

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2021-22

DEPARTMENT OF REVENUE

(Executive Director's Office and Taxation Business Group)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ALFREDO KEMM, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
<https://leg.colorado.gov/agencies/joint-budget-committee>

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2019 and 2020 legislative sessions that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report:
<https://leg.colorado.gov/publications/appropriations-report-fiscal-year-2020-21>

The online version of the briefing document, which includes the Numbers Pages, may be found by searching the budget documents on the General Assembly's website by visiting leg.colorado.gov/content/budget/budget-documents. Once on the budge documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

DEPARTMENT OF REVENUE

DEPARTMENT OVERVIEW

The Department of Revenue regulates, enforces, and administers the state’s tax laws. The Department also issues and maintains records related to drivers licenses, vehicle emission testing stations, registration and titling of motor vehicles, limited stakes gaming, liquor and tobacco retailers, horse racing and pari-mutuel betting, the automobile sales industry, and medical and recreational marijuana retailers, growing facilities, and manufacturing facilities. In addition, the Department operates the State Lottery, including state and multi-state games. The Department is divided into six divisions or business groups, four of which provide direct services to the citizens of the State, and two that provide support for the four direct-service providers. This briefing document includes the following two divisions:

THE EXECUTIVE DIRECTOR’S OFFICE provides overall leadership and administration for the Department, including the central budget office, accounting and financial services, internal audit, human resources administration, and includes the Office of Research and Analysis, a citizens' advocate, and the Hearings Division.

THE TAXATION BUSINESS GROUP

- Is responsible for the collection, administration, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, and severance taxes, as well as all other taxes collected by the state;
- Provides assistance and information to taxpayers about compliance with Colorado’s tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system;
- Administers the cigarette tax rebate and the Amendment 35 distribution of cigarette taxes to the cities and counties;
- Administers the Old Age Heat and Fuel and Property Tax Rebate Program; and
- Administers the Commercial Vehicle Enterprise Sales Tax Refund.

The remaining four divisions (**THE INFORMATION TECHNOLOGY DIVISION, THE DIVISION OF MOTOR VEHICLES, THE ENFORCEMENT BUSINESS GROUP, AND THE STATE LOTTERY DIVISION**) are included in a separate staff briefing.

DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 *
General Fund	\$113,271,850	\$124,688,584	\$117,400,299	\$122,274,792
Cash Funds	250,494,506	272,293,824	281,140,152	283,578,097
Reappropriated Funds	6,381,910	6,149,821	6,908,583	8,360,342
Federal Funds	824,388	1,036,329	1,036,513	1,043,946
TOTAL FUNDS	\$370,972,654	\$404,168,558	\$406,485,547	\$415,257,177
Full Time Equiv. Staff	1,472.2	1,564.9	1,592.6	1,596.7

*Requested appropriation.

EXECUTIVE DIRECTOR'S OFFICE: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 *
General Fund	\$34,230,971	\$37,406,031	\$35,812,989	\$30,183,080
Cash Funds	32,365,745	37,228,588	41,948,001	33,951,532
Reappropriated Funds	5,488,504	5,315,991	6,070,759	7,522,518
Federal Funds	0	211,941	184,381	191,814
TOTAL FUNDS	\$72,085,220	\$80,162,551	\$84,016,130	\$71,848,944
Full Time Equiv. Staff	155.7	168.5	172.3	171.3

*Requested appropriation.

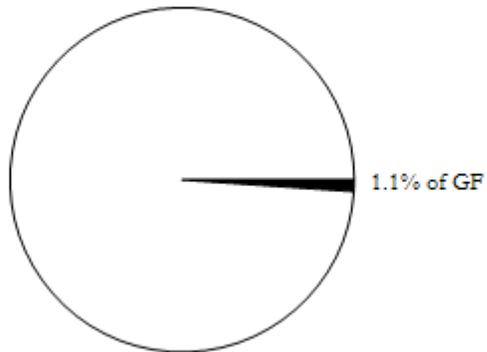
TAXATION BUSINESS GROUP: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 *
General Fund	\$73,109,785	\$80,051,886	\$75,927,159	\$82,501,074
Cash Funds	3,435,997	3,682,074	3,152,240	3,125,029
Reappropriated Funds	317,368	317,368	317,368	317,368
Federal Funds	824,388	824,388	852,132	852,132
TOTAL FUNDS	\$77,687,538	\$84,875,716	\$80,248,899	\$86,795,603
Full Time Equiv. Staff	402.8	420.5	408.6	422.9

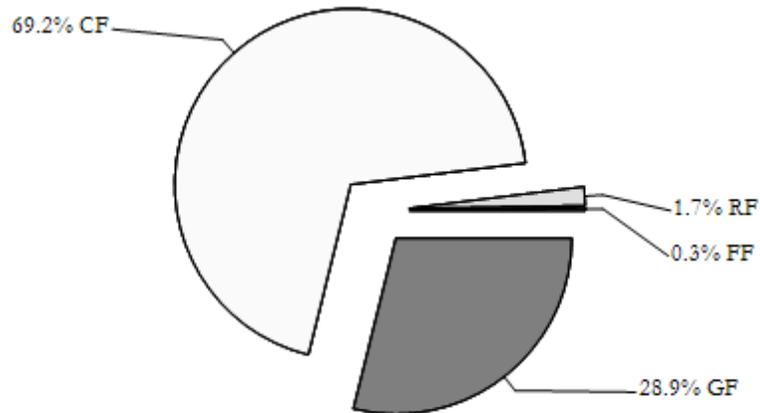
*Requested appropriation.

