



Final Fiscal Note

Drafting Number:	LLS 24-0379	Date:	July 24, 2024
Prime Sponsors:	Sen. Van Winkle; Bridges Rep. Kipp; Taggart	Bill Status:	Signed into Law
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Bill Topic: **HOLD HARMLESS FOR ERROR IN GIS DATABASE DATA**

Summary of Fiscal Impact:

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

The bill holds harmless any vendor for an underpayment of a sales or use tax, charge, or fee liability that results solely from an error or omission in the Colorado Department of Revenue's GIS database. It may minimally reduce local government sales tax revenue.

Appropriation Summary: No appropriation is required

Fiscal Note Status: The final fiscal note reflects the enacted bill. The bill was recommended by the Sales and Use Tax Simplification Task Force.

Summary of Legislation

The bill establishes that any vendor relying upon information in the Department of Revenue's (DOR) geographic information system (GIS) database to determine which local tax jurisdictions are owed sales and use tax, and by what amount, is held harmless in an audit by the state or local taxing jurisdiction for an underpayment of tax, charge, or fee liability that results solely from an error or omission in the GIS database data. To be held harmless, vendors must collect and produce certain documentation to demonstrate proper system use.

The DOR must update the GIS database within 30 days of receiving updated data from local taxing jurisdictions. Local tax jurisdictions are not required to hold vendors harmless in cases where the vendor used an incomplete or erroneous address when querying the GIS database.

The bill also declares that addressing the complex nature of Colorado's state and local sales tax system through the Sales and Use Tax System (SUTS), which includes this GIS database, is matter of statewide concern.

Background and Assumptions

Sales and Use Tax System (SUTS). SUTS is a web-based portal where businesses can register, look up sales and use tax information, file returns, and pay sales taxes to the state and participating local jurisdictions at once. Included in SUTS is a GIS database owned and maintained by the DOR for businesses to determine the jurisdictions to which tax is owed and to calculate the amount of tax due. The pilot of the system was launched in May 2020 following the passage of Senate Bill 19-006, which required the state to create the system and GIS database. The DOR must ensure that the GIS database is at least 95 percent accurate.

Currently, any vendor that directly uses the data contained in the GIS database to determine the jurisdictions to which tax is owed is held harmless by the DOR for any tax, charge, or fee liability to any taxing jurisdiction that otherwise would be due solely as a result of an error or omission in the GIS database data. The existing hold harmless provision in statute covers both state taxes and local taxes that are state-collected or state-administered. Therefore, the provisions in this bill only impact self-collected home rule jurisdictions. For the state and state-collected or state-administered jurisdictions, the DOR waives liability on an individual taxpayer basis if the taxpayer can demonstrate that their incorrect tax return stemmed from an error in the GIS database. The DOR does not have available data regarding audits that occur due to errors in the GIS database, but expects that those audits are low-volume and low-likelihood in most cases.

Local Government

For self-collected home rule taxing jurisdictions that do not currently hold taxpayers harmless for errors in the state's GIS database, this bill may result in a loss of tax revenue in cases where database errors result in an underpayment of taxes. The amount of the revenue impact depends on GIS database errors and local government tax enforcement practices, and will vary across jurisdictions. The potential loss in revenue is limited by the requirement that the GIS database is at least 95 percent accurate and that the DOR must update the GIS database within 30 days of being notified by local taxing jurisdictions that there has been a change to their sales and use tax.

Effective Date

The bill was signed into law by the Governor and took effect on April 19, 2024.

State and Local Government Contacts

Counties

Municipalities

Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: leg.colorado.gov/fiscalnotes.