



*Colorado Legislative Council Staff Fiscal Note*  
**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 11-0976  
**Prime Sponsor(s):** Sen. Hodge  
 Rep. Gerou

**Date:** June 20, 2011  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Fiona Sigalla (303-866-3556)

**TITLE:** CONCERNING STATE SALES TAX REVENUES RETAINED BY A VENDOR AS COMPENSATION FOR EXPENSES INCURRED BY THE VENDOR IN THE COLLECTION AND REMITTANCE OF SUCH TAX REVENUES TO THE STATE, AND MAKING AN APPROPRIATION THEREFOR.

<b>Fiscal Impact Summary</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
<b>State Revenue</b> General Fund		\$23.6 million	\$24.5 million	\$25.6 million
<b>State Expenditures</b> General Fund	\$156,590	\$5,032		
<b>FTE Position Change</b>				
<b>Effective Date:</b> The bill was signed into law by the Governor and took effect on May 5, 2011.				
<b>Appropriation Summary for FY 2010-2011:</b> See the State Appropriations section.				
<b>Local Government Impact:</b> Revenue Increase. See the Local Government Impact section.				

**Summary of Legislation**

This bill temporarily reduces the fee that vendors retain for compensation of sales tax collection expenses between July 1, 2011, and June 30, 2014, from the current law amount of 3.33 percent of the sales tax they collect to 2.22 percent.

**Background.** Current law requires Colorado retail vendors to collect sales taxes for the state. Typically, vendors are allowed to keep a portion of the taxes they collect as compensation for the administrative costs of collecting sales tax. The portion the vendor is allowed to keep is called the vendor fee.

The vendor fee was temporarily reduced in 2003. In 2009, Senate Bill 09-212 and SB 09-275 temporarily repealed the vendor fee from July 1, 2009 through July 1, 2011. Under current law, the fee would be reinstated at 3.33 percent for FY 2011-12. This bill will reduce the state vendor fee to 2.22 percent for FY 2011-12, FY 2012-13, and FY 2013-14.

### **State Revenue**

General Fund revenue will increase **\$23.6 million** in FY 2011-12, **\$24.5 million** in FY 2012-13, and **\$25.6 million** in FY 2013-14. Revenue estimates are based on the Legislative Council Staff March 2011 forecast of state sales tax and 50.5 percent of use tax revenue.

### **State Expenditures**

**Department of Revenue: \$156,590 in FY 2010-11 and \$5,032 in FY 2011-12.** The Department of Revenue will incur one-time expenses to modify computer systems, coupon books, and to notify vendors of the change in the fee. These expenditures are detailed in Table 1.

<b>Table 1. Expenditures Under SB 11-223</b>		
<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Forms and Printing	\$71,970	
Postage	\$84,620	
Programming		\$5,032
<b>TOTAL</b>	<b>\$156,590</b>	<b>\$5,032</b>

### **Departmental Differences**

It is the position of the Department of Revenue that additional funds will be necessary to process erroneous claims for refunds because some vendors will claim the incorrect vendor fee after July 1, 2011. The department also expects taxpayers affected by this legislation to call with questions. The department states that it would require \$131,655 in FY 2011-12 to hire temporary staff for processing erroneous refund claims and answering questions and an additional \$1,054 in FY 2011-12 for postage and document imaging costs. The fiscal note assumes that erroneous claims would not be filed and vendors will not call with questions; therefore, these costs are not included in the fiscal note.

### **Local Government Impact**

The Regional Transportation District will experience a revenue increase of an estimated \$4 million in FY 2011-12, FY 2012-13, and FY 2013-14.

**State Appropriations**

The General Assembly appropriated \$128,696 from the General Fund to the Department of Revenue for FY 2010-11, based on the information that was available at the time that the bill was passed. The department anticipates pursuing a supplemental for additional funding.

**Departments Contacted**

Revenue      Law