DEPARTMENT BUDGET: GRAPHIC OVERVIEW

Department's Share of Statewide General Fund

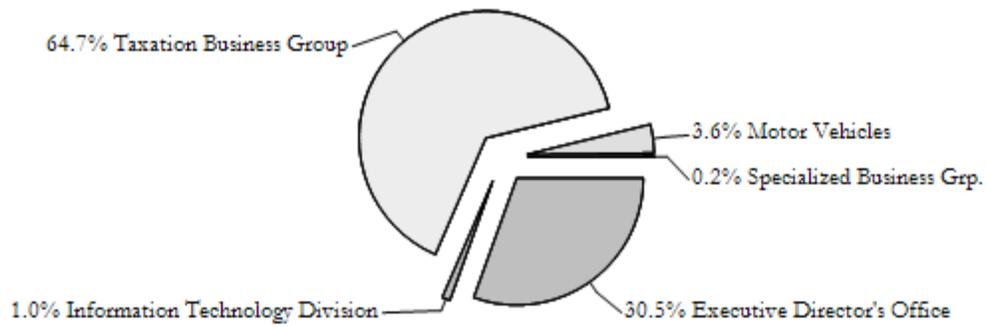


Department Funding Sources

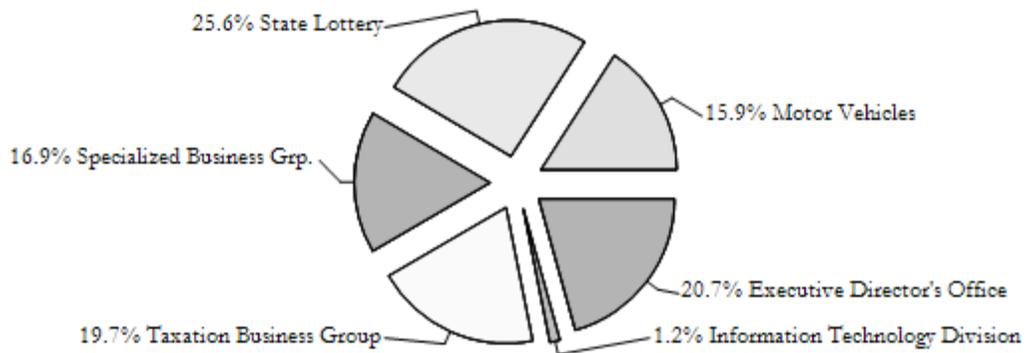


All charts are based on the FY 2020-21 appropriation.

Distribution of General Fund by Division



Distribution of Total Funds by Division



All charts are based on the FY 2020-21 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Funding for the Department of Revenue in FY 2020-21 consists of 28.9 percent General Fund, 69.2 percent cash funds, 1.7 percent reappropriated funds, and 0.3 percent federal funds. The Department's primary budget drivers are the State's tax structure, population, and business activity in regulated industries.

Funding for the divisions covered in this briefing document consists of 68.0 percent General Fund, 27.5 percent cash funds, 3.9 percent reappropriated funds, and 0.6 percent federal funds in FY 2020-21. Some of the major factors driving these division budgets are discussed below.

TAX COLLECTIONS

The complexity of Colorado's tax structure affects the resources required by the Taxation Business Group, the Department's tax division. In addition to collecting State taxes, the Department collects local taxes for most counties, cities, and special districts in Colorado, and tracks and distributes the collections monthly to the local governments. Local sales taxes collected include: city sales tax, county lodging tax, county transit sales tax, special district taxes, and transportation authority tax.

In FY 2018-19, the most recent year with finalized and audited data, \$9.0 billion dollars in corporate and individual incomes taxes and \$4.7 billion in sales, use, and excise taxes were collected. An additional \$217.9 million in severance taxes and \$1.8 billion in local taxes were also collected by the Department.

The following table outlines net collections by the Department of state and local taxes.

STATE AND LOCAL TAXES - NET COLLECTIONS BY SOURCE (MILLIONS)							
	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Sales, Use, and Excise	\$3,358	\$3,589	\$3,885	\$3,972	\$4,205	\$4,504	\$4,677.9
Income							
Individual	\$5,493.0	\$5,604.5	\$6,266.0	\$6,408.3	\$6,751.4	\$7,451.9	\$8,104.4
Corporate (and Partnership)	\$652.2	\$717.5	\$669.1	\$626.1	\$528.5	\$782.7	\$794.6
Fiduciary	\$35.5	\$49.5	\$60.3	\$42.6	\$40.6	\$58.5	\$67.2
Subtotal - Income	\$6,180.7	\$6,371.4	\$6,995.4	\$7,077.0	\$7,320.5	\$8,293.0	\$8,966.2
Total Sales and Income collections	\$9,539.0	\$9,960.9	\$10,880.0	\$11,048.6	\$11,525.9	\$12,797.5	\$13,644.1
CAAGR							5.2%
Severance	147.7	245.1	292.7	84.1	(7.2)	102.7	217.9
Total State Tax Collections	\$9,686.7	\$10,206.0	\$11,172.7	\$11,132.7	\$11,518.7	\$12,900.2	\$13,862.0
Local Taxes	1,229.6	1,320.8	1,433.2	1,508.0	1,612.4	1,726.7	1,849.9
Total Tax Collections	\$10,916	\$11,527	\$12,606	\$12,641	\$13,131	\$14,627	15,712.0
Tax Bus Group (div) - GF expenditures	\$23.7	\$24.4	\$30.2	\$32.7	\$33.6	\$36.3	\$36.6
percent of Sales and Income Tax collections	0.25%	0.24%	0.28%	0.30%	0.29%	0.28%	0.27%
percent of Total Tax collections	0.22%	0.21%	0.24%	0.26%	0.26%	0.25%	0.23%

As reflected in the table, the General Fund cost of the Taxation Business Group (division) represents 0.27 percent of total state sales and income tax collections and 0.23 percent of all tax collections in the most recent fiscal year. This division cost does not include compensation-related and operating common policy costs for the division paid for in appropriations located in the Administration subdivision of the Executive Director's Office. Nevertheless, the percentage cost of administration, particularly as compared over time, provides a reasonable assessment of the relative administrative cost of the state's tax system.

