

**Colorado Department of Revenue
2014 Flood Recovery Legislative Proposal**

Proposal #3

Title of Proposal: Change to the Filing and Remittance Frequency of Local Improvement District Taxes

Summary of Proposal and Rationale: The department was approached by representatives of the Estes Park Marketing District with a request to receive their distribution from the department on a monthly rather than on a quarterly basis. They asked for this because their current revenue stream has been diminished by the impact of the floods and the reduced retail and tourist trade in the district. Therefore in order to improve cash flow they would like to receive their distribution on a monthly basis instead of the currently statutorily mandated quarterly distribution.

Key Changes: The key change would be to modify statutory language to require that the local improvement district taxes be filed and remitted on a monthly basis by those businesses that collect this tax (this tax is levied against short term room rentals, e.g. hotels and motels). It should be noted that if a county levies a lodging tax, that lodging tax is also filed and remitted on a quarterly basis on a separate return than the local improvement district tax; therefore if we are to change the filing and remittance frequency of the local improvement tax we should also give consideration to requiring county lodging taxes to be filed and remitted on the same frequency.

Affected Statutes: CRS 39.25.112 and CRS 30-11-107.5 2 C

Fiscal and Economic (Jobs/FTE) Impact: There should be little if any fiscal impact in terms of revenues. There probably will be a very modest increase in processing costs for the Department of Revenue; however the cost to business may be the most important consideration here. As stated above, businesses that collect and remit this tax are only required to do so once each quarter. This proposal would require that they file and remit these taxes every month. Accordingly, the cost to businesses may increase slightly because they will now be required to prepare and file 12 returns each year rather than 4.

Impact on other Executive Agencies: We do not anticipate this proposal would have any impact on any other executive branch agency.

Potential Supporters: Local improvement districts who are the recipients of this funding.

Potential Opponents: Those businesses required to collect this tax, file the returns and remit the proceeds that currently do this quarterly but will under the proposal have to do so monthly

Potential Sponsors: TBD

Consequences if Denied: Continued cash flow variability for these local improvement districts. Monthly distributions would improve their cash flow; however the current scheme has been in place for quite some time so the prospect of significant negative consequences for not passing this legislation do not appear to be great.