



# Please Support Senate Bill 36

## Tax Assessment Appeal Reform: Removing an Unfair Barrier to Due Process Sponsored by Sens. Neville and Jahn and Reps. Kraft-Tharp and Keyser

### Summary of the Issue

To appeal a tax assessment to an independent court, including District Court, Colorado businesses and individuals must either pay the full amount in dispute, including interest and penalties, or post a bond for twice that amount. On very large assessments, this creates a significant barrier to due process, leaving small businesses and taxpayers with little choice but to accept settlement offers they consider unfair.

### Example of this Barrier to Justice

A Lakewood woman who runs estate sales faced a \$287,000 tax assessment. She and her attorney believed her sales-tax responsibilities were unclear and that the auditor's claims were not properly substantiated, but she was forced to accept a settlement offer from the state of \$11,000 because she couldn't afford to go to court.

As this example illustrates, the assessment appeal barrier worsens the already unequal bargaining power between tax collectors and taxpayers, who will also have to pay significant legal fees to appeal to an independent court. **The prepayment poses barriers to due process.**

### The Solution

Senate Bill 36 will **reform an antiquated system** and **protect taxpayer due process** by providing access to District Court without paying an assessment or bond until a decision from the court is rendered. Regular court costs would apply like in civil matters, and taxpayers would remain responsible for their legal fees. The bill covers all local and state taxes – except for property tax.

As **amended**, SB36 will specifically allow a taxpayer to either:

- Make a deposit prior to appealing to District Court, which will stop interest from accruing while the court is considering the matter; or
- Appeal to District Court without having to make the deposit or a bond; however, interest will continue to accrue during that time.

By making these changes, taxpayers have a simpler pathway to a District Court appeal and will be able to more fairly work with tax-collecting entities to resolve sales-tax disputes.

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For more information please contact:

Jeff Thormodsgaard 303-653-5563

Katie Wolf 720-365-3990

Jenn Penn 720-937-2148

### **Colorado Gets a “D” for Tax Appeals and Process:**

Colorado is one of just 13 states with a tax assessment appeal barrier, according to a 2013 Council on State Taxation (COST) report. In the *COST Scorecard on Tax Appeals & Procedural Requirements* Colorado is tied for third worst in the nation, with a grade of D. COST says:

*“The ability to reach an independent tribunal, non-judicial or judicial, without prepayment is another key factor of a fair and efficient appeals process.”*

### **About the Coalition:**

**This proposal is supported by the Coalition to Simplify Colorado Sales Tax** which was formed last year to support Colorado's economy by simplifying the state's overly complex sales- and use-tax system. We will promote additional reforms in the future to create a simple, fair and predictable system without reducing overall revenue for local and state public services.

The following organizations have joined the coalition's expanding board of directors:

- AlphaGraphics - Arvada/Downtown Denver/Golden
- American Furniture Warehouse
- Associated General Contractors of Colorado
- Associated Landscape Contractors of Colorado
- Automated Business Products
- Colorado Association of Mechanical and Plumbing Contractors (CAMP-C)
- Colorado Automobile Dealers Association (CADA)
- Colorado Society of CPAs
- DISH Network
- National Federation of Independent Business (NFIB)
- Summit Ford

### **For more information and to join the effort:**

- [SimplifyCOSalesTax.org](http://SimplifyCOSalesTax.org)
- [facebook.com/SimplifyCOSalesTax](https://facebook.com/SimplifyCOSalesTax)
- Twitter: @SimpleSalesTax
- [info@simplifycosalestax.org](mailto:info@simplifycosalestax.org)