



# Colorado Retail Delivery Fee and household delivery orders

Prepared for the Chamber of Progress

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# Executive summary

- ▶ The Colorado Retail Delivery Fee is a \$0.28 fee imposed by the state of Colorado on most orders that are delivered by motor vehicle in the state.\*
- ▶ A survey of Colorado residents was conducted to collect information on the frequency and types of delivery orders that residents receive in a typical month.
- ▶ The table to the right summarizes results by key group.

		Median delivery orders per month
<b>Geography type</b>	Statewide median	6
	Urban	7
	Suburban	7
	Rural	6
<b>Income</b>	Less than \$24,999	4
	\$25,000 to \$49,999	5
	\$50,000 to \$74,999	6
	\$75,000 to \$99,999	7
	\$100,000 to \$149,999	8
	\$150,000 to \$199,999	10
	\$200,000 or more	11
<b>Employment status</b>	Fully retired	4
	Employed full-time	8
	Employed part-time	6
	Not employed but currently seeking work	5
	Not employed and not seeking work	7
<b>Age</b>	18 to 24 years	8
	25 to 34 years	8
	35 to 44 years	8
	45 to 54 years	7
	55 to 64 years	6
	65 to 74 years	5
	More than 75 years old	4
<b>Political beliefs</b>	Extremely liberal (1)	8
	Liberal (2)	8
	Slightly liberal (3)	7
	Moderate, middle of the road (4)	6
	Slightly conservative (5)	5
	Conservative (6)	6
	Extremely conservative (7)	7
<b>Disability/illness status per year</b>	For about a week or less	7
	For 1 to 2 weeks	11
	For 3 to 4 weeks	9
	For 1 to 3 months	8
	For 4 to 6 months	8
	For 7 to 12 months	6
	For the entire 12 months	8
Not disabled	6	

\*The fee was originally \$0.27 when implemented in July 2022. It is indexed for inflation and will be \$0.28 for the period of 7/1/23-6/30/24. The state has not yet announced what the rate will be effective after 7/1/2024.

Note: A single delivery order may have multiple items, shipments, or packages, but still counts as one order. A delivery order can include items brought to one's current residence from a delivery app. The median means 50% of responses are equal to or lower than this value. Figures are rounded.

# Colorado Retail Delivery Fee overview

## Policy description

- ▶ \$0.28 Retail Delivery Fee on qualifying deliveries in the state.
- ▶ The fee is indexed for inflation effective July 1 of each year.
- ▶ The fee applies to retail deliveries of tangible personal property that are delivered by motor vehicle in Colorado.
- ▶ The fee applies once to each order, regardless of how many packages or deliveries are part of the order.
- ▶ Most retailers opt to collect the fee from customers, but retailers are not required to charge the fee through to customers.

## Types of deliveries

- ▶ Examples of deliveries subject to the fee:
  - ▶ Third-party restaurant delivery
  - ▶ Deliveries from local retailers
  - ▶ E-commerce
- ▶ Deliveries not subject to the fee:
  - ▶ Items delivered outside of Colorado
  - ▶ Wholesale transactions
  - ▶ When the delivery is made without a motor vehicle (e.g., bicycle or electric scooter)
  - ▶ When none of the goods in the order are subject to sales tax

## Other considerations

- ▶ In 2023, a new bill raised the small-seller threshold to \$500,000.
  - ▶ There were 161.2 million deliveries between July 2022 and December 2022, of which 2.5 million were from retailers with sales less than \$500,000<sup>1</sup>
- ▶ The 2023 bill also allowed retailers to choose whether to collect the delivery fee from consumers or, alternatively, pay the fee directly.
- ▶ \$75.9 million was raised from the fee in the first year of the fee's enactment (beginning in July 2022).<sup>2</sup>

<sup>1</sup>Fiscal Note on SB 23-143, Legislative Council Staff, Colorado Legislature, 2023.

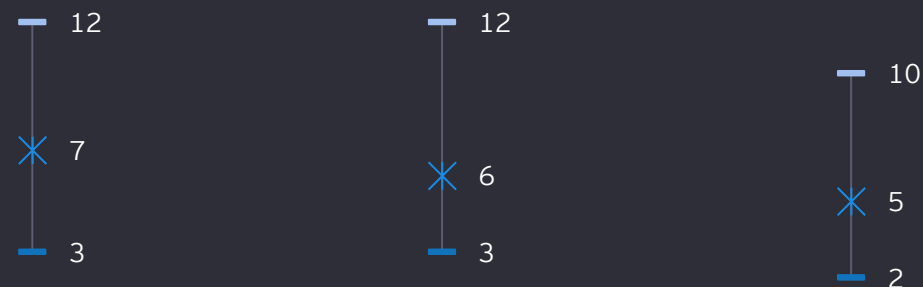
<sup>2</sup>Transportation Fees Revenue Report, Colorado Department of Revenue, 2023.

For more detail on the fee, see [Retailers must collect new Colorado Retail Delivery Fee beginning July 1, 2022](#), EY Tax News Update, 2023; and [Colorado makes Retail Delivery Fee collection optional for retailers, increases small-seller threshold](#), EY Tax News Update, 2022.

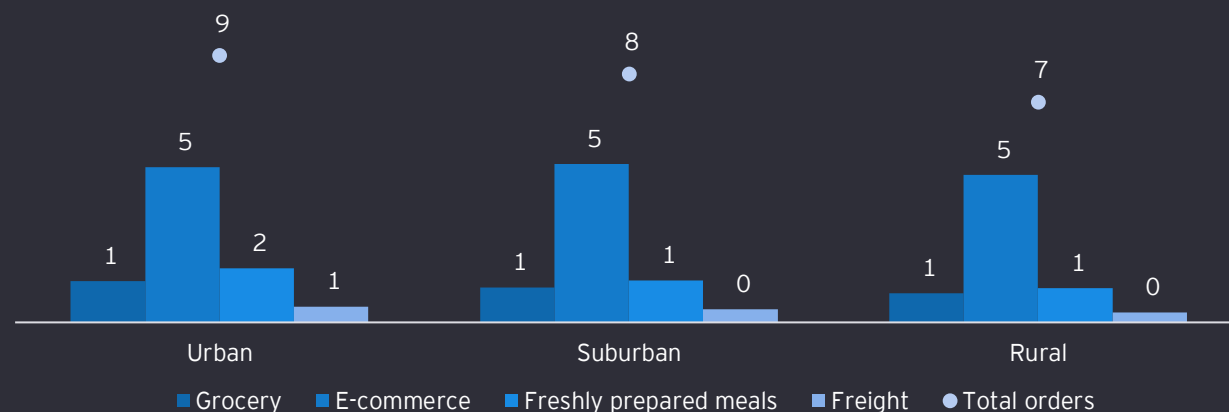
# Delivery orders in urban, suburban, and rural communities

- ▶ Urban households received the highest average number of monthly delivery orders per household (9), followed by suburban (8) and rural households (7).
- ▶ The distribution in the number of delivery orders per household was relatively consistent by community population density:
  - ▶ Households in the 25<sup>th</sup> percentile of delivery orders received 2-3 per month.
  - ▶ The median household received 5-7 delivery orders per month
  - ▶ Households in the 75<sup>th</sup> percentile received 10-12 delivery orders per month.

