

CHERRY HILLS VILLAGE
COLORADO

2450 E. Quincy Avenue
Cherry Hills Village, CO 80113
www.cherryhillsvillage.com

Village Center
Telephone 303-789-2541
FAX 303-761-9386

**Remote Sellers/Internet Sales Tax
Frequently Asked Questions**

1. What is the issue Cherry Hills Village is considering putting on the ballot? What problem are we trying to fix?

The City is considering a ballot issue that would ask voters to update the language in the City Code as it relates to sales tax collection on sales of items delivered into the Village by businesses that are not physically located in the Village, including sales by online vendors. The City Code contains outdated wording that can be construed to limit the City's ability to collect sales tax on purchases from vendors that do not have a "place of business" in the Village, including vendors that make retail sales via the internet.

Many internet companies are currently collecting local sales tax from Cherry Hills Village residents and remitting it to the City each month. The City would like to update the language in the City Code to modernize its collection of sales tax to include items delivered into the City by businesses that are not physically located in the City.

2. What will happen in the future if the City does not change the wording in the City Code?

The current language of the City Code could be the subject of legal challenge, which, if successful, could have profound adverse fiscal consequences for Cherry Hills Village. Should the City stop receiving sales tax remittances from remote vendors delivering purchases into the City, it will cost the City a minimum of \$1.2-million per year in revenue, or about 13% of our actual collected revenue.

The City is required to have a balanced budget each year, so without this revenue, levels of service from the City will need to be reduced. This could affect police, roads, and transportation. More specifically, it could impact staffing levels and the amount spent on road maintenance.

If the City must tell vendors not to send us the tax revenue, some will continue to do so rather than creating special procedures to accommodate Cherry Hills Village. In that case, the City may incur additional expenditures to manage the process of returning that money.

3. Does this mean we should not be paying sales tax on internet purchases now?

- As mentioned above, the current language is outdated due to changes in how business is done and changes in the law. In 2018, the Supreme Court ruled in *Wayfair v. South*

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Dakota that a business may be required to collect local sales tax on retail transactions even if that business does not have a physical presence in the local jurisdiction if certain minimal requirements are met. Both the State of Colorado and virtually all the home rule municipalities in our state are already doing this under the language in their current codes. We want to revise the language in our City Code to modernize the City's ability to collect local sales tax from remote vendors consistent with marketplace realities and current law.

4. Would the ballot issue increase the City's sales tax rate?

The City Sales Tax rate will remain at 3.5%.

5. The internet has been around for a long time and the City has been receiving internet sales tax revenue for several years. Why is this issue coming forward now?

Since 2015, the City has provided information to citizens about this issue and provided a letter they can show remote vendors to let them know not to collect sales tax on their transaction. We also informed citizens about how they can receive refunds for sales tax collected on internet purchases and we have spoken with remote vendors, such as Amazon, about our City Code.

City Council and City staff have been discussing this issue recently and felt that it was time to update the City Code to provide clarification that complies with current law.

6. Why is this issue going on the ballot? It sounds more like a legal issue.

Even though this would not increase the City's sales tax rate, The Tax Payers' Bill of Rights (TABOR), which is part of the Colorado state constitution, requires voter approval for tax policy changes that increase revenue.

7. When I look at different internet purchases, I see different sales tax rates. Why is that?

This points to the current confusion that exists amongst remote vendors conducting business in the City. The proposed change should alleviate that confusion and create consistency in what is owed to us.

8. The City has been receiving revenue from remote vendors already. What has the money been used for?

We currently utilize the money we are receiving from remote vendors for government administration and operations, such as police, personnel, capital projects, and road maintenance.