

**Second Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO**

**Conference Committee**

*This Unproofed and Unofficial Version Includes All Amendments  
Adopted in the First House, Second House, and the Conference Committee*

LLS NO. 18-0894.01 Ed DeCecco x4216

**SENATE BILL 18-179**

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**A BILL FOR AN ACT**

101      **CONCERNING ADJUSTMENTS TO TOTAL GROSS PURCHASES FOR**  
102              **PURPOSES OF CALCULATING THE EXCISE TAX ON TOBACCO**  
103              **PRODUCTS, AND, IN CONNECTION THEREWITH, MAKING AN**  
104              **APPROPRIATION.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

Currently and until September 1, 2018, a distributor can claim a credit for taxes paid on tobacco products that are shipped or transported by the distributor to a consumer outside of the state. The bill makes the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters or bold & italic numbers indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

credit permanent.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2           **SECTION 1. Legislative declaration.** The general assembly  
3 hereby finds and declares that the purpose of this act is to clarify the law  
4 by recognizing that certain credits against the excise tax on tobacco  
5 products are really adjustments of distributors' total gross purchases and  
6 to extend such an adjustment for sales of tobacco products to out-of-state  
7 consumers and thereby retain the businesses that have expanded or  
8 opened as a result of the "Cigar On-line Sales Equalization Act", enacted  
9 in 2015.

10           **SECTION 2.** In Colorado Revised Statutes, 24-22-117, **amend**  
11 (2)(c)(II) as follows:

12           **24-22-117. Tobacco tax cash fund - accounts - creation -**  
13 **legislative declaration.** (2) There are hereby created in the state treasury  
14 the following funds:

15           (c) (II) The interest and income derived from the deposit and  
16 investment of ~~moneys~~ MONEY in the tobacco education programs fund  
17 and credited to the tobacco education programs fund may be used to give  
18 credit to a wholesaler ~~or distributor~~ for taxes paid on cigarettes ~~or other~~  
19 ~~tobacco products~~ that are bad debts pursuant to ~~sections 39-28-104 and~~  
20 ~~39-28.5-107, C.R.S.~~ SECTION 39-28-104; except that the interest earned  
21 on the tobacco education programs fund shall be used only for that  
22 portion of the bad debt attributable to the taxes imposed pursuant to  
23 section 21 of article X of the state constitution.

24           **SECTION 3.** In Colorado Revised Statutes, 39-28.5-105, **amend**  
25 (1) and (3) as follows:

1           **39-28.5-105. Books and records to be preserved.** (1) Every  
2 distributor shall keep at each licensed place of business complete and  
3 accurate records for that place of business, including itemized invoices of  
4 tobacco products held, purchased, manufactured, brought in or caused to  
5 be brought in from without the state, or shipped or transported to retailers  
6 in this state, and of all sales of tobacco products made, except sales to the  
7 ultimate consumer WITHIN THE STATE.

8           (3) When a licensed distributor sells tobacco products exclusively  
9 to the ultimate consumer WITHIN THE STATE at the address given in the  
10 license, no invoice of those sales shall be required, but itemized invoices  
11 shall be made of all tobacco products transferred to other retail outlets  
12 owned or controlled by that licensed distributor. All books, records, and  
13 other papers and documents required by this section to be kept shall be  
14 preserved for a period of at least three years after the date of the  
15 documents, unless the department, in writing, authorizes their destruction  
16 or disposal at an earlier date.

17           **SECTION 4.** In Colorado Revised Statutes, 39-28.5-107, **amend**  
18 (1), (2)(a), (2)(c), and (2)(d); and **add** (3) and (4) as follows:

19                   **39-28.5-107. Total gross purchases - reduction -**  
20 **out-of-state sales - returned or destroyed products - definitions.**

21 (1) ~~Where IF tobacco products upon which the tax imposed by this article~~  
22 ~~has been reported and paid,~~ are shipped or transported by the distributor  
23 to retailers without the state to be sold by those retailers, are shipped or  
24 transported by the distributor to a consumer without the state on or after  
25 September 1, 2015, ~~but prior to September 1, 2018,~~ or are returned to the  
26 manufacturer by the distributor or destroyed by the distributor, ~~credit of~~  
27 ~~such tax may be made to the distributor~~ THEN THE DISTRIBUTOR'S TOTAL

1 GROSS PURCHASES ARE ADJUSTED BY THE AMOUNT OF THE OUT-OF-STATE  
2 SALES AND THE RETURNED OR DESTROYED TOBACCO PRODUCTS in  
3 accordance with regulations prescribed by the department.