Monthly delivery orders per household



Average monthly delivery orders per household by delivery type

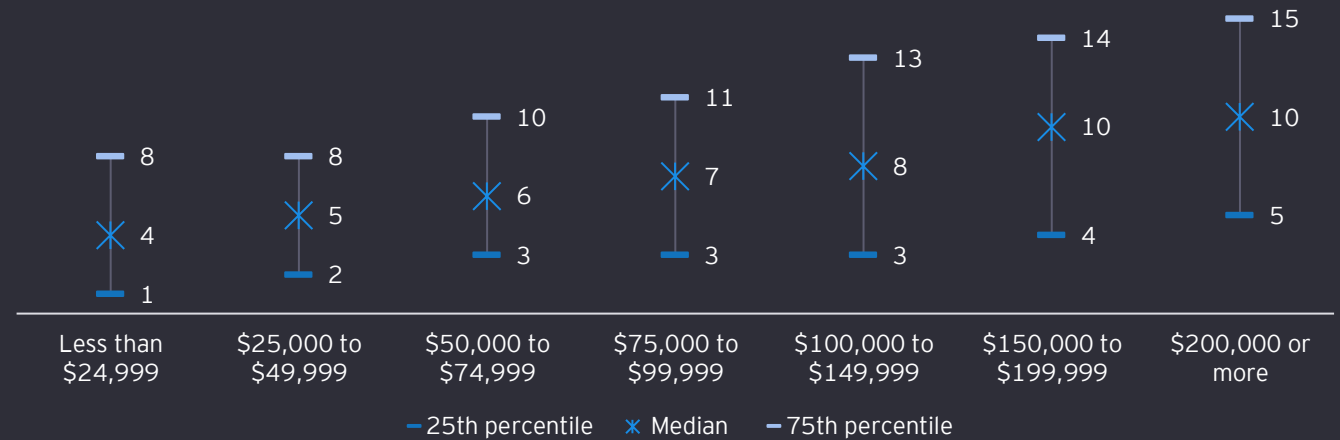


Note: Generally, grocery-only orders are not subject to the fee. A single delivery order may have multiple items, shipments, or packages, but still counts as one order. A delivery order can include items brought to one's current residence from a delivery app. The 25th percentile means 25% of responses are equal to or lower than this value, the median means 50% of responses are equal to or lower than this value, and the 75th percentile means 75% of responses are equal to or lower than this value. Maximum values are top-coded at the 97.5<sup>th</sup> percentile. Urban households are located in a zip code with more than 2,500 people per square mile. Suburban households are located in zip codes with 500-2,500 people per square mile. Rural households are located in a zip code with fewer than 500 people per square mile. Data are for 2023. Figures are rounded.

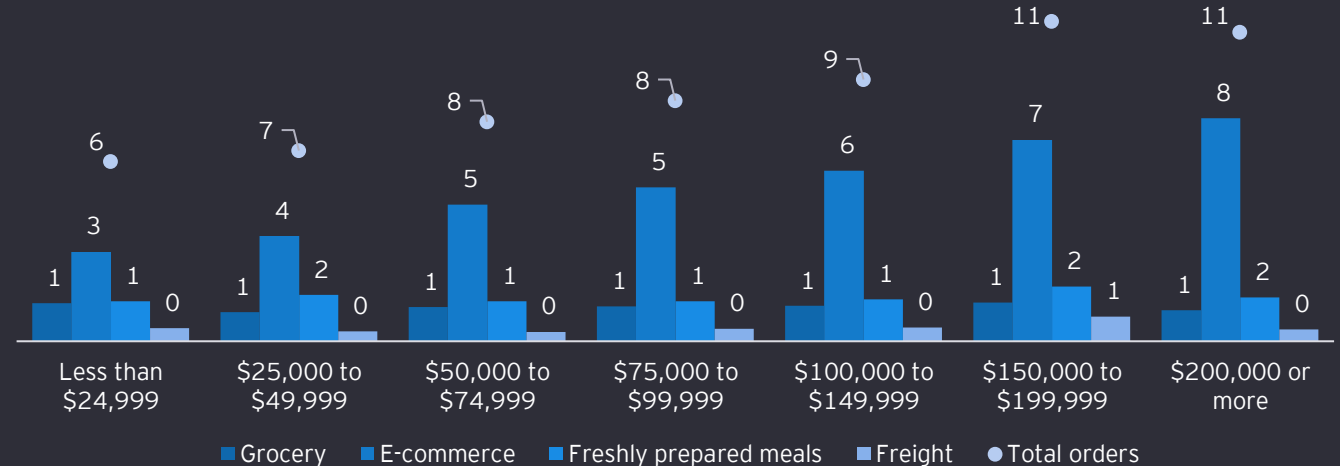
# Delivery orders by household income

- ▶ As household income increased so did delivery orders per month.
- ▶ The largest share of delivery orders were e-commerce delivery orders, ranging from 3-8 per month, depending on household income.
- ▶ Households with income over \$150,000 received the highest average number of delivery orders (11 per month).