TAXATION BUSINESS GROUP

The following table outlines Taxation Business Group appropriations (excluding the Special Purpose subdivision).

TAXATION BUSINESS GROUP APPROPRIATIONS (EXCLUDING SPECIAL PURPOSE ¹)									
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22 ²
General Fund	\$26,189,215	\$33,878,545	\$35,166,692	\$37,246,793	\$39,871,365	\$38,997,129	\$42,809,420	\$42,127,037	\$48,700,952
Cash Funds	3,448,965	3,741,333	2,031,642	2,019,744	2,046,760	2,025,746	2,338,441	1,868,448	1,841,237
Reapprop. Funds	220,085	220,085	220,085	271,468	317,368	317,368	317,368	317,368	317,368
Federal Funds	824,388	824,388	824,388	824,388	824,388	824,388	824,388	852,132	852,132
Total Funds	\$30,682,653	\$38,664,351	\$38,242,807	\$40,362,393	\$43,059,881	\$42,164,631	\$46,289,617	\$45,164,985	\$51,711,689
FTE	333.2	371.9	381.9	404.2	402.5	402.8	420.5	408.6	422.9
GF annual percentage change		29.4%	3.8%	5.9%	7.0%	(2.2%)	9.8%	(1.6%)	15.6%
General Fund CAAGR									7.1%

¹ The Special Purpose subdivision appropriations include pass-through payments only and do not include administrative expenses.

² Requested appropriation

As reflected in the table, the compound average annual growth rate over the nine-year period totals 7.1 percent for the General Fund appropriation.

GEN TAX

Included in the table above are the costs for the state's tax administration system known as GenTax. The following table outlines the capital construction appropriations from FY 2006-07 through FY 2012-13 and isolates the annual operating appropriations since FY 2013-14 for the GenTax system included in the Taxation Business Group. Additional staff resources for managing the GenTax system are located in the Executive Director's Office and are not included in the table.

GEN TAX (CAPITAL CONSTRUCTION AND TAX ADMINISTRATION IT SYSTEM (GEN TAX) SUPPORT)									
Capital Appropriations		FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	Total
Capital Construction Fund		\$8,077,488	\$9,515,475	\$7,817,037	\$7,444,907	\$10,177,308	\$7,063,864	\$3,940,000	\$54,036,079
Operating Appropriations	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22*
General Fund	\$1,744,200	\$3,981,616	\$4,206,750	\$4,583,432	\$6,454,170	\$5,707,610	\$6,448,744	\$6,199,682	\$5,951,058
Cash Funds	1,888,000	1,884,000	35,440	47,069	73,950	24,032	194,000	40,622	17,892
Reapprop. Funds	0	0	0	51,383	0	0	0	0	0
Total Funds	\$3,632,200	\$5,865,616	\$4,242,190	\$4,681,884	\$6,528,120	\$5,731,642	\$6,642,744	\$6,240,304	\$5,968,950
GF percent of Tax Bus Group	6.7%	11.8%	12.0%	12.3%	16.2%	14.6%	15.1%	14.7%	12.2%
GF annual percentage change		128.3%	5.7%	9.0%	40.8%	(11.6%)	13.0%	(3.9%)	(4.0%)
GF CAAGR (since FY 06-07)									5.2%

* Requested appropriation

In addition to \$54.0 million in capital construction appropriations, operating appropriations total \$43.6 million through FY 2020-21. The FY 2021-22 request represents 12.2 percent of division General Fund. Operating appropriations average \$5.5 million through the FY 2021-22 request, representing an annual operating cost of 10.2 percent of the capital construction appropriation.

SUMMARY: FY 2020-21 APPROPRIATION & FY 2021-22 REQUEST

DEPARTMENT OF REVENUE – EXECUTIVE DIRECTOR'S OFFICE AND TAXATION BUSINESS GROUP						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2020-21 APPROPRIATION:						
HB 20-1360 (Long Bill)	165,571,703	112,481,090	45,663,858	6,390,242	1,036,513	579.4
Other Legislation	(1,306,674)	(740,942)	(563,617)	(2,115)	0	1.5
TOTAL	\$164,265,029	\$111,740,148	\$45,100,241	\$6,388,127	\$1,036,513	580.9
FY 2021-22 REQUESTED APPROPRIATION:						
FY 2020-21 Appropriation	\$164,265,029	111,740,148	\$45,100,241	\$6,388,127	\$1,036,513	580.9
R2 Sales and use tax simplification system support	2,246,631	2,246,631	0	0	0	5.0
R3 Information Technology reorganization & streamlining	1,245,942	839,428	406,514	0	0	0.0
R4 Saving from adopting virtual government	(803,477)	(611,854)	(191,623)	0	0	(5.0)
R5 Realign DMV spending	(220,010)	0	(220,010)	0	0	0.0
R6 Realign Specialized Business Group spending	(182,729)	0	(182,729)	0	0	0.0
R7 Budget savings - Taxation Business Group	(420,722)	(420,722)	0	0	0	0.0
Non-prioritized requests	(529,318)	384,562	(913,880)	0	0	(5.0)
Annualize prior year budget actions	3,458,425	3,022,125	436,300	0	0	7.0
Annualize prior year legislation	3,204,399	1,388,078	1,813,856	2,138	327	11.3
Technical adjustments	171,433	171,433	0	0	0	0.0
Indirect cost assessment	51,351	(1,455,058)	45,957	1,460,452	0	0.0
Centrally appropriated line items	(13,842,407)	(4,620,617)	(9,218,065)	(10,831)	7,106	0.0
TOTAL	\$158,644,547	\$112,684,154	\$37,076,561	\$7,839,886	\$1,043,946	594.2
INCREASE/(DECREASE)	(\$5,620,482)	\$944,006	(\$8,023,680)	\$1,451,759	\$7,433	13.3
Percentage Change	(3.4%)	0.8%	(17.8%)	22.7%	0.7%	2.3%

