

**A BILL FOR AN ORDINANCE**

**ORDINANCE NO. 11**

**SERIES OF 2020**

**INTRODUCED BY: COUNCILMEMBER DOUGHERTY**

**AN ORDINANCE AMENDING THE GREENWOOD VILLAGE MUNICIPAL TAX CODE TO ESTABLISH ECONOMIC NEXIS FOR RETAILERS OR VENDORS WITHOUT PHYSICAL PRESENCE IN THE STATE AND TO REQUIRE SUCH RETAILERS OR VENDORS TO COLLECT AND REMIT SALES TAX**

WHEREAS, the City of Greenwood Village, is a home rule municipality, organized and existing under Article XX, Section 6 of the Colorado Constitution; and

WHEREAS, pursuant to Article XX, Section 6 of the Colorado Constitution, the right to enact, administer and enforce sales taxes is clearly within the constitutional grant of power to the City and is necessary to raise revenue with which to conduct the affairs and render the services performed by the City; and

WHEREAS, pursuant to such authority, the City has adopted and enacted a Sales Tax Code (the "Code"), under which City sales tax is levied on all sales, leases and purchases of tangible personal property or taxable services at retail unless prohibited or specifically exempted, as applicable to the provision of this Ordinance, under the Constitution or laws of the United States; and

WHEREAS, the United States Supreme Court in *South Dakota v. Wayfair*, 138 S.Ct. 2080 (2018), overturned prior precedent and held that a State is not prohibited by the Commerce Clause from requiring a retailer to collect sales tax based solely on the fact that such retailer does not have a physical presence in the State ("Remote Sales"); and

WHEREAS, based upon such decision, the retailer's obligation to collect Remote Sales is no longer based on the retailer's physical presence in the jurisdiction by the Constitution or law of the United States, and the City's Sales and Use Tax Code needs to be amended to clearly reflect such obligation consistent with said decision; and

WHEREAS, the delivery of tangible personal property, products, or services into the City relies on and burdens local transportation systems, emergency and police services, waste disposal, utilities and other infrastructure and services; and

WHEREAS, the failure to tax remote sales creates incentives for businesses to avoid a physical presence in the State and its respective communities, resulting in fewer jobs and increasing the share of taxes to those consumers who buy from competitors with a physical presence in the State and its municipalities; and

WHEREAS, it is appropriate for Colorado municipalities to adopt uniform definitions within their sales tax codes to encompass marketplace facilitators, marketplace sellers, and multichannel sellers that do not have a physical presence in the City, but that still have a taxable connection with the City;

WHEREAS, the goal of adopting this ordinance is to join in on the simplification efforts of all the self-collecting home rule municipalities in Colorado; and

WHEREAS, this ordinance provides a safe harbor to those who transact limited sales within the City; and

WHEREAS, absent such amendment, the continued failure of retailers to voluntarily apply and remit sales tax owed on remote sales or leases exposes the municipality to unremitted taxes and permits an inequitable exception that prevents market participants from competing on an even playing field; and

WHEREAS, the City adopts this ordinance with the intent to address tax administration, and, in connection with, establish economic nexus for retailers or vendors without physical presence in the State and require the retailer or vendor to collect and remit sales tax for all sales made within the marketplace.

NOW THEREFORE, THE COUNCIL OF THE CITY OF GREENWOOD VILLAGE, COLORADO, ORDAINS:

Section 1. The definition of “Engaged in Business in the City” in Section 4-3-30 of the Greenwood Village Municipal Code is hereby amended as follows:

“Engaged in Business in the City” means performing or providing services or selling, leasing, renting, delivering or installing tangible personal property for storage, use or consumption within the City. "Engaged in business in the City" includes, but is not limited to, any of the following activities by a person:

- a. Directly, indirectly or by a subsidiary, maintains a building, store, office, salesroom, warehouse or other place of business within the taxing jurisdiction;
- b. Sends one (1) or more employees, agents or commissioned sales persons into the taxing jurisdiction to solicit business or to install, assemble, repair, service or assist in the use of its products, or for demonstration or other reasons;
- c. Maintains one (1) or more employees, agents or commissioned sales persons on duty at a location within the taxing jurisdiction;
- d. Owns, leases, rents or otherwise exercises control over real or personal property within the taxing jurisdiction;
- e. Makes retail sales sufficient to meet the definitional requirements of economic nexus as set forth in this section

Section 2. The definition of “retailer” located in Section 4-3-30 of the Greenwood Village Municipal Code is hereby amended as follows:

*Retailer or vendor* means any person selling, leasing, or renting, or granting a license to use tangible personal property or services at retail. Retailer shall include any:

- a. Auctioneer;
- b. Salesperson, representative, peddler or canvasser, who makes sales as a direct or indirect agent of or obtains such property or services sold from a dealer, distributor, supervisor or employer;

- c. Charitable organization or governmental entity which makes sales of tangible personal property to the public, notwithstanding the fact that the merchandise sold may have been acquired by gift or donation or that the proceeds are to be used for charitable or governmental purposes; and
- d. Retailer-contractor, when acting in the capacity of a seller of building supplies, construction materials, and other tangible personal property;
- e. Marketplace facility, marketplace seller, or multichannel seller.

Section 3. Section 4-3-30 of the Greenwood Village Municipal Code is hereby amended to include the following new definitions:

*Economic nexus* means the connection between the City and a person not having a physical nexus in the State of Colorado, which connection is established when the person or marketplace facilitator makes retail sales into the City, and:

- a. In the previous calendar year, the person, which includes a marketplace facilitator, has made retail sales into the state exceeding the amount specified in C.R.S. § 39-26-102(3)(c), as amended; or
- b. In the current calendar year, 90 days has passed following the month in which the person, which includes a marketplace facilitator, has made retail sales into the state exceeding the amount specified in C.R.S. § 39-26-102(3)(c), as amended.

This definition does not apply to any person who is doing business in this state but otherwise applies to any other person.

*Marketplace* means a physical or electronic forum, including, but not limited to, a store, a booth, an internet website, a catalog, or a dedicated sales software application, where tangible personal property, taxable products, or taxable services are offered for sale.

*Marketplace Facilitator* means a person who

- a. Contracts with a marketplace seller or multichannel seller to facilitate for consideration, regardless of whether or not the consideration is deducted as fees from the transaction, the sale of the marketplace seller's tangible personal property, products, or services through the person's marketplace;
- b. Engages directly or indirectly, through one or more affiliated persons, in transmitting or otherwise communicating the offer or acceptance between a purchaser and the marketplace seller or multichannel seller; and
- c. Either directly or indirectly, through agreements or arrangements with third parties, collects payment from the purchaser on behalf of the seller.

Marketplace facilitator does not include a person that exclusively provides internet advertising services or lists products for sale, and that does not otherwise meet this definition.

*Marketplace Seller* means a person, regardless of whether or not the person is engaged in business in the City, which has an agreement with a marketplace facilitator and offers for sale

tangible personal property, products, or services through a marketplace owned, operated, or controlled by a marketplace facilitator.

*Multichannel Seller* means a retailer that offers for sale tangible personal property, commodities, or services through a marketplace owned, operated, or controlled by a marketplace facilitator, and through other means.

Section 4. The definition of “lodging services” located in Section 4-3-30 of the Greenwood Village Municipal Code is hereby amended as follows:

*Lodging services* means the furnishing of rooms or accommodations by a person, partnership, association, corporation, estate, representative capacity, marketplace facilitator, marketplace seller, and multichannel seller or any other combination of individuals by whatever name known to a person who, for consideration, uses, possesses or has the right to use or possess any room in a hotel, inn, bed and breakfast residence, apartment hotel, lodging house, motor hotel, guesthouse, guest ranch, trailer coach, mobile home, auto camp, trailer court and park, or similar establishment, for a period of less than thirty (30) days under any concession, permit, right of access, license to use or other agreement.

Section 5. Section 4-8-30 of the Greenwood Village Municipal Code is hereby amended to read as follows:

Sec. 4-8-30. - Tax levied.

There is levied and shall be paid and collected an excise tax of three percent (3%) on the price paid for the leasing, rental or furnishing of any lodging services located in the City, as defined in Section 4-3-30. This tax shall be in addition to the sales tax established pursuant to Article 3 of this Chapter. It is a violation of this Code for any purchaser of lodging services within the City to fail to pay, or for any vendor of such lodging services to fail to collect, the tax levied pursuant to this Section.

Section 6. Section 4-8-50 of the Greenwood Village Municipal Code is hereby amended to read as follows:

Sec. 4-8-50. - Returns; collection of tax on lodging services.

(a) Every vendor providing lodging services shall collect the tax thereon on behalf of the City and shall act as a trustee therefor. On or before the twentieth day of the month following the reporting period, or as otherwise directed by the Finance Director, every vendor shall file a lodging tax return on a form prescribed by the Finance Director. The vendor shall, at that time, also remit the taxes due pursuant to [Section 4-8-30](#). Timely filing shall be evidenced by the postmark date.

(b) Unless the context indicates clearly to the contrary, the collection, filing of returns, vendor's fee, reporting, accounting and maintenance of records for the tax on lodging services shall be accomplished pursuant to Article 3 of this Chapter. In interpreting such sections, substitution of this Article shall be made where appropriate.

Section 7: Section 4-3-40 of the Greenwood Village Municipal Code is hereby amended to add a new subsection (b)(8) to read as follows:

(b) Taxable transactions and items. The sales tax shall apply as follows:

(8) Upon marketplace sales.

a. A marketplace facilitator engaged in business in the City is required to collect and remit sales tax on all taxable sales made by the marketplace facilitator, or facilitated by it for marketplace sellers or multichannel sellers to customers in the City, whether or not the marketplace seller for whom sales are facilitated would have been required to collect sales tax had the sale not been facilitated by the marketplace facilitator.

b. A marketplace facilitator shall assume all the duties, responsibilities, and liabilities of a vendor under Section 4-3-30 "Retailer or Vendor". Marketplace facilitators shall be liable for the taxes collected from marketplace sellers or multichannel sellers. The City may recover any unpaid taxes, penalties, and interest from the marketplace facilitator that is responsible for collecting on behalf of marketplace sellers or multichannel sellers.

c. The liabilities, obligations, and rights set forth under this article are in addition to any duties and responsibilities of the marketplace facilitator has under this article if it also offers for sale tangible personal property, products, or services through other means.

d. A marketplace seller, with respect to sales of tangible personal property, products, or services made in or through a marketplace facilitator's marketplace, does not have the liabilities, obligations, or rights of a retailer under this article if the marketplace seller can show that such sale was facilitated by a marketplace facilitator:

i. With whom the marketplace seller has a contract that explicitly provides that the marketplace facilitator will collect and remit sales tax on all sales subject to tax under this article; or

ii. From whom the marketplace seller requested and received in good faith a certification that the marketplace facilitator is registered to collect sales tax and will collect sales tax on all sales subject to tax under this article made in or through the marketplace facilitator's marketplace.

e. A marketplace seller makes that is not facilitated by a licensed marketplace facilitator in a marketplace, the marketplace seller is subject to all of the same licensing, collection, remittance, filing and recordkeeping requirements as any other retailer.

f. Responsibilities, duties and liabilities described in Section 4(A) of a marketplace facilitator, marketplace seller, or multichannel seller begin upon the earlier of when they became licensed to collect the City's sales tax or when they became legally obligated to collect the City's sales tax.

Section 8: Section 4-3-250(e) of the Greenwood Village Municipal Code is hereby amended to read as follows:

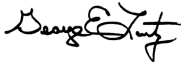
(e) The City is authorized to audit the taxpayer's records for the thirty-six (36) calendar months preceding the month the taxpayer is notified that an audit is to be conducted. The audit period may be extended by mutual agreement of the City and the taxpayer. The ability to audit this thirty-six-month period shall not lapse due to the passage of time once the taxpayer has been notified of the audit period. If the taxpayer failed to file returns, then the City shall have the right

to audit indefinitely periods not filed. If returns are filed late, then the City shall have the right to audit late returns for thirty-six (36) months following the month the return was filed. With respect to any sale by a marketplace facilitator, the City shall solely audit the marketplace facilitator for sales made by marketplace sellers or multichannel sellers but facilitated by the marketplace. The City will not audit or otherwise assess tax against marketplace sellers or multichannel sellers for sales facilitated by a marketplace facilitator.


Section 9: If any provision of this ordinance, or the application of such provision to any person or circumstance, is held to be unconstitutional, then the remainder of this ordinance, and the application of the provisions of such to any person or circumstance, shall not be affected thereby.

Section 10. This ordinance becomes effective six days following final publication.

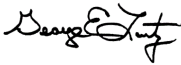
INTRODUCED AND APPROVED ON FIRST READING ON THE 2<sup>ND</sup> DAY OF NOVEMBER, 2020, AND ORDERED PUBLISHED IN THE VILLAGER.

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 George E. Lantz, Mayor


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 Susan M. Ortiz, MMC, City Clerk



INTRODUCED AND APPROVED ON SECOND READING ON THE 7<sup>TH</sup> DAY OF DECEMBER, 2020, AND ORDERED PUBLISHED IN THE VILLAGER BY REFERENCE TO TITLE ONLY.

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 George E. Lantz, Mayor

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EFFECTIVE: December 16, 2020