### Monthly delivery orders per household



### Average monthly delivery orders per household by delivery type

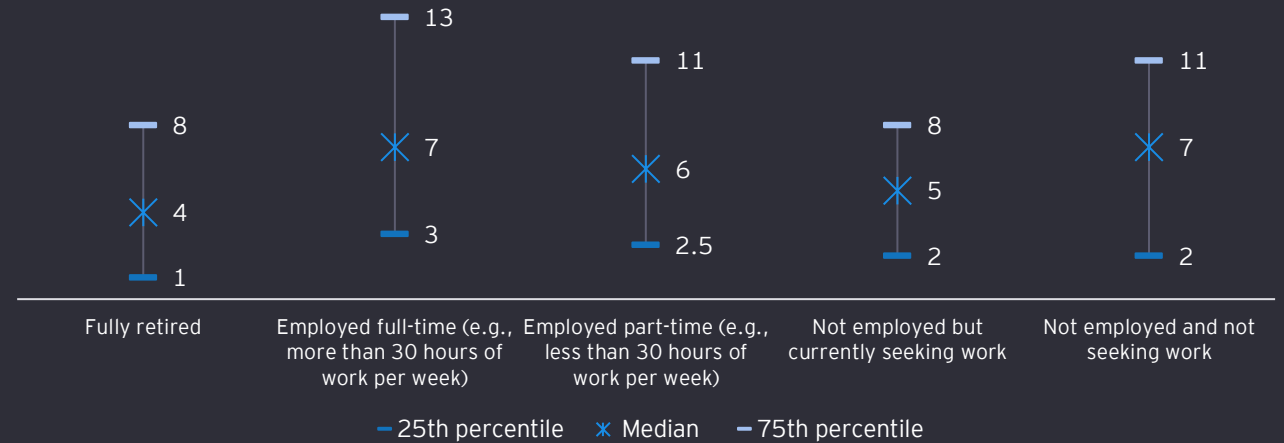


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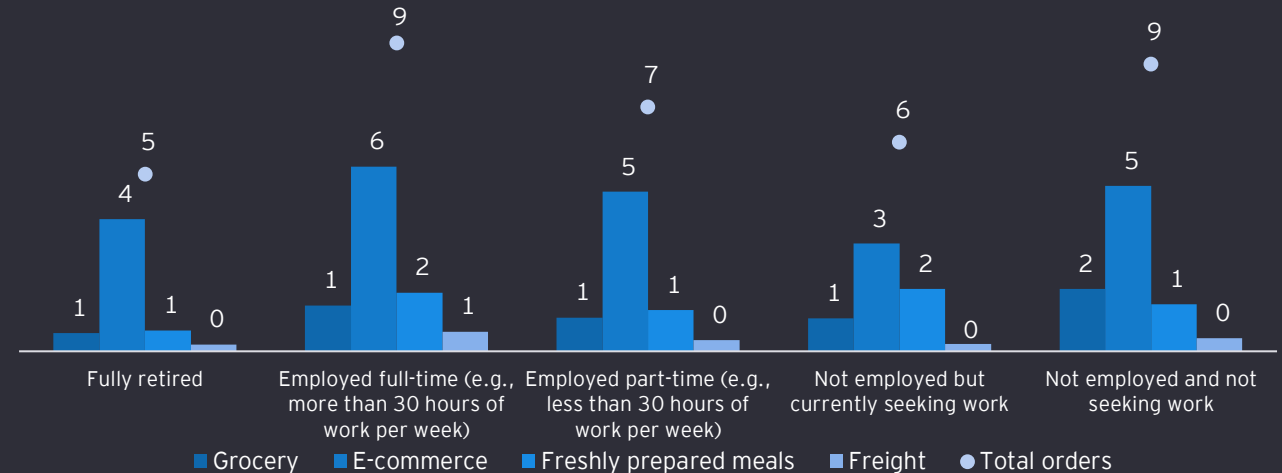
# Delivery orders by employment status

- ▶ Retired households receive the lowest average number of delivery orders per month (5) while those employed full time and those not employed and not seeking work receiving the most (9).
- ▶ E-commerce received the greatest number of delivery orders across all employment status groups, with average delivery orders ranging from 3-6 per month.

### Monthly delivery orders per household



### Average monthly delivery orders per household by delivery type

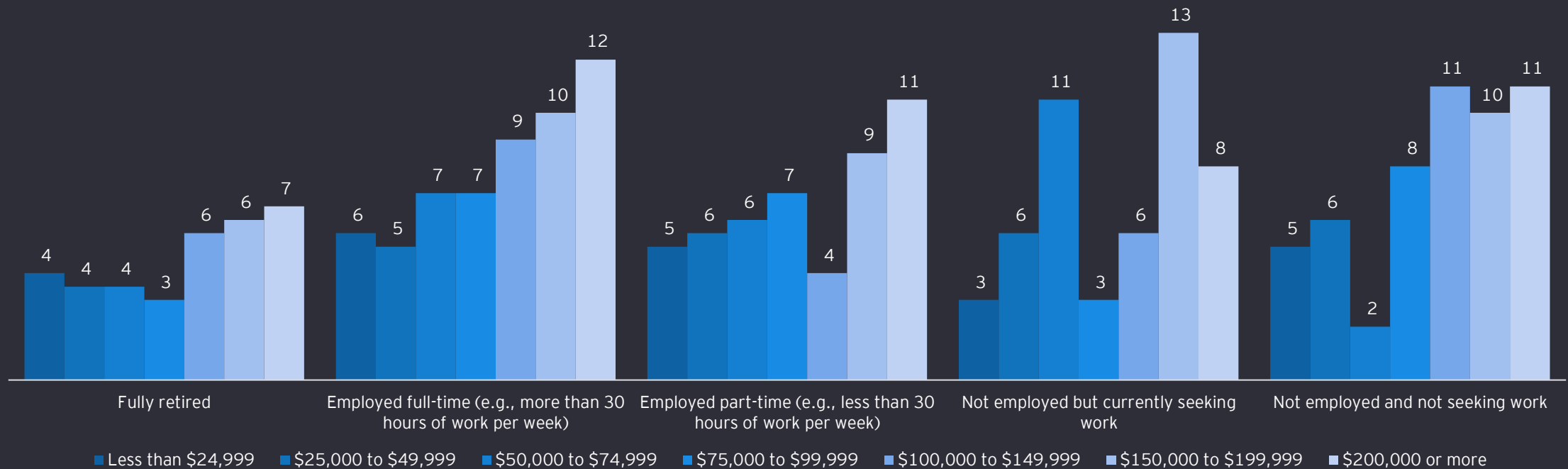


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# Delivery orders by employment status and income

- ▶ Across employment status, lower income households receive fewer delivery orders than higher income households.
- ▶ Fully employed households generally receive a greater number of delivery orders than other employment classes with the same income level.

Median number of delivery orders by employment status and household income

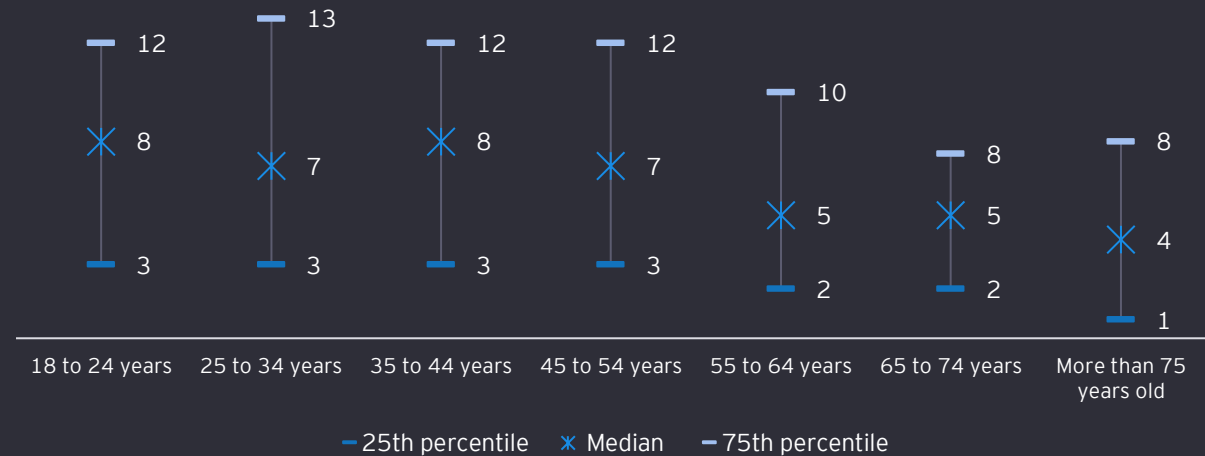


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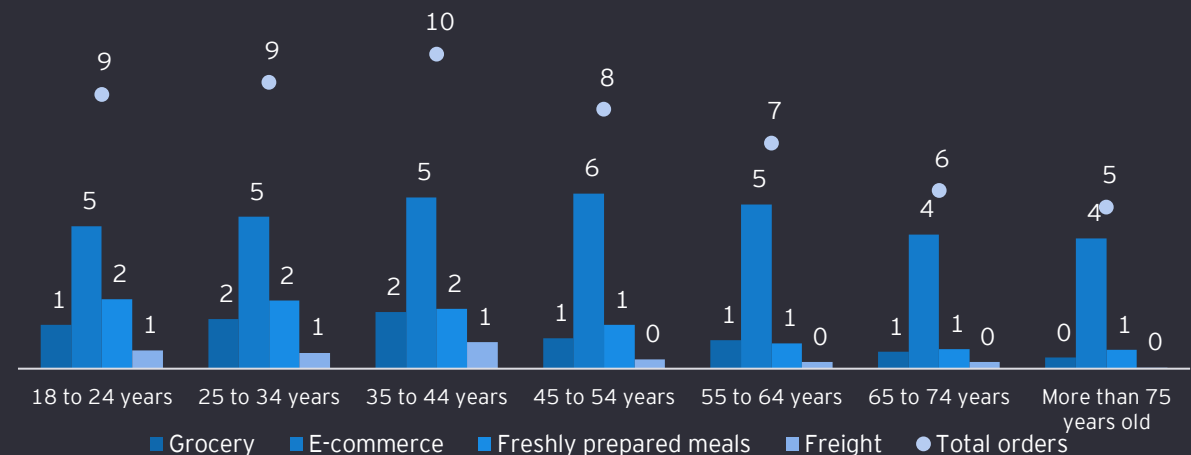
# Delivery orders by age

- ▶ On average, household age groups under 55 years of age received more delivery orders than older household age groups, particularly for the 75<sup>th</sup> percentile households.
- ▶ 25<sup>th</sup> percentile households received 1-3 packages per month regardless of age.
- ▶ E-commerce was the most popular delivery order category.
- ▶ Households aged 35-44 had the highest average monthly delivery orders at 10 per month.