R2 SALES AND USE TAX SIMPLIFICATION SYSTEM SUPPORT: The request includes an increase of \$2.2 million General Fund and 5.0 FTE for ongoing support and maintenance of the Sales and Use Tax Simplification System (SUTS). SUTS was funded in S.B. 19-006. Additional information is included in an issue brief later in this document.

R3 INFORMATION TECHNOLOGY REORGANIZATION & STREAMLINING: The request includes an increase of \$1.2 million total funds, including an increase of \$839,428 General Fund, for an adjustment included in the Executive Director's Office. This request will be addressed in the second JBC staff briefing document for the Department.

R4 SAVING FROM ADOPTING VIRTUAL GOVERNMENT: The request includes a decrease of \$803,477 total funds, including a decrease of \$611,854 General Fund, and a decrease of 5.0 FTE, related to a request to allow hearings to be conducted virtually. The request includes a legislation request from the Department to allow tax hearings to be conducted virtually. Staff recommends that the Committee include this legislation request in its potential bills list for consideration at figure setting.

R5 REALIGN DMV SPENDING: The request includes a decrease of \$220,010 cash funds for decreases in POTS appropriations located in the Executive Director's Office. This request will be addressed in the second JBC staff briefing document for the Department.

R6 REALIGN SPECIALIZED BUSINESS GROUP SPENDING: The request includes a decrease of \$182,729 cash funds for decreases in POTS appropriations located in the Executive Director's Office. This request will be addressed in the second JBC staff briefing document for the Department.

R7 BUDGET SAVINGS - TAXATION BUSINESS GROUP: The request includes a decrease of \$420,722 General Fund. The Department's request comprises a reorganization and consolidation of two subdivisions, including Taxation and Compliance and Taxpayer Services, into a single, Taxation Services subdivision. The savings reflect efficiencies anticipated to be gained by the consolidation.

NON-PRIORITIZED REQUESTS: The request includes adjustments related to budget requests made by other departments that affect the Department of Revenue in FY 2021-22, which are summarized in the following table.

NON-PRIORITIZED REQUESTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
NP2 DOR printing and mail migration to DPA-IDS	\$347,116	\$689,675	(\$342,559)	(5.0)
NP1 COE program financial restructure	25,415	25,415	0	0.0
NP4 OIT FY22 budget request package	(901,849)	(330,528)	(571,321)	0.0
TOTAL	(\$529,318)	\$384,562	(\$913,880)	(5.0)

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a net increase of \$3.5 million total funds, including \$3.0 million General Fund, for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
FY20-21 GF HLD reduction	\$2,032,254	\$2,032,254	\$0	0.0
FY19-20 R-01 GenTax Support Enhancements	896,656	889,551	7,105	7.0
FY19-20 S2leased space for 2019 special bills	498,960	100,320	398,640	0.0
FY21-22 R4 driver's license documents	30,555	0	30,555	0.0
TOTAL	\$3,458,425	\$3,022,125	\$436,300	7.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a net increase of \$3.2 million total funds, including an increase of \$1.4 million General Fund, to reflect the FY 2021-22 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB20-1379 Suspend PERA DD FY20-21	\$2,143,176	\$829,713	\$1,311,348	\$2,115	\$0	0.0
HB20-1420 Adjust Tax Expenditures for State	499,830	499,830	0	0	0	8.4
HB20-1001 Nicotine Product Reg	314,988	0	314,988	0	0	0.8
HB20-1153 Colorado Partnership	186,855	0	186,855	0	0	1.2
HB19-1159 Modify Motor Vehicle Income Tax	51,478	51,478	0	0	0	0.9
SB18-200 PERA unfunded liability	47,183	19,243	27,590	23	327	0.0
HB20-1236 Health Care Coverage	28,372	28,372	0	0	0	0.0
HB20-1024 Net Operating Loss Deduction	22,859	22,859	0	0	0	0.0
SB20-218 CDPHE Hazardous Substance	(39,643)	(39,643)	0	0	0	0.0
HB20-1293 Emergency Telephone Service	(18,930)	0	(18,930)	0	0	0.0
HB18-1208 Expand Childcare Income Tax Credit	(11,040)	(11,040)	0	0	0	0.0
HB19-1230 Marijuana Hospitality	(7,995)	0	(7,995)	0	0	0.0

ANNUALIZE PRIOR YEAR LEGISLATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB18-1267 Income Tax Credit Retrofitting	(6,444)	(6,444)	0	0	0	0.0
HB18-1202 Income Tax Credit Organ Donation	(6,290)	(6,290)	0	0	0	0.0
TOTAL	\$3,204,399	\$1,388,078	\$1,813,856	\$2,138	\$327	11.3

TECHNICAL ADJUSTMENTS: The request includes a technical adjustment of \$171,433 General Fund for a GenTax vendor (FAST Enterprises) contract escalator.

INDIRECT COST ADJUSTMENT: The request includes net adjustments to indirect costs across the Department.

