procedural Requirements. \*In 2015 after the coalition's work to pass a tax appeal reform bill, Colorado moved out of the bottom four. Overall, however, the COST grade is still a C+. [cost.org](http://cost.org)
- Colorado is the only non-participating state in Streamlined Sales Tax, a nationwide effort to address the complexity in state sales tax systems. [streamlinedsalestax.org](http://streamlinedsalestax.org)
- Only five states – Alabama, Alaska, Arizona, Colorado and Louisiana – authorize a broad range of local governments to independently administer their sales. -Institute for Professionals in Taxation (IPT) Report: Locally Administered Sales and Use Taxes

- “Database providers certified by the Department to provide businesses with tax jurisdiction look-up services based on addresses may not be fulfilling the General Assembly’s intent . . . 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.”  
*-Colorado Office of the State Auditor, Department of Revenue, Local Sales Taxes, Performance Audit, Nov. 2015. [www.state.co.us/auditor](http://www.state.co.us/auditor)*
- The 2011 statewide “Pits and Peeves” Roundtable Initiative, commissioned by Gov. John Hickenlooper, found “complexity, ambiguity and resulting confusion surrounding the state’s sales and use tax regime, which makes it extremely difficult for companies to comply.”

## OBJECTIVES

SPECIFIC PROBLEM	OBJECTIVE
Multiple sales tax licenses and separate remittance to each of 69 self-collecting home-rule cities. (One large retailer has more than 90 sales tax licenses.)	<ul style="list-style-type: none"> <li>• Establish a single sales/use tax license.</li> <li>• Remit sales/use taxes to a single entity with timely delivery of revenue to local taxing jurisdictions.</li> </ul>
Conflicting definitions of what is taxable across home-rule and state-collected jurisdictions. Clear proactive guidance (i.e., before an audit) is lacking.	<ul style="list-style-type: none"> <li>• Establish uniform tax definitions and/or a uniform base.                             <ul style="list-style-type: none"> <li>- <u>Definitions</u> establish standard categories of items/goods (including exemptions)</li> <li>• <u>Base</u> establishes what is taxable and non-taxable (could vary and be managed by technology if definitions are standard)</li> </ul> </li> <li>• Localities could still vary rates to achieve tax revenue objectives.</li> <li>• Establish one entity to provide guidance, clarifications and maintain common definitions.</li> </ul>
Lack of accurate central database of sales/use tax information on which businesses can rely without penalty.	<ul style="list-style-type: none"> <li>• Authorize a single database, searchable by address across all taxing areas and hold businesses harmless if they rely on it (for rates included in the database as well as identification of relevant jurisdictions) – for all industries and for all jurisdictions.</li> </ul>
Exposure to multiple audits at any time.	<ul style="list-style-type: none"> <li>• Consolidate audits under one entity.</li> </ul>
Taxpayers must pay upfront all amounts assessed (or secure a bond for twice the amount) to reach an independent court.	<ul style="list-style-type: none"> <li>• Eliminate this barrier to due process to allow at least one impartial court to issue a ruling before payment.                             <ul style="list-style-type: none"> <li>- <b>SB16-36 – passed &amp; signed into law.</b></li> </ul> </li> </ul>

*\*HB13-1288 – Required the Department of Revenue to produce a proposal for a uniform tax base in Colorado that would be revenue neutral. This report is complete.*

## CONTACT / JOIN THE COALITION BOARD / BECOME A SUPPORTER

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Web site/email: <https://simplifycosalestax.com/> [info@simplifycosalestax.org](mailto:info@simplifycosalestax.org)



## TOWN OF ESTES PARK

February 18, 2019

Senator Rob Woodward  
Colorado State Senate District 15

Dear Senator Woodward:

The Town of Estes Park is in full support of SB-131 regarding the De Minimis Exemption to State Destination Sourcing Rule.

As a Colorado municipality that depends on sales tax as our major source of income, we were very pleased with the recent Supreme Court decision regarding online retailers paying local sales tax. This is especially important to a small mountain community such as Estes Park, where sales tax leakage to online retailers is significant, yet we must fund services to our residents and the over 4 million visitors who come through our town visiting Rocky Mountain National Park.

The core of the Estes Park business community is mostly small businesses, often family owned. Many of the visitors from all over the state purchase items, both small and large, from our mom and pop businesses, and rather than bringing their purchases with them, they have them sent to back to home. This could be a piece of pottery, a photograph, or a box of salt water taffy. To require these small businesses to collect and remit sales tax to literally hundreds of different jurisdictions, on something like a box of taffy, is prohibitively burdensome and the sales tax revenue generated to the receiving jurisdiction is minimal. Many of our small shops have very simple accounting and point of sales systems that don't have the sophistication of larger retailers. The Supreme Court recognized this issue in the Wayfair Decision, with their guidance on di-minimis limits on the submission of sales tax to other jurisdictions.

We believe SB-131 is a reasonable and practical compromise to this issue and is fair to all and we support this solution to protect our small local businesses, while at the same time addressing the payment of appropriate sales tax by larger online retailers, including those in our community, to the localities where their goods are delivered.

This issue is important enough to the Town of Estes Park that I would have come to the Capitol to testify before the committee in person, however a scheduling conflict with an important joint meeting between the Larimer County Board of County Commissioners and the Town Board makes that impossible.

Thank you for your work on this issue.

For the Town of Estes Park,

Frank Lancaster  
Town Administrator



Feb. 19, 2019

RE: Request for Support for SB19-131

Dear Sen. Woodward, Rep. Van Winkle, and Rep. Arndt:

I am writing on behalf of Economic Development Council of Colorado (EDCC) to express our strong support for SB19-131.

The EDCC is a statewide organization representing the economic development profession in Colorado and reflecting the economic development interests of both the private and public sectors. EDCC advocates for sound policies and programs that support a vibrant economy and enhance quality of life for all Coloradans.

A stable, predictable regulatory environment that does not create excessive burden on businesses is a critical component of a healthy business climate and strong economy. This need is even more important for small businesses that often lack the resources larger businesses can command to cover the cost of regulatory compliance.

In the wake of the Wayfair decision, it is clear that the rules and laws surrounding the administration of local sales taxes are in flux. As the Colorado General Assembly considers regulatory changes dealing with local sales tax administration, it is important that it proceed with an eye toward the impact to businesses, and particularly small businesses. South Dakota was successful in the Wayfair decision, in part, because the State took steps to recognize this burden and limit it. This is an important lesson that Colorado should heed as it charts its own course.

The Colorado Department of Revenue's December destination-sourcing sales tax rule places a large burden of compliance on small businesses that carries the potential for significant impact to the Colorado economy. For many small businesses, the cost of collecting and remitting taxes on out of district sales will exceed the amount of tax collected.

The EDCC urges support for SB19-131 because it reduces this burden to small businesses by exempting retailers from the rule that do not meet the minimum threshold of \$100,000 gross revenue for out-of-district sales.

With thanks,

A handwritten signature in black ink, appearing to be "Stewart Meek", written over a white background.

Stewart Meek, EDCC Public Policy Committee Chair