### Monthly deliveries per household



### Average monthly delivery orders per household by delivery type



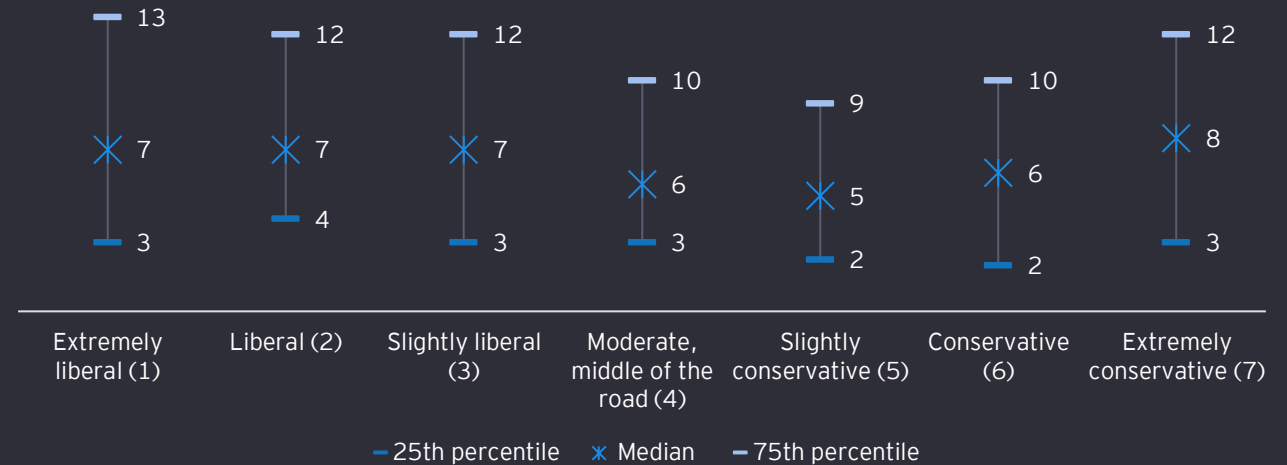
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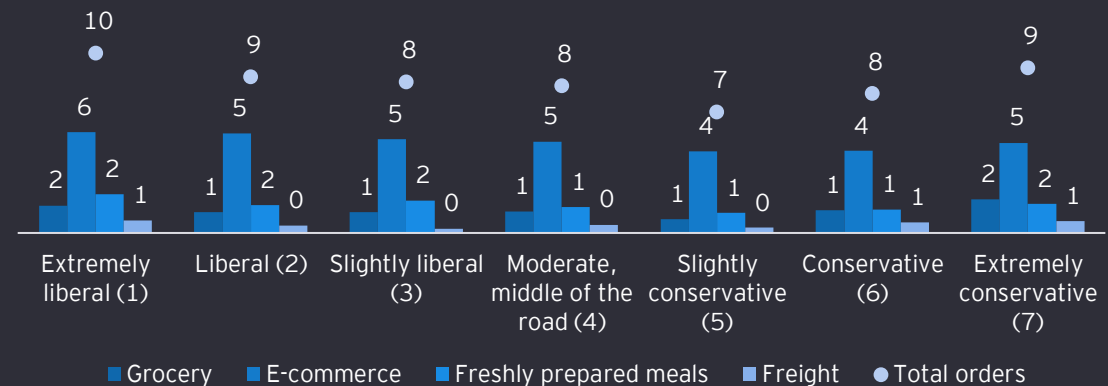
# Delivery orders by political views

- ▶ The distribution of delivery orders was not significantly different across political views.
- ▶ E-commerce was the most popular delivery order category across political views.

### Monthly delivery orders per household



### Average monthly delivery orders per household by delivery type

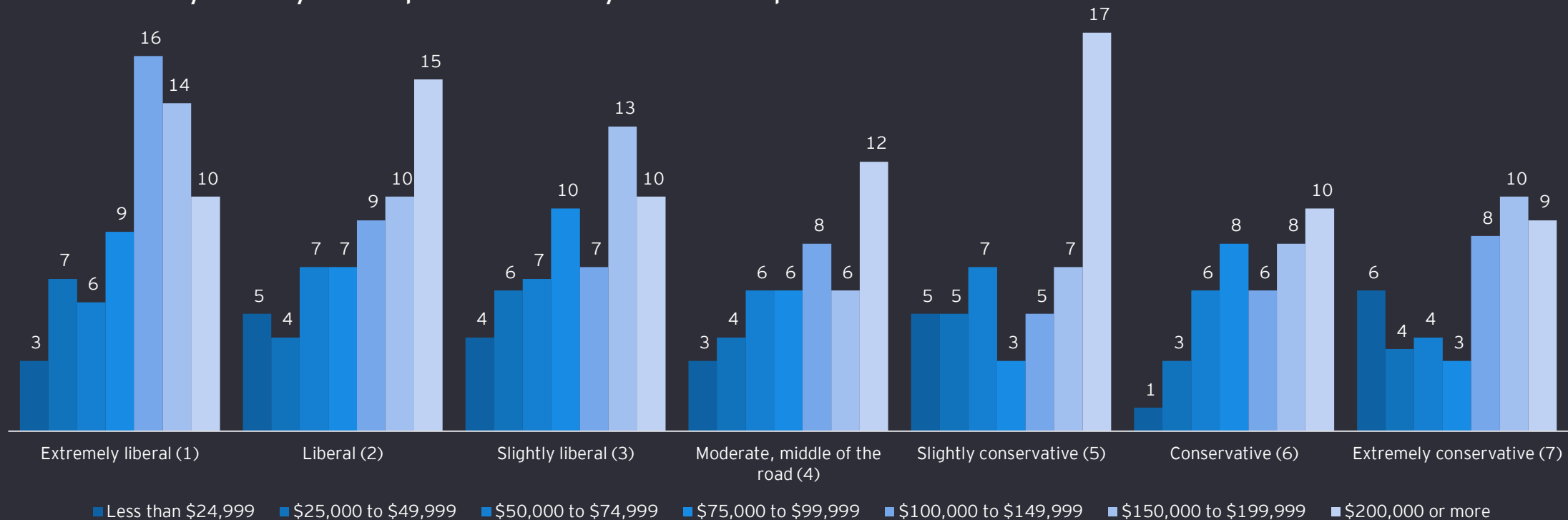


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# Delivery orders by political views and income

- ▶ Within each political views category, lower income households tend to receive fewer delivery orders compared to higher income households.

