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FACT SHEET

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The facts behind House Bill 10-1193 and Amazon's mass firings

Amazon.com cited Colorado's House Bill 10-1193 as the impetus behind its Monday decision to fire its Colorado-based affiliates. However, the bill makes no mention of affiliates of online retailers and was designed specifically to avoid affecting them. The bill helps ensure Colorado's sales tax law is evenly applied to all consumers.

What does HB 10-1193 do?

It requires online retailers who currently don't collect sales tax on behalf of their customers to inform their customers of the tax owed as a result of their purchases. The bill requires online retailers to furnish an annual summary of all purchases and tax liabilities to each consumer and the Colorado Department of Revenue. Gov. Bill Ritter signed the bill Feb. 24, and it went into effect March 1.

Why was the bill needed?

As online retail accounts for a growing share of consumer spending, state and local governments are losing a traditional source of much-needed revenue for schools, medical care and other vital public services. Unlike retailers with a physical presence in the state, out-of-state Internet retailers are not obligated to collect sales tax on behalf of their consumers. Consumers have the same tax obligation regardless of whether a business collects sales tax on their behalf.

Companies that have a physical presence in Colorado and collect the tax to help support their communities with jobs are placed at a disadvantage. In addition, increasing compliance with Colorado's sales tax laws is one part of a balanced approach to resolving the state budget crisis. It helps avoid some of the deep cuts to services Coloradans have suffered during the past few years.

What role do Colorado-based affiliates of these companies play?

Amazon's move to fire its Colorado-based affiliates appears to be only retaliation for a change to encourage tax compliance that the company opposed. The mass firing doesn't change Amazon's obligation to obey the law.

Does the bill damage Colorado's economy?

No. In fact the bill helps Colorado businesses by beginning to level the playing field among different types of retailers. Before, online-only companies like Amazon had an unfair tax advantage over in-state retailers because companies with physical operations here were required to collect sales tax on behalf of customers while online-only retailers had no similar obligation. Now, regardless of where people shop, Coloradans will face the same tax obligation.

How are Amazon.com and other Internet retailers affected?

They're required to inform their customers and the Colorado Department of Revenue of the cumulative tax liability from purchases made each year.

Does this bill unfairly single out Amazon.com or other Internet retailers?

No. To the contrary, Internet retailers that also have stores in the state are already collecting this information and collecting sales tax on behalf of customers. Arguably, the bill sets a lower bar for Internet retailers without a presence in the state.

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