



**Colorado
Legislative
Council
Staff**

SB16-050

**REVISED
FISCAL NOTE**

(replaces fiscal note dated January 22, 2016)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0796 **Date:** January 28, 2016
Prime Sponsor(s): Sen. Neville T.; Jahn **Bill Status:** Senate Second Reading
 Rep. Saine; Ryden **Fiscal Analyst:** Greg Sobetski (303-866-4105)

BILL TOPIC: RETAILER HOLD HARMLESS FOR ASSIGNED LOCATION CODE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	Minimal workload increase.	
FTE Position Change		
Appropriation Required: None.		

Summary of Legislation

This bill, *as amended by the Senate Business, Labor, and Technology Committee*, releases retailers from liability for uncollected local sales tax because of a misassigned Department of Revenue location code. Specifically, a retailer is not required to remit any overdue tax or associated charges, penalties, fees, or interest arising from a misassigned location code, provided that the retailer:

- obtains a sales tax license in good faith;
- provides an address that correctly indicates the location of the business; and
- collects and remits sales taxes for the local jurisdictions represented by the retailer's assigned location code.

The bill applies only to jurisdictions for which the state collects sales taxes. Home-rule municipalities that administer their own sales taxes will continue to be able to assess unpaid taxes from businesses that receive an incorrect location code.

Background

The Department of Revenue collects local sales taxes from retailers on behalf of counties, special districts, and certain municipalities, and remits revenues to the appropriate taxing jurisdiction. Depending on its business location, a single retailer may belong to several taxing jurisdictions, each with a unique geographic boundary. To determine which taxes are owed by which retailers, the department assigns a location code to each business location based on its physical address.

If an incorrect location code is assigned, a retailer may pay less tax than is owed. Retailers using a department-approved website are held harmless for underpayment of taxes under current practice. For other retailers, underpayment of local sales taxes may constitute tax delinquency, in which case penalties and interest are assessed on the delinquent retailer at a later date. Correction for underpayment may be initiated by the department, the taxpayer, or an affected local government.

State Expenditures

The Department of Revenue is able to implement this bill within existing appropriations. The department's field audit section uses similar software programming to that which will be required by the department's Taxpayer Services Division, minimizing implementation costs.

Local Government Impact

To the extent that the Department of Revenue assigns incorrect location codes to retailers, and to the extent that these errors indicate a reduction in sales tax liability, the bill reduces revenue to local taxing jurisdictions. Potentially impacted jurisdictions include counties, special districts, and municipalities for which sales taxes are collected at the state level. The magnitude of the impact is likely to be inconsistent across jurisdictions, affecting the areas with the most location code misassignments most significantly. Because it is not known for which retailers these misassignments will occur, the amount of the revenue reduction, and the jurisdictions it will impact, is indeterminate.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties	Judicial	Law
Local Affairs	Municipalities	Office of Information Technology
Revenue	State Auditor	