Median monthly delivery orders per household by income and political views

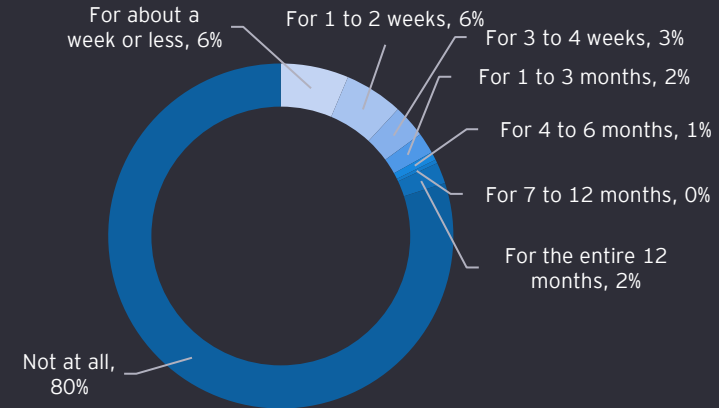


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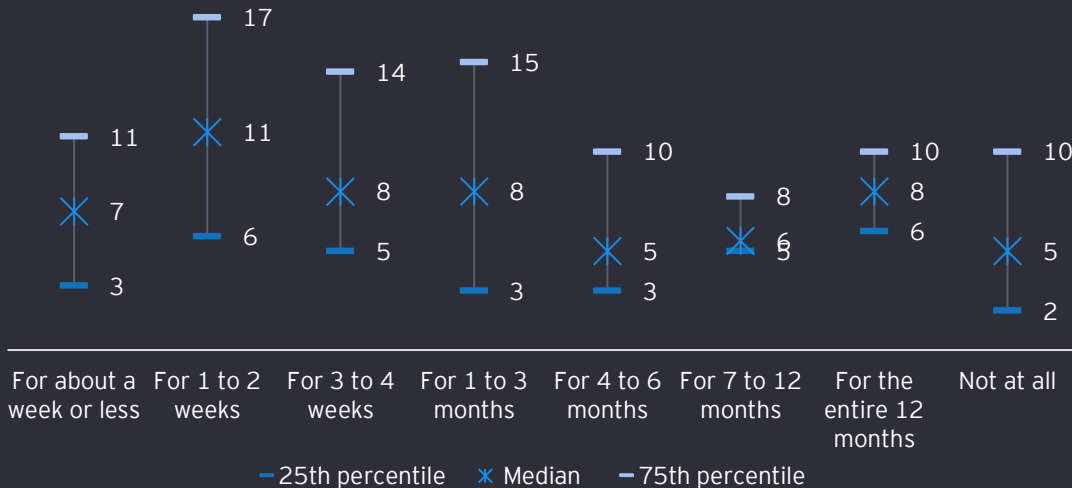
# Delivery dependence due to disability, illness, or mobility issue

- ▶ 20% of households needed to have items delivered to them due to disability, injury, sickness, or other mobility issues because they did not have help from a family member, spouse, social service worker, or medical aid.
- ▶ For more than half of these households, their disability, illness, or mobility issue lasted for less than a month.

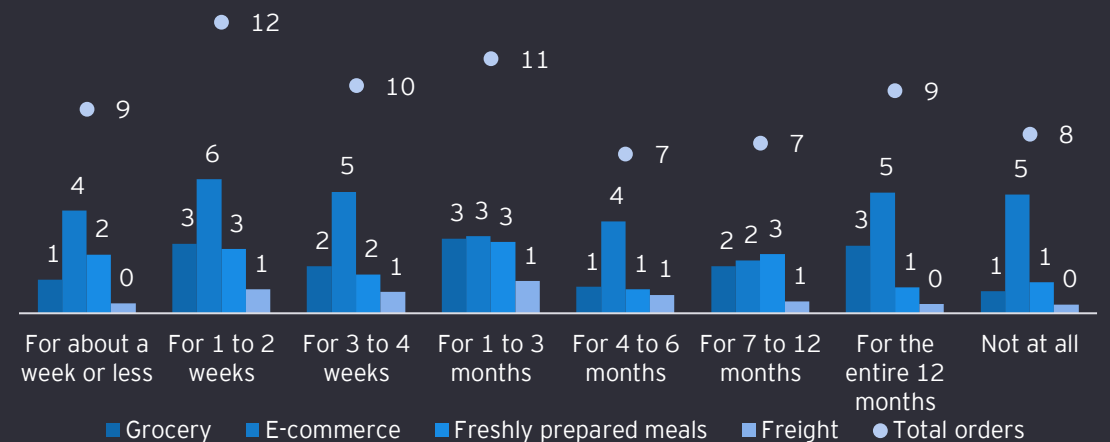
## Distribution of delivery dependence by length



## Monthly delivery orders per household



## Average monthly delivery orders per household by delivery type

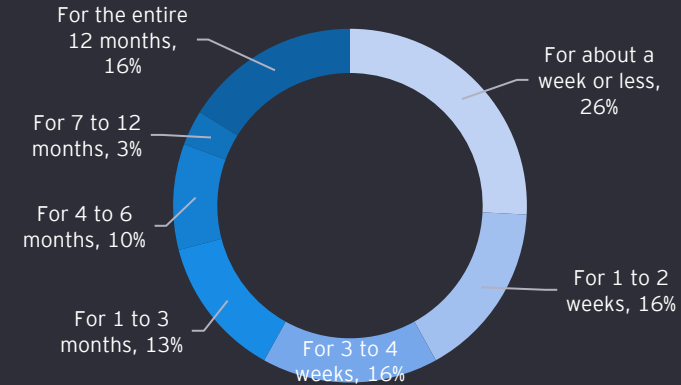


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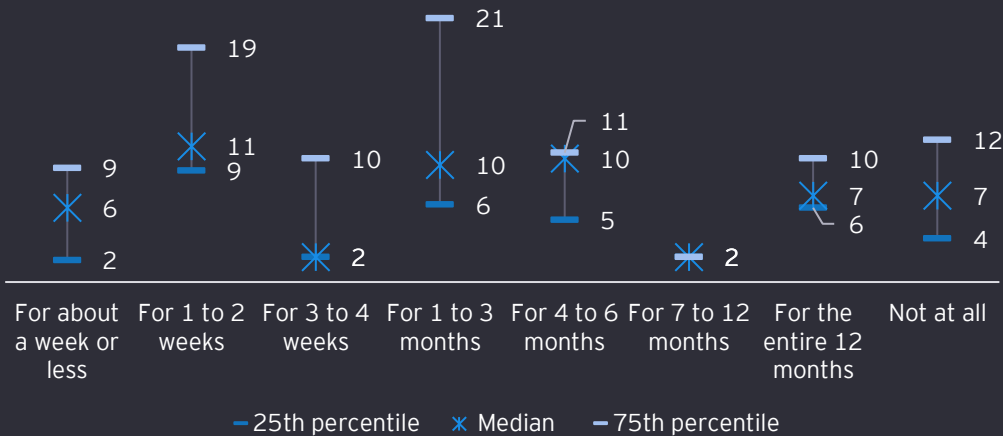
# Delivery dependence due to disability, illness, or mobility issue for the not employed, not seeking work population

- ▶ All survey respondents that were not employed and not seeking work reported needing to have items delivered to them due to disability, injury, sickness, or other mobility issues because they did not have help from a family member, spouse, social service worker, or medical aid were not employed and not seeking work.
- ▶ For more than half of these households, their disability, illness, or mobility issue lasted for less than a month.

