



Work Session Agenda Summary

May 9, 2023

John Karner, Finance Director

Title:

Overview of Sales and Use Tax Software Collection System

Background:

Colorado has a unique tax landscape with 272 municipalities, out of which 97 are Home Rule jurisdictions that can establish their own tax base, requiring businesses to file and remit tax directly to the municipality. Out of the 97, Colorado has 68 that are self-collecting-tax jurisdictions.

The State of Colorado Interim Committee, the Sales and Use Tax Simplification Task Force, was originally created in 2017 to find ways to make it easier for businesses to navigate this highly complex system. Simplicity within the Colorado Sales and Use Tax landscape became imperative after the 2018 Supreme Court's ruling in *South Dakota v. Wayfair* that allowed states to require that sellers collect, and remit sales tax based on the establishment of an "economic nexus," doing away with the previous "physical presence" test.

In 2019, the State of Colorado Department of Revenue (DOR) and the Governor's Office of Information Technology (OIT) collaborated to deliver a Sales & Use Tax System (SUTS) that could be a single web portal where businesses could both look up sales and use tax information and file and remit to all jurisdictions at once. Current sale tax collections are remitted directly to the City of Greeley (City).

Two important items to consider in potentially utilizing SUTS include:

- While this is a choice for Home Rule municipalities in Colorado, participating in SUTS opens the possibility for remote sellers & marketplace facilitators to remit tax returns in one online location. SUTS participation also allows the City to reduce the monetary and clerical burden taxpayers may experience while adhering to Colorado's taxability matrix and complying with the *South Dakota v. Wayfair* ruling. The City was not an early adopter and is now one of only 11 home rule municipalities that are currently not on the SUTS system. As the system becomes more mature and adopted more broadly, City staff believe now is the appropriate time to participate in the SUTS system.

- Moving forward, municipalities across Colorado engaged in SUTS should monitor any legislation and/ or regulations that would result in the State of Colorado retaining any portion of local sales and use taxes.

This matter is being presented to the City Council with a staff recommendation to modify the City’s municipal code to facilitate the ability for SUTS to collect sales and use tax for the City. With City Council consensus, staff is prepared to bring forward an ordinance amending the City’s Municipal Code to allow for the SUTS system to collect and remit taxes to the City. The City will also enter into an intergovernmental agreement with the State of Colorado for the purposes of permitting access to the SUTS System and its related tax information search capabilities.

The May 9 Work Session item will provide a high-level overview of the SUTS system. Pending City Council consensus, a SUTS ordinance would be prepared and presented to City Council for first reading on May 16, 2023, and second reading on June 6, 2023. The supplemental resolution supporting the SUTS IGA will coincide with the ordinance second reading on June 6, 2023.

Strategic Focus Area:



Business Growth



Community Vitality



High-Performance Government

Attachments:

- Sales and Use Tax System (SUTS) Summary Report
- Sales and Use Tax System (SUTS) Presentation