



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number:	LLS 21-1029	Date:	August 26, 2021
Prime Sponsors:	Sen. Bridges; Woodward Rep. Snyder; Van Winkle	Bill Status:	Signed into Law
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Bill Topic: CONTINUE SMALL BUSINESS DESTINATION SOURCING EXCEPTION

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill extends the small retailer exception from destination-based sales and use tax sourcing rules until February 2022. The bill will not impact state revenue or expenditures, but could increase or decrease local and special district revenues in FY 2021-22.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the enacted bill.

Summary of Legislation

The bill allows small retailers to continue sourcing sales to their business location when collecting and remitting sales and use tax until February 1, 2022.

Background

House Bill 19-1240 codified the Department of Revenue's destination-sourcing rules for state and local sales tax collection, requiring retailers to collect and remit sales taxes based on where a buyer takes possession of a purchase. The bill allowed small retailers, those with less than \$100,000 in annual sales, to source sales to their business location until an online sales tax rate lookup tool developed by the state was available. The bill gave small retailers 90 days after the tool was ready to begin destination sourcing. On April 1, 2021, the Department of Revenue sent a notice to retailers that the tool was ready to use and that all retailers would be required to apply destination-sourcing rules beginning July 1, 2021. This bill extends this deadline to February 1, 2022.

Local Government

The bill could increase or decrease city, county, or special district sales and use tax revenue depending on the business locations of small retailers and source of the sale as determined by the Department of Revenue's rules. The effect of the shift to destination sourcing on various taxing jurisdictions cannot be determined based on available information.

Effective Date

The bill was signed into law by the Governor and took effect on June 30, 2021.

State and Local Government Contacts

Counties	Information Technology	Municipalities
Personnel	Regional Transportation District	Revenue
Special Districts		