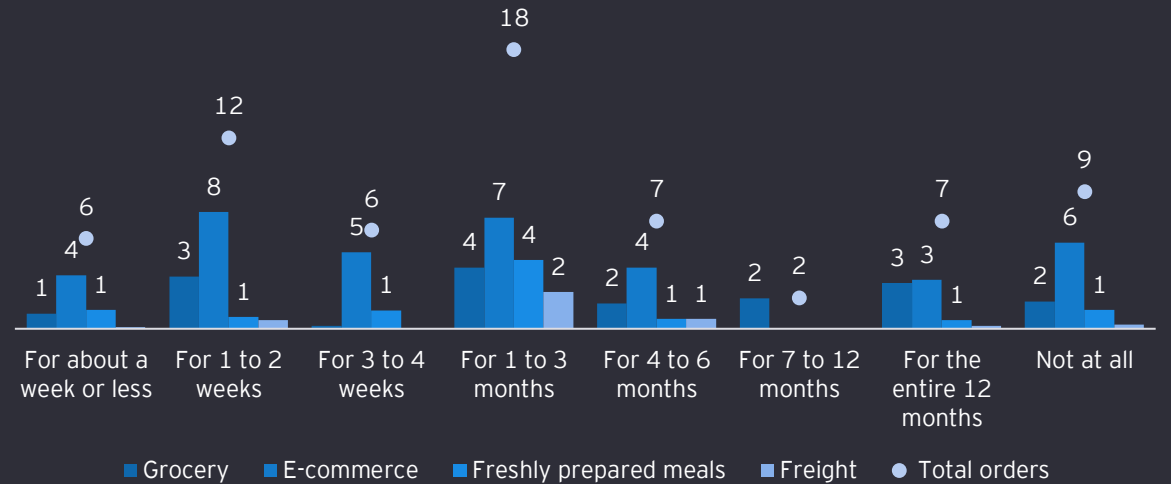
Distribution of delivery dependence by length for those who are disabled and not employed and not seeking work



Monthly delivery orders per household



Average monthly delivery orders per household by delivery type

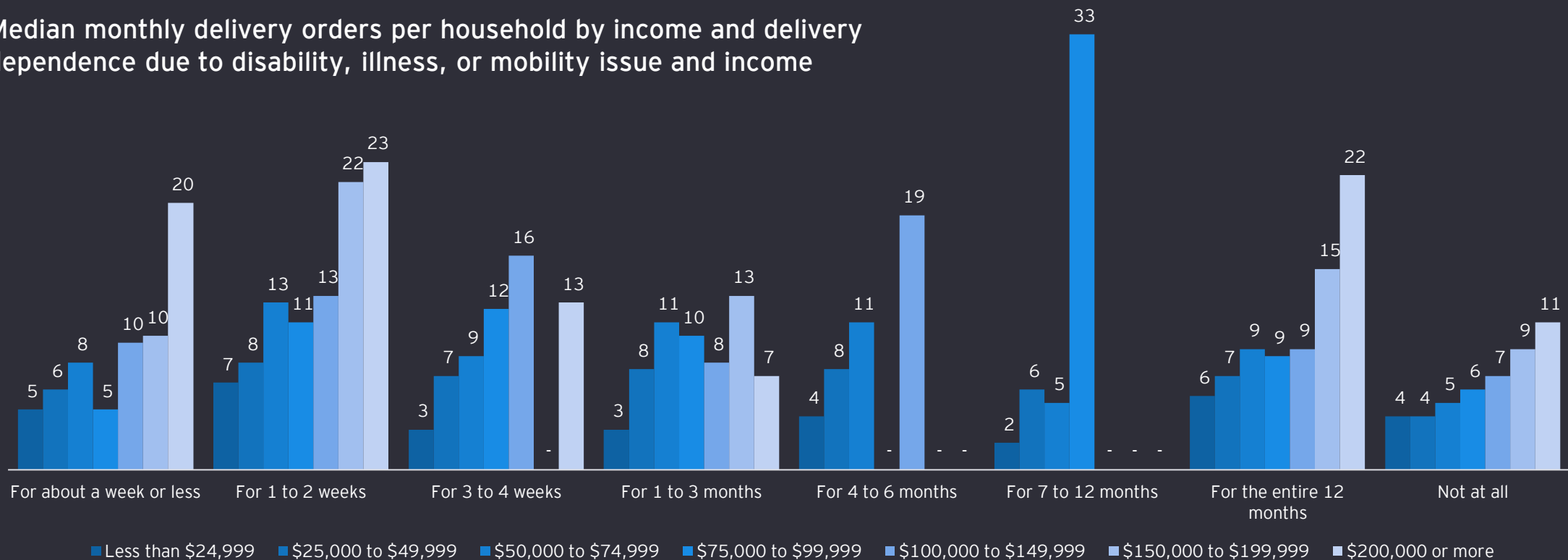


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# Delivery dependence due to disability, illness, or mobility issue by income

- ▶ Generally, households with delivery dependence due to disability, illness, or mobility issue receive a greater number of delivery orders per month than other households.
- ▶ The median number of delivery orders received by higher-income households is higher than for lower-income households.

Median monthly delivery orders per household by income and delivery dependence due to disability, illness, or mobility issue and income



Note: Generally, grocery-only orders are not subject to the fee. A single delivery order may have multiple items, shipments, or packages, but still counts as one order. A delivery order can include items delivered to one's current residence from a delivery app. Maximum values are top-coded at the 97.5<sup>th</sup> percentile. Data are for 2023. This cross-section has a somewhat limited number of respondents and results should be interpreted accordingly. Figures are rounded.

# Determining the impact of the Retail Delivery Fee for the median household delivery order

- ▶ The total cost of the Retail Delivery Fee across all of a household's delivery orders will vary based on the exact facts and circumstances of each household but will generally be the number of household delivery orders multiplied by the amount of the Retail Delivery Fee per delivery order.
- ▶ An illustrative calculation of the Retail Delivery Fee for the median household delivery order is as follows:

