

**STATE
FISCAL IMPACT**

Drafting Number: LLS 11-0976

Date: April 5, 2011

Prime Sponsor(s): Sen. Hodge

Bill Status: Senate Appropriations

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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.

Fiscal Impact Summary	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
State Revenue General Fund		\$22.8 million	\$24.1 million	\$25.2 million
State Expenditures General Fund	\$128,696			
FTE Position Change				
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.				
Appropriation Summary for FY 2010-2011: See the State Appropriations section.				
Local Government Impact: None.				

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 In 2009, Senate Bill 09-212 and SB 09-275 temporarily repealed the vendor fee from July 1, 2009 through July 1, 2011. This bill will reinstate a vendor fee of 2.22 percent for FY 2011-12, FY 2012-13, and FY 2013-14. Under current law, the fee would be reinstated at 3.33 percent for FY 2011-12.

State Revenue

General Fund revenue will increase **\$22.8 million** in FY 2011-12 and **\$24.1 million** in FY 2012-13. Revenue estimates are based on the Legislative Council Staff March 2011 forecast of state sales tax revenue.

State Expenditures

Department of Revenue: \$128,696 in FY 2010-11. The Department of Revenue will incur one-time expenses to modify coupon books and notify vendors of the change in the fee.

Cost Components	FY 2010-11
Forms and Printing	\$59,313
Postage	\$69,383
TOTAL	\$128,696

Economies of Scale. It should be noted that there are several pieces of legislation currently proposed that, if enacted, would affect sales and use tax account holders. If multiple bills are enacted, no separate appropriation may be required by this bill. The department will modify coupon books and notify sales and use tax account holders advising them of all enacted changes, rather than sending one notification for each legislative change.

State Appropriations

For FY 2010-11, the bill requires a General Fund appropriation of \$128,696 to the Department of Revenue. If multiple sales and use tax bills are enacted, no separate appropriation may be necessary for this bill.

Departments Contacted

Revenue Law