



Legislation Text

File #: 19-122, **Version:** 2

Ordinance No. 19-20 Amending Section 104 (Words and Phrases Defined) Of Part 1 (General Provisions) Of Article 7 (Sales and Use Tax) Of Chapter 2 (Business Licensing, Liquor Regulation and Taxation) of the Code of the City Of Colorado Springs 2001, As Amended, Pertaining to Sales and Use Tax Definitions

Presenter:

Charae McDaniel, Chief Financial Officer

Summary:

In an effort to simplify and standardize the varying sales tax systems throughout Colorado, including those of Home Rule Municipalities, Senate Joint Resolution 14-038 was passed in 2014 requesting the Colorado Municipal League (CML) to develop a package of Standard Definitions. The current standardization project took about two years to complete, and CML's Sales Tax Committee results were provided to locally collecting home rule jurisdictions in late 2016 for review and adoption.

The goals in developing these definitions, and the direction to the Municipalities in their review and modifications, were to add clarity and remain revenue neutral so that there would not be a need for a TABOR election.

Colorado Springs began the review process in early 2017 and completed the process in late 2018. As a result of the City's review, and to remain revenue neutral, not all of the CML definitions that were recommended for addition, deletion or modification were accepted by the City for inclusion in our Ordinance.

The attached Ordinance incorporates the additions, deletions and modifications of sales tax definitions that are deemed appropriate for the City of Colorado Springs and is intended to add clarity about current tax practices for businesses. These changes will not result in any new tax levies and will not increase tax revenue.

The accompanying Ordinance provides necessary changes to the exemption portion of code that are a result of the modification of the definitions.

Previous Council Action:

N/A

Background:

Colorado has an unusual sales tax system for home rule municipalities. Municipalities in most states (and statutory municipalities in Colorado) have their sales taxes remitted to the state, which then distributes the tax revenue to the local governments. Here in Colorado, home rule municipalities such

as Colorado Springs are permitted to require merchants to remit the tax revenue directly to the municipality, which we do. Home rule municipalities in Colorado may, unlike municipalities in most other states, decide what to tax and what to exempt (the tax base) and may conduct their own audits of merchants.

This system benefits home rule municipalities such as Colorado Springs because we have local control of the tax base, collection and auditing.

However, our varying sales tax systems throughout Colorado have been described as among the most complex in the nation for businesses that operate in locally collecting jurisdictions. Businesses must remit to several locations, at a variety of rates, potentially subject to multiple audits at the state and local level, and having to navigate the various definitions assigned to the same or similar terms depending on the jurisdiction.

CML has worked with the business community over the past 30 years on various projects to simplify the tax systems, while reducing the impact to revenues collected by municipalities. As a result of the Senate Joint Resolution 14-038 which was passed in 2014, CML created a Sales Tax Committee that represents Colorado's locally collecting municipalities, including Colorado Springs. The Committee agreed to standardize sales tax definitions in an effort to simplify the varying sales tax systems for businesses that remit sales tax in Colorado. As mentioned in the Summary, the Committee provided the results and recommendations to home rule municipalities in late 2016. Colorado Springs began the review process in early 2017 and completed the final review in late 2018.

Financial Implications:

The impact of the sales tax definition changes is neutral to revenue.

Board/Commission Recommendation:

N/A

Stakeholder Process:

CML formed a Sales Tax Committee to include representatives from each locally collecting home rule jurisdiction (including Colorado Springs), business tax experts, municipal attorneys, CML members and the business community. The resulting package of Standard Definitions was reviewed by the home rule jurisdictions.

The City Council Budget Committee reviewed this ordinance at the February 12, 2019 meeting.

Alternatives:

N/A

Proposed Motion:

Move approval of the attached ordinance as presented.

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