



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 19-0225	Date:	January 17, 2019
Prime Sponsors:	Sen. Williams Rep. Kraft-Tharp, Van Winkle	Bill Status:	Senate Finance
		Fiscal Analyst:	Meredith Moon 303-866-2633 Meredith.Moon@state.co.us

Bill Topic: ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure (<i>workload</i>)	<input checked="" type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill requires the Department of Revenue to solicit bids for an electronic sales and use tax simplification system. This will increase workload for state agencies in FY 2019-20 and will increase state expenditures if a system is implemented.

**Appropriation
Summary:** No appropriation is required.

**Fiscal Note
Status:** This fiscal note reflects the introduced bill, which was recommended by the Sales Tax Simplification Task Force.

Summary of Legislation

This bill directs the Department of Revenue (DOR) to solicit an electronic sales and use tax simplification system through the state's procurement code. DOR must work with stakeholders to determine the scope of work for the system before soliciting bids for the creation of the system.

The system is required to accept sales tax returns and payments for state and state-collected local jurisdictions. Home rule jurisdictions may choose to use the system.

The bill requires that the solicitation process for the new system be managed within existing resources.

Background

During the 2018 legislative session, House Bill 18-1022 required the DOR to issue a Request for Information (RFI) for an electronic sales and use tax simplification system. The RFI responses addressed the following system specifications:

- accurate address location capability;
- a single application process for state and local tax licenses;
- a uniform remittance form;
- a single point of remittance;

- a taxability and exemption matrix; and
- access to data in the system for auditing or revenue projection purposes.

In addition, the system must:

- be able to interface with existing tax administration systems;
- allow for changes to tax bases or jurisdictional boundaries;
- comply with the Office of Information Technology's (OIT) security standards and policies;
- collect taxes on items with differing tax rates in the same jurisdiction; and
- maintain a history of any changes.

The responses to the RFI received by the department were presented to the task force during the 2018 interim. Cost estimates for the system ranged from \$1.25 million to \$18.75 million with ongoing annual costs between \$5 million and \$8 million for the lower estimate and indeterminate ongoing annual costs for the higher estimate.

State Expenditures

This bill is expected to increase workload in the DOR and OIT in FY 2019-20.

The bill requires the DOR and OIT to proceed with soliciting proposals for an electronic sales and use tax simplification system. Any agreements with vendors will be conditional on the General Assembly appropriating funds for the system. Soliciting bids for the system can be accomplished with existing resources, however future expenditure amounts will be determined as a result of system development and implementation. Expenditures and funding mechanisms depend on the information received in the bid solicitation process and future policy decisions made by the General Assembly.

Local Government

As stakeholders, local governments may experience a workload increase to help determine the scope of work for the system. Actual implementation of the system may increase expenditures or local government sales tax revenue.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

No appropriation is required.

State and Local Government Contacts

Counties
Municipalities
Revenue

Information Technology
Regional Transportation District
Special Districts