

Second Regular Session  
Sixty-seventh General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0739.01 Esther van Mourik

HOUSE BILL 10-1193

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HOUSE SPONSORSHIP

Pommer,

SENATE SPONSORSHIP

Heath,

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House Committees  
Appropriations

Senate Committees

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A BILL FOR AN ACT

101 CONCERNING THE COLLECTION OF SALES AND USE TAXES ON SALES  
102 MADE BY OUT-OF-STATE RETAILERS.

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

**Section 1** of the bill relates to current law requiring a retailer to collect sales tax from a person residing in this state only if the retailer has sufficient connections with this state. Commencing March 1, 2010, section 1 articulates a presumption that any out-of-state retailer that has a referral relationship with an affiliate has an obligation to collect sales

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

tax. The bill specifies that the presumption may be rebutted by the out-of-state retailer if the retailer can show that the affiliate with whom the retailer has such a relationship did not engage in active solicitation. The bill defines an affiliate as a person residing in this state that solicits business by means of a public forum in this state.

**Section 2** specifies that, for purposes of any efforts to collect use tax, the executive director of the department of revenue may issue a subpoena to any out-of-state retailer if the out-of-state retailer refuses to voluntarily furnish specific information when requested and may take the out-of-state retailer's testimony under oath. If the out-of-state retailer fails or refuses to respond to the subpoena and give testimony, the executive director may apply to any judge of the district court of the state of Colorado for an attachment against the out-of-state retailer for contempt.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 39-26-102 (3) (b) and (8), Colorado Revised  
3 Statutes, are amended to read:

4 **39-26-102. Definitions.** As used in this article, unless the context  
5 otherwise requires:

6 (3) "Doing business in this state" means the selling, leasing, or  
7 delivering in this state, or any activity in this state in connection with the  
8 selling, leasing, or delivering in this state, of tangible personal property  
9 by a retail sale as defined in this section, for use, storage, distribution, or  
10 consumption within this state. This term includes, but shall not be limited  
11 to, the following acts or methods of transacting business:

12 (b) (I) The soliciting, either by direct representatives, indirect  
13 representatives, manufacturers' agents, or by distribution of catalogues or  
14 other advertising, or by use of any communication media, or by use of the  
15 newspaper, radio, or television advertising media, or by any other means  
16 whatsoever, of business from persons residing in this state and by reason  
17 thereof receiving orders from, or selling or leasing tangible personal

1 property to, such persons residing in this state for use, consumption,  
2 distribution, and storage for use or consumption in this state.

3 (II) (A) COMMENCING MARCH 1, 2010, IF A RETAILER ENTERS INTO  
4 AN AGREEMENT WITH AN AFFILIATE UNDER WHICH THE AFFILIATE, FOR A  
5 COMMISSION OR OTHER CONSIDERATION, DIRECTLY OR INDIRECTLY REFERS  
6 POTENTIAL CUSTOMERS, WHETHER BY A LINK ON AN INTERNET WEB SITE  
7 OR OTHERWISE, TO THE RETAILER, THEN THE AFFILIATE SHALL BE  
8 PRESUMED TO HAVE SOLICITED BUSINESS ON BEHALF OF SUCH RETAILER  
9 AND SUCH RETAILER IS DEEMED TO BE DOING BUSINESS IN THIS STATE.  
10 THIS PRESUMPTION SHALL NOT APPLY UNLESS THE CUMULATIVE GROSS  
11 RECEIPTS FROM SALES BY THE RETAILER TO CUSTOMERS IN THE STATE WHO  
12 ARE REFERRED TO THE RETAILER BY ALL AFFILIATES WITH THIS TYPE OF AN  
13 AGREEMENT WITH THE RETAILER ARE IN EXCESS OF TEN THOUSAND  
14 DOLLARS DURING THE PRECEDING CALENDAR YEAR. THIS PRESUMPTION  
15 MAY BE REBUTTED BY PROOF THAT THE AFFILIATE WITH WHOM THE  
16 RETAILER HAS AN AGREEMENT DID NOT ENGAGE IN ANY SOLICITATION IN  
17 THIS STATE ON BEHALF OF THE RETAILER THAT WOULD SATISFY THE NEXUS  
18 REQUIREMENT OF THE UNITED STATES CONSTITUTION DURING THE  
19 CALENDAR YEAR IN QUESTION. NOTHING IN THIS SUBPARAGRAPH (II)  
20 SHALL BE CONSTRUED TO NARROW THE SCOPE OF ANY TERM FOR PURPOSES  
21 OF THIS ARTICLE.

22 (B) FOR PURPOSES OF THIS SUBPARAGRAPH (II), "AFFILIATE"  
23 MEANS A PERSON RESIDING IN THIS STATE THAT MAY SOLICIT BUSINESS BY  
24 MEANS OF A PUBLIC FORUM IN THIS STATE.

25 (8) "Retailer" or "vendor" means a person doing a ~~retail~~ business  
26 IN THIS STATE, known to the trade and public as such, and selling to the  
27 user or consumer, and not for resale.

1           **SECTION 2.** 39-21-112, Colorado Revised Statutes, is amended  
2 BY THE ADDITION OF A NEW SUBSECTION to read:

3           **39-21-112. Duties and powers of executive director.**

4 (3.5) (a) IF ANY OUT-OF-STATE RETAILER REFUSES VOLUNTARILY TO  
5 FURNISH ANY OF THE INFORMATION SPECIFIED IN SUBSECTION (1) OF THIS  
6 SECTION WHEN REQUESTED BY THE EXECUTIVE DIRECTOR OF THE  
7 DEPARTMENT OF REVENUE OR HIS OR HER EMPLOYEE, AGENT, OR  
8 REPRESENTATIVE, THE EXECUTIVE DIRECTOR, BY SUBPOENA ISSUED UNDER  
9 THE EXECUTIVE DIRECTOR'S HAND, MAY REQUIRE THE ATTENDANCE OF  
10 THE OUT-OF-STATE RETAILER AND THE PRODUCTION BY HIM OR HER OF  
11 ANY OF THE FOREGOING INFORMATION IN THE OUT-OF-STATE RETAILER'S  
12 POSSESSION AND MAY ADMINISTER AN OATH TO HIM OR HER AND TAKE HIS  
13 OR HER TESTIMONY. IF THE OUT-OF-STATE RETAILER FAILS OR REFUSES TO  
14 RESPOND TO SAID SUBPOENA AND GIVE TESTIMONY, THE EXECUTIVE  
15 DIRECTOR MAY APPLY TO ANY JUDGE OF THE DISTRICT COURT OF THE  
16 STATE OF COLORADO FOR AN ATTACHMENT AGAINST THE OUT-OF-STATE  
17 RETAILER AS FOR CONTEMPT, AND SAID JUDGE MAY CAUSE ARREST OF  
18 SUCH PERSON, AND UPON HEARING, SAID JUDGE HAS, FOR THE PURPOSE OF  
19 ENFORCING OBEDIENCE TO THE REQUIREMENTS OF SAID SUBPOENA, POWER  
20 TO MAKE SUCH ORDER AS, IN HIS OR HER DISCRETION, HE OR SHE DEEMS  
21 CONSISTENT WITH THE LAW FOR PUNISHMENT OF CONTEMPTS.

22           (b) FOR PURPOSES OF THIS SUBSECTION (3.5), "RETAILER" SHALL  
23 HAVE THE SAME MEANING AS SET FORTH IN SECTION 39-26-102 (8).

24           **SECTION 3. Safety clause.** The general assembly hereby finds,  
25 determines, and declares that this act is necessary for the immediate  
26 preservation of the public peace, health, and safety.