Colorado retailers were notified recently of a change to the state sales tax service fee. The change is the result of the passage and signing of Senate Bill 09-725. It reduces the vendor fee.

The vendor fee is the portion of the state sales tax that the vendor keeps to cover expenses in collecting the state sales tax. Last year, the vendor fee was .0333, meaning the retailer kept 3.3 percent of the 2.9 percent state sales tax, and the rest went to the state.

On March 1 the vendor fee changed for the first time this year. It was reduced from .0333 to .0135. The most recent change reduced the fee to 0, meaning businesses will keep none of the state sales tax they charge.

Bill 09-725 states “a vendor shall not retain any amount to cover the vendor’s expense in collecting and remitting tax...” The change is effective July 1, 2009. For monthly filers, the change applies to the June filing period. For quarterly filers, this will apply to the second quarter return.

While the state sales tax and state retailers tax are affected, keep in mind, the 1.5 percent city sales tax and the 1 percent county sales tax will not.

If a business’s updated pre-printed forms or coupon books do not arrive before they have to prepare their June or second quarter coupon, they can change the state column vendor fee rate on their current coupon to zero.

Retailers who file monthly and use coupons must also make the change from .0333 to .0135 for the sales tax vendor fee rate on the old May coupon due June 22.

Cigarettes taxed

Retailers selling cigarettes will now be required to charge the 2.9 percent sales tax. House Bill 09-1342 was passed and signed, making the bill effective July 1.

Cigarettes are still exempt from city, county and special district sales tax.

Businesses will see changes to the DR 100 Part A Deductions and Part B Exemptions worksheets to account for this state sales tax on cigarettes starting with the July or third quarter term.