4 (2) (a) ~~Credit shall be given by the department to a distributor for~~  
5 ~~all taxes levied pursuant to this article and section 21 of article X of the~~  
6 ~~state constitution and paid pursuant to the provisions of this article that~~  
7 ~~are~~ A DISTRIBUTOR'S TOTAL GROSS PURCHASES ARE ADJUSTED BY AN  
8 AMOUNT EQUAL TO THE DISTRIBUTOR'S bad debts. ~~Such credit shall offset~~  
9 THE ADJUSTMENT APPLIES TO taxes levied pursuant to this ~~article~~  
10 ARTICLE 28.5 and section 21 of article X of the state constitution and paid  
11 pursuant to ~~the provisions of this article~~ ARTICLE 28.5 only. No ~~credit~~  
12 ~~shall be given~~ ADJUSTMENT IS PERMITTED unless the bad debt has been  
13 charged off as uncollectible on the books of the distributor. Subsequent  
14 to receiving the ~~credit~~ ADJUSTMENT, if the distributor receives a payment  
15 for the bad debt, the distributor shall be liable to the department for the  
16 amount received and shall remit this amount in the next payment to the  
17 department under section 39-28.5-106.

18 (c) If ~~credit is given to~~ a distributor ADJUSTS THE DISTRIBUTOR'S  
19 TOTAL GROSS PURCHASES for a bad debt, the person who ordered and  
20 received the tobacco products but did not pay the distributor for them  
21 ~~shall be~~ IS liable ~~in an amount equal to the credit~~ for the tax imposed in  
22 this ~~article~~ ARTICLE 28.5 on the tobacco products FOR WHICH A BAD DEBT  
23 IS CLAIMED. Subsequent to receiving the ~~credit~~ ADJUSTMENT, if the  
24 distributor receives a payment for the bad debt and the distributor makes  
25 a payment to the department, the amount of taxes owed by such person  
26 ~~shall be~~ IS reduced by the amount paid to the department.

27 (d) As used in this subsection (2), "bad debt" means the taxes

1     attributable to any portion of a debt that is related to a sale of tobacco  
2     products subject to tax under this ~~article~~ ARTICLE 28.5, that is not  
3     otherwise deductible or excludable, that has become worthless or  
4     uncollectible, ~~in the time after the tax has been paid pursuant to section~~  
5     ~~39-28.5-106~~ and that is eligible to be claimed as a deduction pursuant to  
6     section 166 of the federal "Internal Revenue Code of 1986", as amended.  
7     A bad debt shall not include any interest on the wholesale price of  
8     tobacco products, uncollectible amounts on property that remain in the  
9     possession of the distributor until the full purchase price is paid, expenses  
10    incurred in attempting to collect any account receivable or any portion of  
11    the debt recovered, an account receivable that has been sold to a third  
12    party for collection, or repossessed property.

13           (3) THE ADJUSTMENTS PERMITTED UNDER SUBSECTIONS (1) AND  
14    (2) OF THIS SECTION ARE BASED ON THE MANUFACTURER'S LIST PRICE OF  
15    THE TOBACCO PRODUCTS.

16           (4) AS USED IN THIS SECTION, "TOTAL GROSS PURCHASES" MEANS  
17    THE TOTAL AMOUNT OF TOBACCO PRODUCTS PURCHASED BY A  
18    DISTRIBUTOR THAT IS INCLUDED ON THE DISTRIBUTOR'S QUARTERLY  
19    RETURN UNDER SECTION 39-28.5-106 AND THAT IS USED FOR PURPOSES OF  
20    CALCULATING THE TAX A DISTRIBUTOR PAYS BASED ON THE  
21    MANUFACTURER'S LIST PRICE OF THE TOBACCO PRODUCTS PURSUANT TO  
22    THIS ARTICLE 28.5.

23           **SECTION 5. Appropriation.** (1) For the 2017-18 state  
24    fiscal year, \$39,039 is appropriated to the department of revenue. This  
25    appropriation is from the general fund. To implement this act, the  
26    department may use this appropriation as follows:

27           (a) \$14,999 for use by the executive director's office for personal

1 services, which amount is based on an assumption that the office will  
2 require an additional 0.2 FTE;

3 (b) \$22,840 for tax administration IT system (GenTax) support;  
4 and

5 (c) \$1,200 for the purchase of document management services.

6 (2) For the 2017-18 state fiscal year, \$1,200 is appropriated to the  
7 department of personnel. This appropriation is from reappropriated funds  
8 received from the department of revenue under subsection (1)(c) of this  
9 section. To implement this act, the department of personnel may use this  
10 appropriation to provide document management services for the  
11 department of revenue.

12 (3) (a) Any money appropriated in subsection (1) of this section  
13 not expended prior to July 1, 2018, is further appropriated to the  
14 department of revenue for the 2018-19 state fiscal year for the same  
15 purposes.

16 (b) Any money appropriated in subsection (2) of this section not  
17 expended prior to July 1, 2018, is further appropriated to the department  
18 of personnel for the 2018-19 state fiscal year for the same purpose.

19 **SECTION 6. Effective date.** This act takes effect upon passage;  
20 except that section 4 of this act takes effect July 1, 2018.

21 **SECTION 7. Safety clause.** The general assembly hereby finds,  
22 determines, and declares that this act is necessary for the immediate  
23 preservation of the public peace, health, and safety.