$$6 \times 12 \times \$0.28 = \$20$$

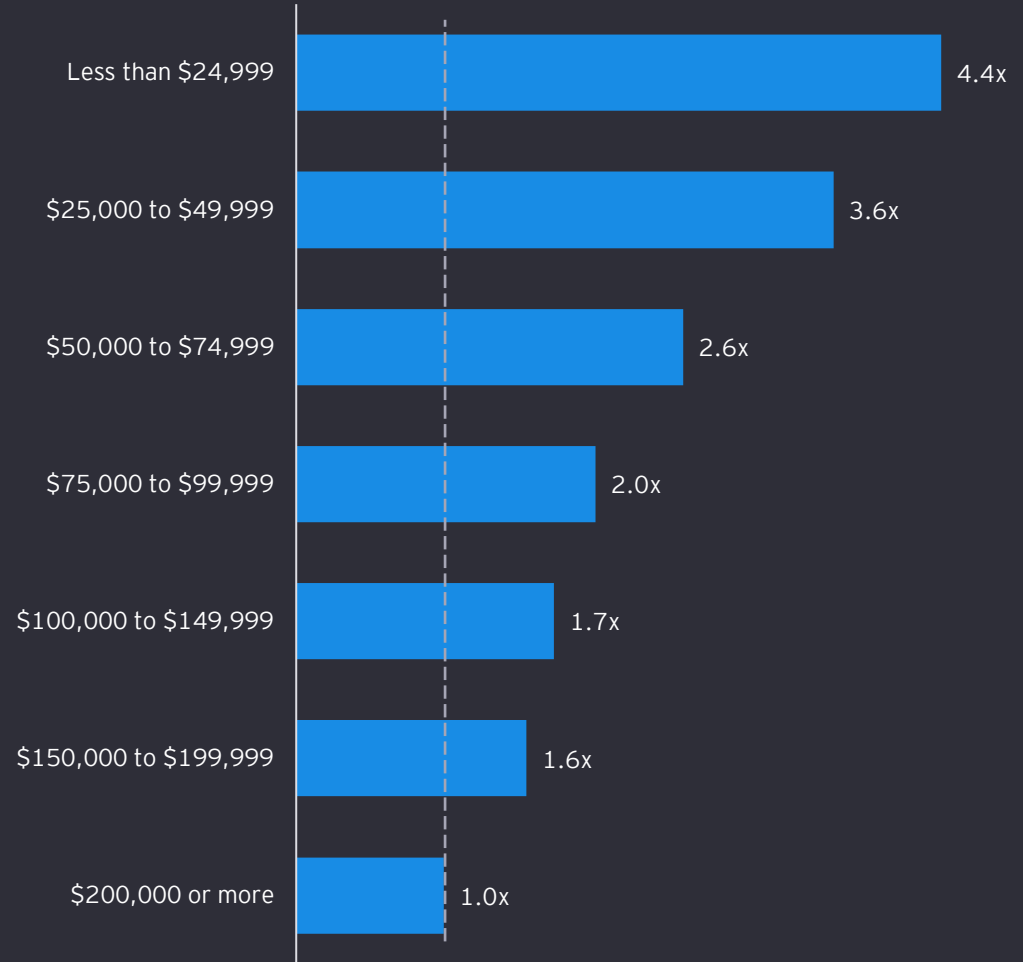
Statewide median delivery orders per month	×	Months	×	2023 Retail Delivery Fee	=	Annual Retail Delivery Fee for median household delivery orders
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Note: This is a stylized calculation. The median is below the average. The Retail Delivery Fee excludes small sellers and may not apply to all sales, among other considerations. The 2023 changes also allowed retailers to choose whether to collect the Retail Delivery Fee from consumers or, alternatively, pay the fee directly. Figures are rounded.

# Retail Delivery Fee on a household's delivery orders compared to household income

- ▶ As a share of household income, the Retail Delivery Fee on a household's delivery orders is generally higher for lower-income households than higher-income households.
- ▶ For example, as a share of income, the Retail Delivery Fee is estimated to be 4.4 times the size for households with incomes less than \$24,999 than for households with incomes of \$200,000 or more.

Retail Delivery Fee as a share of income relative to households earning \$200,000 or more



Note: High-level estimates assume the median number of delivery orders for each income group. The midpoint of each income bracket was assumed to be the income of the income group. For the lowest income group, an income of \$24,999 was assumed. Should the average be lower, the cost relative to the highest income group would be higher. The average income of the highest income group was assumed to be \$300,000 (based on data from the US Bureau of Labor Statistics' Consumer Expenditures Survey). Figures are rounded.

# Appendix



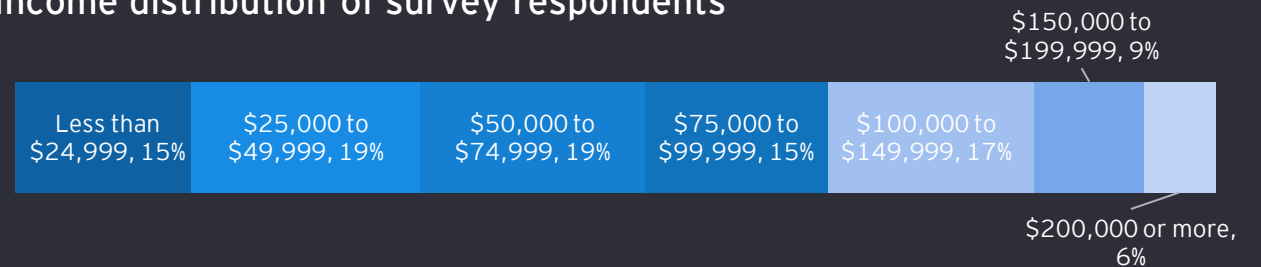
# Survey methodology

- ▶ A survey of Colorado residents was conducted in January 2024.
- ▶ Respondents to the survey were reflective of the demographic composition of Colorado, as defined by the US Census Bureau.
- ▶ Maximum values were top-coded at the 97.5<sup>th</sup> percentile.
- ▶ Results were captured for 1,163 individuals who received an aggregate 9,442 delivery orders per month.
- ▶ The median household received a total of 6 deliveries.
- ▶ E-commerce delivery orders were the most popular, both in terms of the number of households receiving them and the median number of deliveries per household. Grocery deliveries were the second most popular. Generally, grocery-only orders are not subject to the fee.

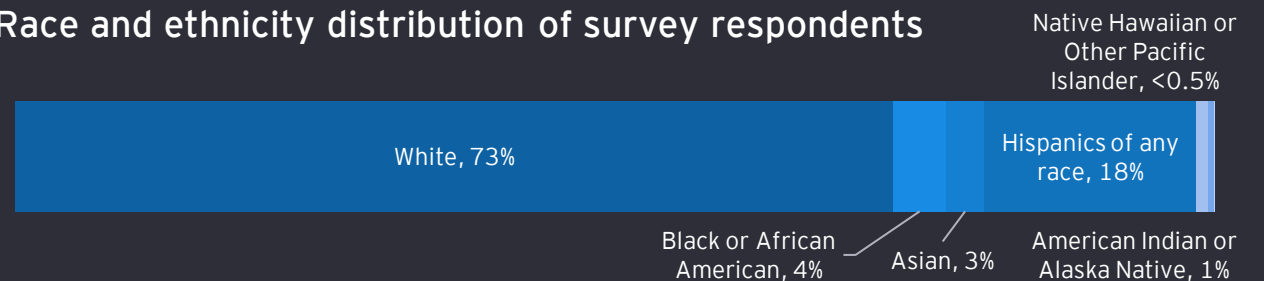
## Age distribution of survey respondents



## Income distribution of survey respondents



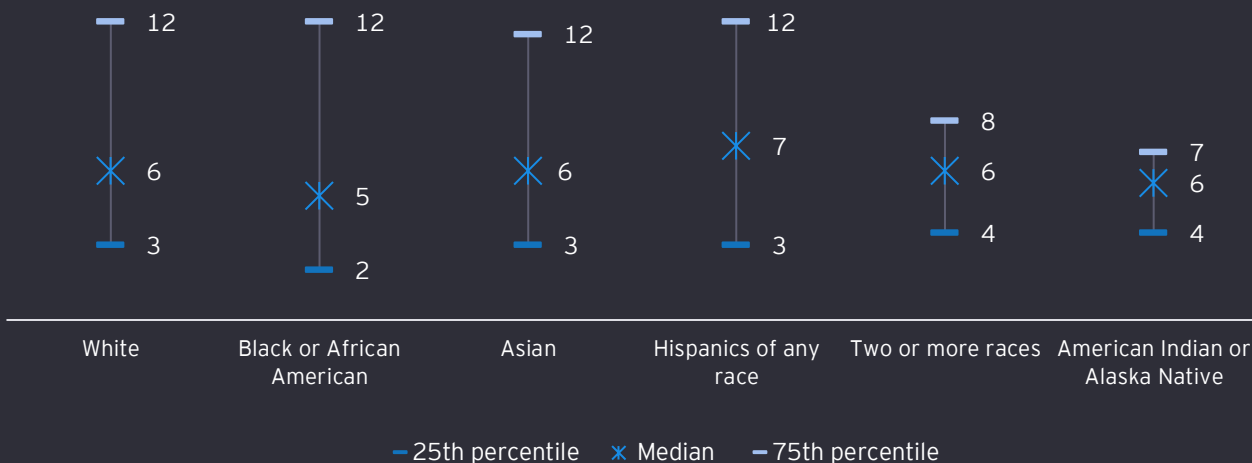
## Race and ethnicity distribution of survey respondents