CENTRALLY APPROPRIATED LINE ITEMS: The request includes a decrease of \$13.8 million total funds including a decrease of \$4.6 million General Fund related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Health, life, and dental adjustment	\$572,050	\$811,334	(\$236,430)	(\$4,830)	\$1,976	0.0
Leased space adjustment	260,966	33,389	227,577	0	0	0.0
Payment to risk management / property funds adjustment	139,205	46,513	92,692	0	0	0.0
PERA Direct Distribution	113,221	89,629	8,982	(1,011)	15,621	0.0
Annual fleet vehicle request	69,933	17,483	52,450	0	0	0.0
ALJ adjustment	11,668	0	11,668	0	0	0.0
Payments to OIT adjustment	(11,735,583)	(4,300,638)	(7,434,945)	0	0	0.0
Capitol Complex leased space adjustment	(1,418,356)	(535,170)	(883,186)	0	0	0.0
Legal services adjustment	(848,673)	(500,285)	(348,388)	0	0	0.0
DPA Document management	(271,862)	(271,862)	0	0	0	0.0
CORE adjustment	(227,617)	(104,609)	(123,008)	0	0	0.0
AED adjustment	(173,025)	75,670	(241,118)	(2,451)	(5,126)	0.0
SAED adjustment	(173,025)	75,670	(241,118)	(2,451)	(5,126)	0.0
Workers' compensation adjustment	(124,361)	(56,500)	(67,861)	0	0	0.0
Shift differential adjustment	(21,892)	0	(21,892)	0	0	0.0
Short-term disability adjustment	(15,056)	(1,241)	(13,488)	(88)	(239)	0.0
TOTAL	(\$13,842,407)	(\$4,620,617)	(\$9,218,065)	(\$10,831)	\$7,106	0.0

ISSUE: R2 SALES AND USE TAX SIMPLIFICATION SYSTEM SUPPORT AND MAINTENANCE

The Department of Revenue requests funding for ongoing support and maintenance of the Sales and Use Tax Simplification System (SUTS) created in S.B. 19-006 (Electronic Sales and Use Tax Simplification System) totaling \$2.2 million General Fund and 5.0 FTE for FY 2020-21 and future years.

SUMMARY

- Appropriations provided for SUTS in S.B. 19-106 totaled \$18.75 million General Fund over FY 2019-20 and FY 2020-21.
- Actual expenditures reported by the Department in its 7/8/20 final report totals \$7.8 million.
- The request for \$2.2 million in annual operating and maintenance costs represents a cost of 28.2 percent on the Department's total project cost figure of \$7.8 million.

RECOMMENDATION

Staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b), for a budget recommendation for figure setting to be submitted with the information technology projects prioritization and recommendations for funding.

DISCUSSION

The Department requests funding for ongoing support and maintenance of the Sales and Use Tax Simplification System (SUTS) created in S.B. 19-006 (Electronic Sales and Use Tax Simplification System). The Department has identified a need for \$2.2 million General Fund and 5.0 FTE for FY 2020-21 and future years.

The Department provides the following cost information related to the request.

R2 SUTS SUPPORT AND MAINTENANCE				
	FY 2021-22		FY 2022-23	
	FTE	Cost	FTE	Cost
Department Staff				
SUTS Product Owner	1.0	\$105,559	1.0	\$105,559
Tax Examiner I	4.0	233,807	4.0	233,807
Operating Expense		28,265		4,750
subtotal - Department Staff	5.0	\$367,631	5.0	\$344,116
Vendor and OIT Support				
Vendor #1 - Tax Filing System Support		\$855,000		\$855,000
Vendor #2 - GIS Support		500,000		500,000
Vendor #2 - GIS Hosting		464,000		464,000
State IT Support - OIT		60,000		60,000
subtotal - Vendor and OIT Support		\$1,879,000		\$1,879,000

R2 SUTS SUPPORT AND MAINTENANCE				
	FY 2021-22		FY 2022-23	
Total	5.0	\$2,246,631	5.0	\$2,223,116

SUTS was created in S.B. 19-006. Appropriations provided for SUTS in S.B. 19-106 totaled \$18.75 million General Fund over FY 2019-20 and FY 2020-21. Actual expenditures reported by the Department in its 7/8/20 final report totals \$7.8 million. The report identifies reversions totaling \$10.6 million, excluding a contingency amount of \$368,000; however, including the contingency amount as unspent, expenditures generate total savings of \$10.9 million.

The Legislative Council Staff (LCS) Fiscal Note for S.B. 19-106, based on responses to the RFI received by the Department pursuant to H.B. 18-1022, identified annual ongoing operating cost of between \$5 million and \$8 million. This cost represents an annual operating and maintenance cost of 26.7 to 42.7 percent on the original \$18.75 million appropriation. While the LCS Fiscal Note was based on costs identified in an RFI, as a general rule, annual ongoing operating costs should reflect about 10-20 percent of project development cost. It is also more typical that vendor-provided, customized off-the-shelf and software-as-service systems, will tend to have higher annual operating costs than self-developed systems.

The request for \$2.2 million in annual operating and maintenance costs represents a cost of 28.2 percent on the Department's total project cost figure of \$7.8 million. Regardless, the cost figures are lower than those anticipated in the fiscal note on a dollar cost basis and is close the lower percentage cost basis of 26.7 percent. Additionally, the external vendor costs alone, total \$1.8 million, reflecting an annual operating percentage cost of 23.1 percent.

The most recent update, provided to the JTC on December 2nd, suggests that the various stakeholders involved in the SUTS system – the Department, local governments, and the business community – are generally satisfied and impressed with the speed and efficiency of the rollout of the system.

