



FINANCE MEMORANDUM
#07-05

August 23, 2007

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: A.J. Krieger, City Manager 
Brent Worthington, Finance Director  BW

SUBJECT: CB-1633, Statewide Sales Tax Address Database/Hold Harmless

RECOMMENDATION:

Approve the CB-1633, which holds vendors harmless from interest and penalties on tax assessments if the vendor properly used one of the approved address locator databases.

BACKGROUND:

Municipal boundaries in the Denver metro area generally do not conform with city-designated zip codes established by the U.S. Postal Service. Historically, vendors (particularly those located out of state) calculate sales tax based on the tax jurisdictions implied by the mailing address. As a result, it's common for the sales tax on deliveries to be remitted to the wrong city.

The Colorado Municipal League has been working with the State Department of Revenue to certify two commercially developed address locator databases. These address locators have been tested and found to be accurate; they are now available for use by any and all vendors. In conjunction with this project, the CML is asking Colorado Home Rule Cities to enact an ordinance that would exempt interest and penalty charges if an audit reveals the vendor remitted sales tax to the wrong jurisdiction *due solely to an error in the database.*

This ordinance would NOT prevent the City from recovering the tax due.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed contract extension.

BUDGET/TIME IMPLICATIONS:

Indeterminate. Revenue could be slightly reduced from the interest and penalty exemption; however, Northglenn rarely collects such interest and penalty. On the other hand, it's likely that taxation on delivered goods will become more accurate, resulting in more revenue to the City as deliveries are properly coded to Northglenn.

STAFF REFERENCE:

If Councilmembers have any comments or questions, they may contact Brent Worthington, bworthington@northglenn.org

SPONSORED BY: COUNCIL MEMBER PAIZ

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1633
Series of 2007

Series of 2007

A BILL FOR AN ORDINANCE AMENDING THE NORTHGLENN SALES AND USE TAX CODE BY THE ADDITION OF A NEW SECTION 5-3-7.5 THAT AUTHORIZES RETAILERS TO USE AN ELECTRONIC DATABASE CERTIFIED BY THE STATE DEPARTMENT OF REVENUE TO DETERMINE THE JURISDICTIONS TO WHICH TAX IS OWED

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. Section 5-3-7.5 is hereby enacted and shall read as follows:

Section 5-3-7.5. Remittance of Tax – Electronic Database –
Retailer Held Harmless.

(a) Any retailer that collects and remits sales tax to the Director of Finance as provided in this Code may use an electronic database of state addresses that is certified by the state department of revenue pursuant to § 39-26-105.3, C.R.S., to determine the jurisdictions to which tax is owed.

(b) Any retailer that uses the data contained in an electronic database certified by the state department of revenue pursuant to § 39-26-105.3, C.R.S., to determine the jurisdictions to which tax is owed shall be held harmless for any tax, penalty, or interest owed the City that otherwise would be due solely as a result of an error in the electronic database, provided that the retailer demonstrate that it used the most current information available in such electronic database on the date that the sale occurred. Each retailer shall keep and preserve such records as prescribed by the manager of revenue to demonstrate that it used the most current information available in the electronic database on the date that the sale occurred. Notwithstanding the above, if the error in collecting and remitting is a result of deceptive representation, a false representation, or fraud, the provisions of the section shall not apply.

INTRODUCED, READ AND ORDERED POSTED this ____ day of _____,
2007.

KATHLEEN M. NOVAK
Mayor

ATTEST:

DIANA L. LENTZ, CMC
City Clerk

PASSED ON SECOND AND FINAL READING this ____ day of _____,
2007.

KATHLEEN M. NOVAK
Mayor

ATTEST:

DIANA L. LENTZ, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney