

Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted
on Second Reading in the Second House*

LLS NO. 16-0796.01 Esther van Mourik x4215

SENATE BILL 16-050

SENATE SPONSORSHIP

Neville T. and Jahn, Carroll

HOUSE SPONSORSHIP

Saine and Ryden, Kraft-Tharp, Nordberg, Primavera

Senate Committees

Business, Labor, & Technology

House Committees

Business Affairs and Labor

A BILL FOR AN ACT

101 CONCERNING A HOLD HARMLESS PROVISION FOR RETAILERS LIABLE
102 FOR ANY MONEY PAYABLE AS A RESULT OF AN INCORRECT
103 LOCATION CODE ASSIGNED BY THE DEPARTMENT OF REVENUE.

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://www.leg.state.co.us/bills summaries>.)

Legislative Audit Committee. Any business owner who wants to sell retail goods in the state (retailer) must first obtain a sales tax license from the department of revenue (department). Given the complexity of the state's local sales tax system, in which rates vary depending on applicable jurisdictions such as cities, counties, and special districts, a key

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.

Capital letters indicate new material to be added to existing statute.

Dashes through the words indicate deletions from existing statute.

HOUSE
2nd Reading Unamended
February 22, 2016

SENATE
3rd Reading Unamended
February 2, 2016

SENATE
Amended 2nd Reading
February 1, 2016

step in the process is the department's method of determining which local taxing jurisdictions apply to the retailer's location. The department has created a system of location codes that identifies tax liabilities for various geographic regions of the state. When a retailer registers for a sales tax license, the department assigns one of these location codes to the business site and prints it on the sales tax license to represent the retailer's liability for collecting local sales taxes.

A November 2015 performance audit of the department by the office of the state auditor reflects that the department does not sufficiently ensure it assigns location codes to business sites that accurately reflect the sales tax jurisdictions that apply to their locations.

The bill specifies that if a retailer obtains a license as required by law in good faith, the retailer provides a business address that conforms with the United States postal service's address database and is correct, the department assigns an incorrect location code to the retailer, and the retailer in good faith collects and remits sales taxes for the local jurisdictions represented by the assigned location code, then the retailer is held harmless for any tax, charge, penalty, interest, or fee payable as a result of failing to collect and remit sales taxes for a local jurisdiction as a result of the incorrect location code.

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

SECTION 1. In Colorado Revised Statutes, 39-26-103, **add** (2.5) as follows:

39-26-103. Licenses - fee - revocation - definition. (2.5) (a) IF A RETAILER OBTAINS A LICENSE AS REQUIRED IN THIS SECTION IN GOOD FAITH, THE RETAILER PROVIDES AN ADDRESS THAT CORRECTLY INDICATES THE LOCATION OF THE BUSINESS, _____ THE DEPARTMENT OF REVENUE ASSIGNS AN INCORRECT LOCATION CODE TO THE RETAILER, AND THE RETAILER IN GOOD FAITH COLLECTS AND REMITS SALES TAXES FOR THE LOCAL JURISDICTIONS REPRESENTED BY THE ASSIGNED LOCATION CODE, THEN NOTWITHSTANDING THIS SECTION, SECTION 39-26-105, OR 39-26-118, THE RETAILER IS HELD HARMLESS FOR ANY TAX, CHARGE, PENALTY, INTEREST, OR FEE PAYABLE AS A RESULT OF FAILING TO COLLECT AND REMIT SALES TAXES FOR A LOCAL JURISDICTION DUE TO THE

1 INCORRECT LOCATION CODE.

2 (b) FOR PURPOSES OF THIS SUBSECTION (2.5), "LOCATION CODE"
3 MEANS THE CODE ASSIGNED BY THE DEPARTMENT OF REVENUE TO A
4 RETAILER, BASED ON THE BUSINESS ADDRESS, WHEN THE RETAILER
5 OBTAINS A SALES TAX LICENSE AS REQUIRED IN THIS SECTION AND
6 REPRESENTS THE GEOGRAPHIC REGION OF THE STATE AND THE LOCAL
7 SALES TAXES THAT THE RETAILER IS REQUIRED TO COLLECT AND REMIT
8 FOR SUCH REGION, OR MEANS ANY SUCCESSOR SYSTEM USED BY THE
9 DEPARTMENT TO IDENTIFY THE LOCAL SALES TAXES THAT A RETAILER IS
10 REQUIRED TO COLLECT AND REMIT BASED ON THE BUSINESS LOCATION.

11 **SECTION 2. Safety clause.** The general assembly hereby finds,
12 determines, and declares that this act is necessary for the immediate
13 preservation of the public peace, health, and safety.