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Fiscal Note

Drafting Number: LLS 22-0152 Date: January 12, 2022
Prime Sponsors: Sen. Bridges; Woodward Bill Status: Senate Business
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Bill Topic: SIMPLIFY LOCAL SALES AND USE TAX ADMINISTRATION

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checked)
State Transfer (checkbox)
TABOR Refund (checkbox)
Local Government (checked)
Statutory Public Entity (checkbox)

The bill requires the Department of Revenue to collect sufficient information from retailers that use the sales and use tax simplification system and make the information available to local taxing jurisdictions. The bill increases state expenditures in FY 2022-23 only and may decrease revenue to some local governments on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$2,100 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under SB 22-032

Table with 4 columns: Category, Fund, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill requires that the Department of Revenue collect sufficient information from relevant retailers that use the sales and use tax simplification system (SUTS) and make that information available to local taxing jurisdictions to ensure the concerns of local jurisdictions related to efficiency, compliance, and revenue collection are addressed.

Relevant retailers are those that:

- use SUTS;
- have a state standard retail license; and
- either do not have a physical presence, or have only an incidental physical presence, in the local taxing jurisdiction.

The department must make the changes by July 1, 2023, and consult with local taxing jurisdictions and retailers in making system modifications. The bill clarifies that the department must report required information with each municipality or county, including home rule municipalities.

On or after July 1, 2022, a local taxing jurisdiction may not charge a fee for a general business license to relevant retailers within the jurisdiction. On or after July 1, 2023, a local taxing jurisdiction may not require a relevant retailer to apply separately for a general business license. If the local jurisdiction requires a general business license, it must automatically issue the license at no charge using the information collected in SUTS, except that a local jurisdiction is not required to issue a license if it has previously revoked the retailers' general business license for a violation of local code.

State Expenditures

In FY 2022-23 only, the bill increases state General Fund expenditures for the Department of Revenue by \$2,100. To program and test the changes to SUTS, 60 hours of staff time are required at a cost of \$35 per hour. The workload associated with consulting with local jurisdictions and relevant retailers can be accomplished within current appropriations.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$315 in FY 2022-23, which will decrease the amount of General Fund available for other purposes.

Local Government

Beginning in FY 2022-23, the bill reduces fee revenue to local taxing jurisdictions that use SUTS, as they are prohibited from charging a fee to relevant retailers. The revenue reduction may be partially offset by an increase in tax revenue as a result of improved compliance. The impact on individual jurisdictions will vary, and has not been calculated.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2022-23, the bill requires a General Fund appropriation of \$2,100 to the Department of Revenue.

State and Local Government Contacts

Counties	Information Technology	Law
Municipalities	Personnel	Revenue
Special Districts		