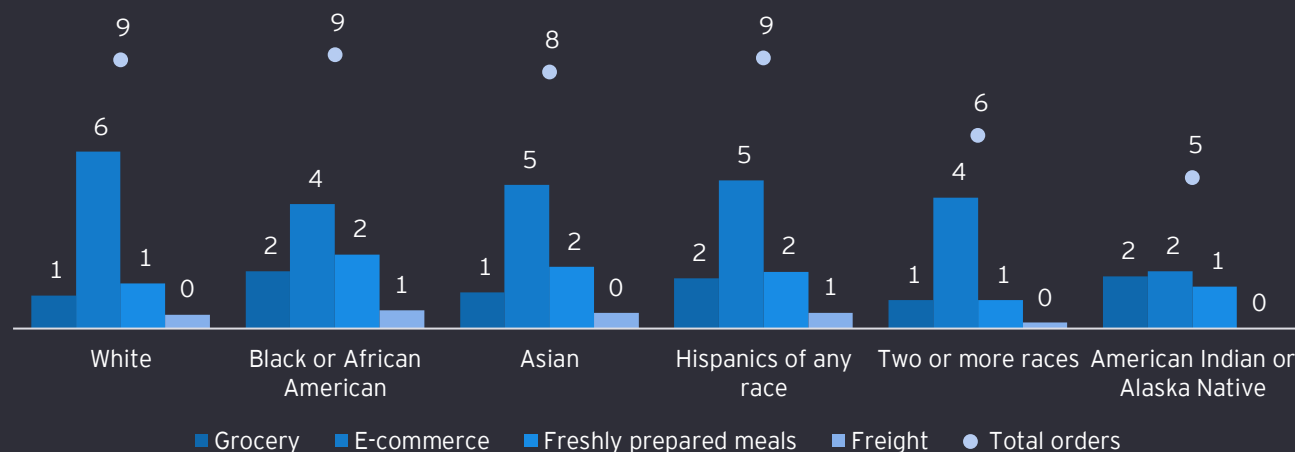
# Delivery orders by race and ethnicity

- ▶ Households identifying as White, Black or African American, Asian, or Hispanic each received, on average, 8 delivery orders per month.
- ▶ Households identifying as White, Black or African American, Asian, or Hispanic generally have a similar distribution of total monthly delivery orders, with 25<sup>th</sup> percentile households receiving 2-3 orders per month and 75<sup>th</sup> percentile households receiving 11-12 per month.

### Monthly delivery orders per household



### Average monthly delivery orders per household by delivery type

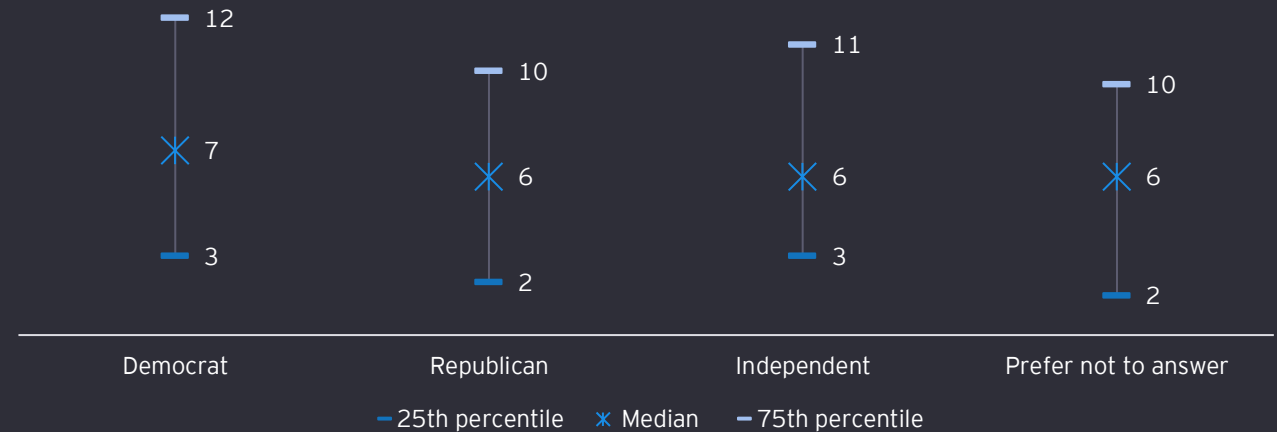


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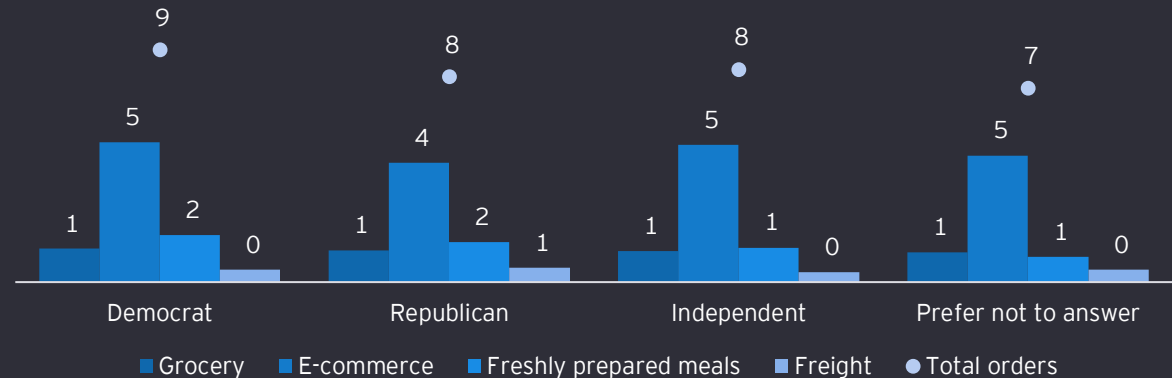
# Delivery orders by political party

- ▶ The distribution of delivery orders was broadly similar across political parties, with 25<sup>th</sup> percentile households receiving 2-3 delivery orders per month and 75<sup>th</sup> percentile households receiving 10-12 per month.
- ▶ Groceries and freshly-prepared meals were the two most popular delivery order categories.

### Monthly delivery orders per household



### Average monthly delivery orders per household by delivery type



Note: Generally, grocery-only orders would not attract the fee. A single delivery order may have multiple items, shipments, or packages, but still counts as one order. A delivery order can include items brought to one's current residence from a delivery app. The 25th percentile means 25% of responses are equal to or lower than this value, the median means 50% of responses are equal to or lower than this value, and the 75th percentile means 75% of responses are equal to or lower than this value. Maximum values are top-coded at the 97.5<sup>th</sup> percentile. Data are for 2023. Figures are rounded.