

NOTE: This bill has been prepared for the signatures of the appropriate legislative officers and the Governor. To determine whether the Governor has signed the bill or taken other action on it, please consult the legislative status sheet, the legislative history, or the Session Laws.

An Act

SENATE BILL 19-006

BY SENATOR(S) Williams A., Bridges, Cooke, Crowder, Donovan, Fenberg, Gardner, Ginal, Gonzales, Hill, Lee, Lundeen, Marble, Moreno, Priola, Rankin, Rodriguez, Scott, Smallwood, Sonnenberg, Story, Tate, Todd, Winter, Woodward, Garcia;
also REPRESENTATIVE(S) Kraft-Tharp and Van Winkle, Arndt, Baisley, Beckman, Bockenfeld, Buckner, Buentello, Cutter, Esgar, Garnett, Gray, Hansen, Herod, Hooton, Kennedy, Kipp, Landgraf, Lontine, McCluskie, McLachlan, Michaelson Jenet, Mullica, Roberts, Sandridge, Snyder, Soper, Sullivan, Tipper, Titone, Valdez A., Valdez D., Weissman, Williams D., Becker.

CONCERNING AN ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM, AND, IN CONNECTION THEREWITH, REQUIRING THE OFFICE OF INFORMATION TECHNOLOGY TO CONDUCT A SOURCING METHOD FOR THE DEVELOPMENT OF THE SYSTEM AND REQUIRING THE DEPARTMENT OF REVENUE TO ESTABLISH THE IMPLEMENTATION OF THE SYSTEM FOR THE ACCEPTANCE OF RETURNS AND PROCESSING OF PAYMENTS FOR THE SALES AND USE TAX LEVIED BY THE STATE AND ANY LOCAL TAXING JURISDICTIONS, AND MAKING AN APPROPRIATION.

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

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) The sales and use tax simplification task force (task force) has met several times in the interim between the 2018 and 2019 legislative sessions and has again heard testimony from both businesses and local governments about the complex nature of our state and local sales and use tax system;

(b) In enacting this act, the task force's objective is to take the next step toward the development and implementation of an electronic sales and use tax simplification system to be used by the state and local taxing jurisdictions for the acceptance of returns and processing of payments for the sales and use tax levied by the state and any local taxing jurisdictions;

(c) It is the task force's intent that the electronic sales and use tax simplification system allow for various payment options, including contributions by the state, local taxing jurisdictions, or retailers;

(d) It is the task force's intent to move forward with simplifying certain administrative details of the state and local sales and use tax system for the state and local taxing jurisdictions, but on an elective basis for any municipality with a home rule charter in order to protect the important legal authority of such entities as set forth in section 6 of article XX of the state constitution; and

(e) It is the task force's intent that the cost of the initial funding and ongoing maintenance of the electronic sales and use tax simplification system be paid for from the additional sales tax revenues that are deposited in the general fund and that the state is receiving as a result of the United States Supreme Court's decision in *South Dakota v. Wayfair, Inc., et al.*, which allowed states to require retailers without physical presence in the state to collect sales tax on purchases made by in-state customers so long as the sales tax system in the state is not too burdensome for the out-of-state retailer.

SECTION 2. In Colorado Revised Statutes, **add** 39-26-802.7 as follows:

39-26-802.7. Electronic sales and use tax simplification system

- sourcing method - implementation - legislative intent - definitions.

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(b) "LOCAL TAXING JURISDICTION" MEANS A CITY, TOWN, MUNICIPALITY, COUNTY, SPECIAL DISTRICT, OR AUTHORITY AUTHORIZED TO LEVY A SALES OR USE TAX PURSUANT TO TITLE 24, 25, 29, 30, 31, 32, 37, 42, OR 43, AND ANY COUNTY, CITY AND COUNTY, OR MUNICIPALITY GOVERNED BY A HOME RULE CHARTER.

(c) "OFFICE OF INFORMATION TECHNOLOGY" OR "OFFICE" MEANS THE OFFICE OF INFORMATION TECHNOLOGY CREATED IN SECTION 24-37.5-103.

(d) "SALES AND USE TAX SIMPLIFICATION TASK FORCE" OR "TASK FORCE" MEANS THE SALES AND USE TAX SIMPLIFICATION TASK FORCE CREATED IN SECTION 39-26-802.