Based on the testimony provided at the December 2nd JTC meeting, staff is not concerned about the general reasonableness of this request. However, the SUTS system was funded in a bill rather than through a budget request and appropriation in the Long Bill, which had the effect of sidestepping the JTC review process. The JTC has done extensive and thorough work to maintain oversight of the SUTS development and implementation. While it is procedurally unnecessary to send this request item to the JTC for review and recommendation to the JBC, staff prefers to establish a standard process which would require departments to transition information technology (IT) projects – whether funded by special bill or Long Bill – into the operating budget through JTC oversight and recommendation. Under such a process a department may submit an operating request as was done in this case. However, in order to establish the requested appropriation as an operating appropriation, the JTC is in the best position as a matter of legislative oversight to best establish the reasonableness of that transition as well as establish the expectations for ongoing oversight of newly transitioned IT projects.

On that basis, staff recommends that the Committee refer this request to the JTC for review in time to be submitted with prioritization of IT capital projects for figure setting.

For a thorough history regarding the SUTS system, please refer to the Legislative Council Staff memorandum to the JTC from November 19, 2020, included as an appendix in this briefing document.

APPENDIX A
NUMBERS PAGES
(DIGITAL ONLY)

Appendix A details actual expenditures for the last two fiscal years, the appropriation for the current fiscal year, and the requested appropriation for next fiscal year. This information is listed by line item and fund source. *Appendix A is only available in the online version of this document.*

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
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DEPARTMENT OF REVENUE
Mark Ferrandino, Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

(A) Administration and Support

Personal Services	<u>8,614,777</u>	<u>9,220,635</u>	<u>12,605,285</u>	<u>12,899,310</u> *
FTE	126.1	136.5	138.8	138.0
General Fund	3,301,111	3,877,533	5,858,777	4,548,525
Cash Funds	220,433	300,778	698,384	841,859
Reappropriated Funds	5,093,233	5,042,324	6,048,124	7,508,599
Federal Funds	0	0	0	327
Health, Life, and Dental	<u>12,699,520</u>	<u>13,409,236</u>	<u>14,806,800</u>	<u>17,197,695</u> *
General Fund	5,065,441	5,275,428	3,833,915	6,686,959
Cash Funds	7,615,882	8,002,942	10,850,714	10,391,419
Reappropriated Funds	18,197	34,422	13,065	8,235
Federal Funds	0	96,444	109,106	111,082
Short-term Disability	<u>137,500</u>	<u>147,347</u>	<u>161,639</u>	<u>151,563</u> *
General Fund	56,646	57,479	61,023	67,168
Cash Funds	80,688	88,393	99,201	83,307
Reappropriated Funds	166	258	160	72
Federal Funds	0	1,217	1,255	1,016

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
S.B. 04-257 Amortization Equalization Disbursement	<u>4,042,418</u>	<u>4,360,113</u>	<u>4,778,411</u>	<u>4,588,472</u>	*
General Fund	1,666,122	1,695,426	1,800,739	1,929,425	
Cash Funds	2,371,409	2,621,010	2,935,957	2,624,909	
Reappropriated Funds	4,887	7,631	4,705	2,254	
Federal Funds	0	36,046	37,010	31,884	
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>4,042,418</u>	<u>4,360,113</u>	<u>4,778,411</u>	<u>4,588,472</u>	*
General Fund	1,666,122	1,695,426	1,800,739	1,929,425	
Cash Funds	2,371,409	2,621,010	2,935,957	2,624,909	
Reappropriated Funds	4,887	7,631	4,705	2,254	
Federal Funds	0	36,046	37,010	31,884	
PERA Direct Distribution	<u>0</u>	<u>2,218,686</u>	<u>0</u>	<u>2,256,397</u>	
General Fund	0	849,711	0	919,342	
Cash Funds	0	1,346,314	0	1,320,330	
Reappropriated Funds	0	3,959	0	1,104	
Federal Funds	0	18,702	0	15,621	
Salary Survey	<u>2,582,782</u>	<u>2,798,869</u>	<u>0</u>	<u>0</u>	
General Fund	1,083,134	1,067,127	0	0	
Cash Funds	1,496,461	1,703,284	0	0	
Reappropriated Funds	3,187	4,972	0	0	
Federal Funds	0	23,486	0	0	
Shift Differential	<u>126,584</u>	<u>114,613</u>	<u>123,918</u>	<u>102,026</u>	
Cash Funds	126,584	114,613	123,918	102,026	

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Workers' Compensation	<u>1,085,724</u>	<u>939,970</u>	<u>692,913</u>	<u>568,552</u>	
General Fund	430,129	364,681	264,266	207,766	
Cash Funds	655,595	575,289	428,647	360,786	
Operating Expenses	<u>1,926,833</u>	<u>1,868,461</u>	<u>2,342,449</u>	<u>3,248,139</u>	*
General Fund	1,433,876	1,141,897	1,608,261	2,098,377	
Cash Funds	492,957	726,564	734,188	1,149,762	
Postage	<u>2,895,425</u>	<u>2,662,721</u>	<u>3,224,512</u>	<u>97,272</u>	*
General Fund	2,623,439	2,469,257	2,848,606	52,165	
Cash Funds	271,986	193,464	375,906	45,107	
Legal Services	<u>4,370,044</u>	<u>6,258,994</u>	<u>5,871,769</u>	<u>5,271,419</u>	
General Fund	2,627,857	3,482,635	3,145,162	2,644,877	
Cash Funds	1,742,187	2,776,359	2,726,607	2,626,542	
Administrative Law Judge Services	<u>4,158</u>	<u>2,099</u>	<u>1,405</u>	<u>13,073</u>	
Cash Funds	4,158	2,099	1,405	13,073	
Statewide training	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,415</u>	*
General Fund	0	0	0	25,415	
Payment to Risk Management and Property Funds	<u>293,248</u>	<u>310,447</u>	<u>273,106</u>	<u>412,311</u>	
General Fund	116,175	120,609	104,158	150,671	
Cash Funds	177,073	189,838	168,948	261,640	
Vehicle Lease Payments	<u>566,568</u>	<u>529,808</u>	<u>809,138</u>	<u>855,591</u>	*
General Fund	134,954	160,623	159,087	136,320	
Cash Funds	431,614	369,185	650,051	719,271	

