

HB18 – 1185

Market Sourcing for Business Income Tax Apportionment

House Business Affairs and Labor Committee @ 1:30pm
February 15, 2018

Thank you, Madam Chair, Madam Vice Chair and members of the committee. My name is **Bruce Nelson**. I am a director at EKS&H and I serve as a member of the Metro Denver Economic Development Corporation's Tax Committee. Today I am also here speaking on behalf of the Denver Metro Chamber of Commerce and the Colorado Competitive Council.

I'm here today to voice our support of House Bill 1185.

- Original cost-of-performance rules were drafted in the 1960s
- Rules are outdated, as they no longer reflect the way services are provided in cloud environments
- And, most of our competitor states have already made this tax change as they've updated their rules
- 21 other states and the District of Columbia have already moved to market sourcing for business income tax apportionment
- Including our neighboring states (Nebraska, Oklahoma and Utah) and large states that we compete with (California, New York)

- Colorado is hurt in two ways with the current cost-of-performance rules.
 - Colorado businesses get taxed twice, here in Colorado and in the state where the service occurs, and
 - Colorado business are put at a competitive disadvantage because out-of-state businesses don't get taxed at all.
(give example if necessary)
- Many tax administrators view market sourcing as a more equitable method for applying state taxes fairly.

House Bill 1185 levels the playing field for our businesses and allows the state of Colorado to collect the income taxes that we are due.

Please vote yes on House Bill 1185. Thank you.