(2) (a) THE OFFICE OF INFORMATION TECHNOLOGY, ON BEHALF OF THE DEPARTMENT, WITHIN EXISTING RESOURCES, SHALL CONDUCT A SOURCING METHOD IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE "PROCUREMENT CODE", ARTICLES 101 TO 112 OF TITLE 24, AND ANY APPLICABLE RULES, FOR THE DEVELOPMENT OF AN ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM. THE OFFICE AND THE DEPARTMENT SHALL INVOLVE STAKEHOLDERS TO DEVELOP THE SCOPE OF WORK.

(b) ON AND AFTER THE DATE THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM IS ONLINE, AND NOTWITHSTANDING ANY LAW TO THE CONTRARY, THE DEPARTMENT SHALL ACCEPT ANY RETURNS AND PAYMENTS PROCESSED THROUGH THE SYSTEM FOR STATE SALES AND USE TAX AND FOR ANY SALES AND USE TAXES THAT ARE COLLECTED BY THE DEPARTMENT ON BEHALF OF ANY LOCAL TAXING JURISDICTION.

(c) (I) ON AND AFTER THE DATE THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM IS ONLINE, IT IS THE GENERAL ASSEMBLY'S INTENT THAT AT LEAST THREE LOCAL GOVERNMENTS GOVERNED BY A HOME RULE CHARTER VOLUNTARILY USE THE SYSTEM FOR ACCEPTING RETURNS AND PROCESSING PAYMENTS OF ANY LOCAL SALES AND USE TAX.

(II) IT IS THE GENERAL ASSEMBLY'S INTENT THAT THE VOLUNTARY

USE OF THE SYSTEM INCREASE EVERY YEAR SO THAT NO LATER THAN THREE YEARS AFTER THE EFFECTIVE DATE OF THIS SECTION ALL LOCAL GOVERNMENTS GOVERNED BY A HOME RULE CHARTER ARE VOLUNTARILY USING THE SYSTEM.

(3) FOR THE 2020-21 STATE FISCAL YEAR, THE GENERAL ASSEMBLY SHALL APPROPRIATE EIGHT MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS TO THE OFFICE OF THE GOVERNOR FOR USE BY THE OFFICE OF INFORMATION TECHNOLOGY FOR THE INITIAL FUNDING AND ONGOING MAINTENANCE OF THE ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM. ANY CONTRACT ENTERED INTO FOR THE SYSTEM MUST PROVIDE THAT INITIAL FUNDING PAYMENTS TO THE VENDOR ARE MADE ON A QUARTERLY BASIS.

(4) IN THE INTERIM BETWEEN THE 2019 AND 2020 LEGISLATIVE SESSIONS, THE OFFICE AND THE DEPARTMENT SHALL REGULARLY PROVIDE THE SALES AND USE TAX SIMPLIFICATION TASK FORCE WITH ANY SUCH DETAILED INFORMATION REGARDING THE SOURCING METHOD PROGRESS AS IS ALLOWED UNDER THE PROCUREMENT CODE.

SECTION 3. Appropriation. (1) For the 2019-20 state fiscal year, \$9,183,000 is appropriated to the Office of the Governor for use by the Office of Information Technology. This appropriation is from the general fund. To implement this act, the office of information technology may use this appropriation for the initial funding of the electronic sales and use tax simplification system.

(2) (a) For the 2019-20 state fiscal year, \$817,000 is appropriated to the department of revenue. This appropriation is from the general fund. To implement this act, the department may use this appropriation for the purchase of information technology services, specifically a global information system (GIS) database to maintain jurisdictional boundaries of sales tax districts and to calculate appropriate sales and use tax rates for individual addresses.

(b) For the 2019-20 state fiscal year, \$817,000 is appropriated to the office of the governor for use by the office of information technology. This appropriation is from reappropriated funds received from the department of revenue under subsection (2)(a) of this section. To implement this act, the

office may use this appropriation to provide information technology services for the department of revenue as specified in subsection (2)(a) of this section.

SECTION 4. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

Leroy M. Garcia
PRESIDENT OF
THE SENATE

KC Becker
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

Marilyn Eddins
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO