

NetChoice *Promoting Convenience, Choice, and Commerce on The Net*

Steve DelBianco, Executive Director
1401 K St NW, Suite 502
Washington, DC 20005
202-420-7482
www.netchoice.org



April 24, 2013

Rep. Lois Court, Chair
House Finance Committee
Colorado General Assembly
Denver, Colorado

RE: Opposition to HB 13-1312 - Sales Tax Collection Obligations

Madame Chair and members of the committee:

We understand the need for states to seek additional tax revenue. However, HB 1312 is unlikely to capture new revenue and will undermine the value of Colorado businesses seeking investment or acquisition by out-of-state investors.

HB 1312 is designed to increase collection of sales taxes when Colorado residents purchase from out-of-state retailers. Section (b)(l) would extend tax obligations to a remote retailer *if any other company in the same corporate family* had a presence in Colorado.

Aside from constitutional challenges this approach may invite, I want to alert you to a predicable and practical problem this legislation would create for Colorado's emerging businesses.

This legislation extends tax nexus solely on the basis of a parent company having a subsidiary with Colorado nexus. This would impose significant tax consequences for retailers whose corporate parent acquires a Colorado business -- even if the retailer has no substantial nexus in Colorado and no connection whatsoever to the business being acquired.

If HB 1312 becomes law, anyone considering investments or acquisitions in Colorado will have to consider the negative impact on retail operations anywhere in their corporate portfolio. That will reduce the value of Colorado investments: some investors will avoid the problem by not bidding on Colorado businesses; other investors will reduce their valuation to account for added tax compliance costs caused by investing in a Colorado business.

Either way, Colorado's emerging businesses will lose value the day after HB 1312 becomes law.

In no event would HB 1312 bring new tax money into Colorado, since any new sales tax collected just moves from the Colorado purchaser to the state treasury --when households are being squeezed in a struggling economy. And as we've shown, fewer investment dollars would flow to Colorado businesses who employ and serve Colorado residents.

We therefore urge you to oppose HB 1312. Thank you for considering our views. Please let me know if I can provide further information.

Sincerely,

A handwritten signature in black ink that reads "Steve DelBianco".

Steve DelBianco
Executive Director, NetChoice

NetChoice is a trade association of online content and e-Commerce businesses promoting and protecting convenience, choice and commerce on the Net. Learn more about NetChoice at www.netchoice.org