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Leased Space	<u>4,604,929</u>	<u>5,090,250</u>	<u>6,351,437</u>	<u>6,973,403</u>	*
General Fund	610,265	825,857	1,036,802	1,016,711	
Cash Funds	3,994,664	4,264,393	5,314,635	5,956,692	
Capitol Complex Leased Space	<u>2,330,327</u>	<u>2,156,289</u>	<u>2,316,838</u>	<u>898,482</u>	*
General Fund	1,649,646	1,497,525	863,503	328,333	
Cash Funds	680,681	658,764	1,453,335	570,149	
Payments to OIT	<u>15,798,988</u>	<u>15,081,936</u>	<u>20,521,724</u>	<u>7,633,717</u>	*
General Fund	10,388,686	10,522,374	11,915,609	7,033,868	
Cash Funds	5,410,302	4,559,562	8,606,115	599,849	
Reappropriated Funds	0	0	0	0	
CORE Operations	<u>902,422</u>	<u>783,059</u>	<u>1,343,376</u>	<u>1,115,759</u>	
General Fund	357,507	298,793	512,342	407,733	
Cash Funds	544,915	484,266	831,034	708,026	
Utilities	<u>70,251</u>	<u>68,683</u>	<u>143,703</u>	<u>83,703</u>	*
Cash Funds	70,251	68,683	143,703	83,703	
SUBTOTAL - (A) Administration and Support	67,094,916	72,382,329	81,146,834	68,980,771	(15.0%)
<i>FTE</i>	<u>126.1</u>	<u>136.5</u>	<u>138.8</u>	<u>138.0</u>	(0.6%)
General Fund	33,211,110	35,402,381	35,812,989	30,183,080	(15.7%)
Cash Funds	28,759,249	31,666,810	39,078,705	31,083,359	(20.5%)
Reappropriated Funds	5,124,557	5,101,197	6,070,759	7,522,518	23.9%
Federal Funds	0	211,941	184,381	191,814	4.0%

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(B) Hearings Division					
Personal Services	<u>2,144,360</u>	<u>2,178,429</u>	<u>2,556,759</u>	<u>2,503,848</u> *	
FTE	29.6	32.0	33.5	33.3	
General Fund	0	0	0	0	
Cash Funds	2,144,360	2,178,429	2,556,759	2,503,848	
Operating Expenses	<u>89,875</u>	<u>85,747</u>	<u>109,062</u>	<u>110,412</u>	
Cash Funds	89,875	85,747	109,062	110,412	
Indirect Cost Assessment	<u>163,491</u>	<u>168,054</u>	<u>203,475</u>	<u>253,913</u>	
Cash Funds	163,491	168,054	203,475	253,913	
SUBTOTAL - (B) Hearings Division	2,397,726	2,432,230	2,869,296	2,868,173	(0.0%)
FTE	<u>29.6</u>	<u>32.0</u>	<u>33.5</u>	<u>33.3</u>	(0.6%)
General Fund	0	0	0	0	0.0%
Cash Funds	2,397,726	2,432,230	2,869,296	2,868,173	(0.0%)
TOTAL - (1) Executive Director's Office	69,492,642	74,814,559	84,016,130	71,848,944	(14.5%)
FTE	<u>155.7</u>	<u>168.5</u>	<u>172.3</u>	<u>171.3</u>	(0.6%)
General Fund	33,211,110	35,402,381	35,812,989	30,183,080	(15.7%)
Cash Funds	31,156,975	34,099,040	41,948,001	33,951,532	(19.1%)
Reappropriated Funds	5,124,557	5,101,197	6,070,759	7,522,518	23.9%
Federal Funds	0	211,941	184,381	191,814	4.0%

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(3) TAXATION BUSINESS GROUP					
(A) Administration					
Personal Services	<u>524,362</u>	<u>387,272</u>	<u>567,667</u>	<u>567,667</u>	
FTE	5.0	5.0	5.0	5.0	
General Fund	497,047	367,838	537,511	542,905	
Cash Funds	27,315	19,434	30,156	24,762	
Reappropriated Funds	0	0	0	0	
Operating Expenses	<u>9,597</u>	<u>10,350</u>	<u>12,543</u>	<u>12,543</u>	
General Fund	9,597	10,350	12,543	12,543	
Tax Administration IT System (GenTax) Support	<u>5,673,000</u>	<u>6,234,496</u>	<u>6,240,304</u>	<u>5,968,950</u>	*
General Fund	5,657,000	6,017,990	6,199,682	5,951,058	
Cash Funds	16,000	216,506	40,622	17,892	
IDS Print Production	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,631,256</u>	*
General Fund	0	0	0	4,631,256	
SUBTOTAL - (A) Administration	6,206,959	6,632,118	6,820,514	11,180,416	63.9%
FTE	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	0.0%
General Fund	6,163,644	6,396,178	6,749,736	11,137,762	65.0%
Cash Funds	43,315	235,940	70,778	42,654	(39.7%)
Reappropriated Funds	0	0	0	0	0.0%

