



PLEASE SUPPORT HB 19-1240

Sales and Use Tax Administration

Representatives Tracy Kraft Tharp and Kevin Van Winkle

Senators Lois Court and Jack Tate

GENERAL MESSAGE POINTS

▶ **HB19-1240 is a BiPartisan Effort**

HB 19-1240 is a bi-partisan effort to improve the climate for small business in Colorado. The bill is sponsored by two Democrats, Representative Tracy Kraft Tharp and Senator Lois Court and two Republicans, Representative Kevin Van Winkle and Senator Jack Tate as well as a broad coalition of business owners and advocacy groups known as *Simplify Colorado's Sales Tax*.

▶ **HB 19-1240 is a bill for Small Business**

HB 19-1240 removes obstacles for small business – it is imperative that we support small business as they are the drivers of our economy.

▶ **HB 19-1240 simplifies Colorado's sales tax**

In 2013, the Council on State Taxation rated Colorado as the fourth worst state in the country with a grade of "D." According to a 2018 analysis by the Council, the measure has not improved, Colorado currently has the hardest tax climate for businesses to navigate. The abysmal rankings are a result of a confusing and cumbersome patchwork of more than 700 geographic areas with different sales tax rates and bases. We can do better.

▶ **HB 19-1240 levels the playing field for all businesses**

HB 19-1240 creates an equal playing field for small businesses, large e-commerce companies, and brick-and-mortar companies.

The Challenge

- The Wayfair Ruling, handed down earlier this year, set in motion a series of rule changes that would prove to be insurmountable for many small businesses. The problem, a change from taxing at the point to taxing at the point of destination. It may not sound like a big change to some of us but for local retailers, the change presents new costs, mounds of paperwork, and another layer of red tape.

A Patchwork of 700 taxing districts

- The Colorado Sales Tax code is a jumbled tangle of patchwork that often hinders small businesses.
- There are currently more than 700 taxing districts that represent the overlap of city, county and special district boundaries. Asking small businesses to track these different taxing entities is an almost insurmountable task.
- Passed earlier this year, SB 19-006 answers the problem by creating an electronic filing system for a single point of sales and use tax licensing and remittance.

Leveling the Playing Field

- HB 19-1240 creates an equal playing field for small businesses, large e-commerce companies, and brick-and-mortar companies.
 - Small business won't have to break the bank to figure and track destination tax rates;
 - All companies will pay the same tax rates that brick-and-mortar companies pay;

Bill Specifics

HB 19-1240 establishes an economic nexus for out-of-state retailers, codifies the destination sourcing rule with a specified exception, requires marketplace facilitators to collect and remit sales tax for sales made by marketplace sellers, and repeals obsolete statutory references to remote sellers.

Establishing an economic nexus for out-of-state retailers:

- Does not apply for sales made by such retailers prior to June 1, 2019

Codifying the destination sourcing rule:

- Destination sourcing rule for sales tax imposed by a statutory incorporated town, city, county, or for special districts
- Exemption: a small retailer may source its sales to the business' location regardless of where the purchaser receives the tangible personal property or service until a geographic information system provided by the state is online and available

Requiring marketplace facilitators to collect and remit sales tax on behalf of marketplace sellers:

- Allows marketplace facilitators to retain the vendor fee for the collection and remittance of the sales tax on sales made by marketplace sellers
- Provides the marketplace facilitator with audit relief if the marketplace facilitator can demonstrate to Colorado DOR that it made a reasonable effort to obtain accurate information
- Specifies that the marketplace seller does not have the liabilities, obligations, and rights of a retailer if the marketplace facilitator is required to collect and remit sales tax on its behalf, including licensing, collection, and remittance requirements

Repealing outdated references to remote sales and remote sellers:

- Pursuant to House Bill 13-1295 the references are not applicable because Congress never enacted an act that authorizes states to require certain retailers to pay, collect, or remit state or local sales taxes

About the Simplify Colorado Sales & Use Tax Coalition:

This bill is supported by the Coalition to Simplify Colorado Sales Tax which was formed in 2015 to support Colorado's economy by simplifying the state's overly complex sales- and use-tax system. Colorado ranked **39th of states** on the sales tax component in the [Tax Foundation's 2017 State Business Tax Climate Index](#). We will promote additional reforms in the future to create a simple, fair and predictable system without reducing overall revenue for local and state public services.

The following organizations have joined the coalition's expanding board of directors:

- AlphaGraphics - Arvada/Downtown Denver/Golden
- American Furniture Warehouse
- Associated General Contractors of Colorado
- Associated Landscape Contractors of Colorado
- Automated Business Products
- Colorado Association of Mechanical and Plumbing Contractors (CAMPC)
- Colorado Association of Viticulture and Enology (CAVE)
- Colorado Automobile Dealers Association (CADA)
- Colorado Petroleum Marketers Association
- Colorado Society of CPAs
- Food Services of America – Loveland
- Inovonics
- LafargeHolcim
- National Federation of Independent Business (NFIB)
- Rocky Mountain Regional Promotional Products Association
- SMACNA Colorado
- Summit Ford
- TaxOps

For more information and to join the effort:

- SimplifyCOSalesTax.com
- facebook.com/SimplifyCOSalesTax
- Twitter: [@SimpleSalesTax](https://twitter.com/SimpleSalesTax)
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