



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# REVISED FISCAL NOTE

(replaces fiscal note dated January 17, 2019)

<b>Drafting Number:</b>	LLS 19-0225	<b>Date:</b>	February 4, 2019
<b>Prime Sponsors:</b>	Sen. Williams Rep. Kraft-Tharp, Van Winkle	<b>Bill Status:</b>	House Finance
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**Bill Topic:** ELECTRONIC SALES AND USE TAX SIMPLIFICATION SYSTEM

<b>Summary of Fiscal Impact:</b>	<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 Office of Information Technology 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 has been revised to reflect the reengrossed bill.

## Summary of Legislation

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

DOR is required to use the system once it is in place 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 state and local 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 Sales and Use Tax Simplification 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. Any cost associated with the system will be appropriated from the General Fund.

If this bill results in fewer paper sales tax filings once the system is in place, the Department of Personnel Administration (DPA)'s workload for processing and scanning paper sales tax returns would decrease. This would result in a reduction in state expenditures allocated to DPA, potentially including staff reductions.

### **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 and/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 and Local Government Contacts**

Counties	Information Technology	Municipalities
Regional Transportation District	Revenue	Special Districts