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	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(B) Taxation and Compliance Division					
Personal Services	<u>15,555,016</u>	<u>17,180,030</u>	<u>18,373,276</u>	<u>0</u>	*
FTE	234.9	235.3	226.1	0.0	
General Fund	14,818,123	16,427,075	17,365,104	0	
Cash Funds	591,288	608,260	854,087	0	
Reappropriated Funds	145,605	144,695	154,085	0	
Operating Expenses	<u>981,336</u>	<u>955,451</u>	<u>1,067,697</u>	<u>0</u>	*
General Fund	969,256	942,111	1,053,967	0	
Cash Funds	12,080	13,340	13,730	0	
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>0</u>	*
General Fund	131,244	131,244	131,244	0	
Mineral Audit Program	<u>824,388</u>	<u>838,132</u>	<u>918,132</u>	<u>0</u>	*
FTE	10.2	10.2	10.2	0.0	
Reappropriated Funds	0	13,744	66,000	0	
Federal Funds	824,388	824,388	852,132	0	
SUBTOTAL - (B) Taxation and Compliance Division	17,491,984	19,104,857	20,490,349	0	(100.0%)
FTE	<u>245.1</u>	<u>245.5</u>	<u>236.3</u>	<u>NaN</u>	<u>(100.0%)</u>
General Fund	15,918,623	17,500,430	18,550,315	0	(100.0%)
Cash Funds	603,368	621,600	867,817	0	(100.0%)
Reappropriated Funds	145,605	158,439	220,085	0	(100.0%)
Federal Funds	824,388	824,388	852,132	0	(100.0%)

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	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(C) Taxpayer Service Division					
Personal Services	<u>8,466,461</u>	<u>9,154,886</u>	<u>9,988,240</u>	<u>0</u>	*
FTE	137.6	154.9	152.2	0.0	
General Fund	8,258,871	8,874,254	9,613,579	0	
Cash Funds	207,590	280,632	374,661	0	
Operating Expenses	<u>488,819</u>	<u>508,406</u>	<u>525,128</u>	<u>0</u>	*
General Fund	485,376	505,102	519,925	0	
Cash Funds	3,443	3,304	5,203	0	
Seasonal Tax Processing	<u>296,391</u>	<u>296,391</u>	<u>296,391</u>	<u>0</u>	*
General Fund	296,391	296,391	296,391	0	
Document Management	<u>4,055,506</u>	<u>5,260,588</u>	<u>4,895,551</u>	<u>0</u>	*
General Fund	4,055,506	5,260,588	4,857,032	0	
Cash Funds	0	0	38,519	0	
Fuel Tracking System	<u>497,321</u>	<u>497,426</u>	<u>503,438</u>	<u>0</u>	*
FTE	1.5	1.5	1.5	0.0	
General Fund	0	0	2,419	0	
Cash Funds	497,321	497,426	501,019	0	
Indirect Cost Assessment	<u>9,075</u>	<u>8,674</u>	<u>10,451</u>	<u>0</u>	*
Cash Funds	9,075	8,674	10,451	0	
SUBTOTAL - (C) Taxpayer Service Division	13,813,573	15,726,371	16,219,199	0	(100.0%)
FTE	<u>139.1</u>	<u>156.4</u>	<u>153.7</u>	<u>0.0</u>	<u>(100.0%)</u>
General Fund	13,096,144	14,936,335	15,289,346	0	(100.0%)
Cash Funds	717,429	790,036	929,853	0	(100.0%)

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
(D) Tax Conferee					
Personal Services	<u>1,401,010</u>	<u>1,485,244</u>	<u>1,574,018</u>	<u>1,574,018</u>	
FTE	13.6	13.6	13.6	13.6	
General Fund	1,401,010	1,485,244	1,476,735	1,476,735	
Reappropriated Funds	0	0	97,283	97,283	
Federal Funds	0	0	0	0	
Operating Expenses	<u>38,810</u>	<u>57,742</u>	<u>60,905</u>	<u>60,905</u>	
General Fund	38,810	57,742	60,905	60,905	
SUBTOTAL - (D) Tax Conferee	1,439,820	1,542,986	1,634,923	1,634,923	0.0%
FTE	13.6	13.6	13.6	13.6	0.0%
General Fund	1,439,820	1,542,986	1,537,640	1,537,640	0.0%
Reappropriated Funds	0	0	97,283	97,283	0.0%
Federal Funds	0	0	0	0	0.0%

(E) Special Purpose

Cigarette Tax Rebate	<u>9,364,164</u>	<u>8,894,085</u>	<u>7,363,055</u>	<u>7,363,055</u>	
General Fund	9,364,164	8,894,085	7,363,055	7,363,055	
Amendment 35 Distribution to Local Governments	<u>1,205,766</u>	<u>1,184,931</u>	<u>1,163,268</u>	<u>1,163,268</u>	
Cash Funds	1,205,766	1,184,931	1,163,268	1,163,268	
Old Age Heat and Fuel and Property Tax Assistance Grant	<u>5,546,646</u>	<u>5,842,930</u>	<u>5,624,000</u>	<u>5,624,000</u>	
General Fund	5,546,646	5,842,930	5,624,000	5,624,000	
Commercial Vehicle Enterprise Sales Tax Refund	<u>14,619</u>	<u>86,752</u>	<u>120,524</u>	<u>120,524</u>	
Cash Funds	14,619	86,752	120,524	120,524	

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	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Retail Marijuana Sales Tax Distribution to Local Governments					
General Fund	<u>19,324,469</u>	<u>22,640,528</u>	<u>20,813,067</u>	<u>20,813,067</u>	
SUBTOTAL - (E) Special Purpose	35,455,664	38,649,226	35,083,914	35,083,914	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	0.0%
General Fund	34,235,279	37,377,543	33,800,122	33,800,122	0.0%
Cash Funds	1,220,385	1,271,683	1,283,792	1,283,792	0.0%

(F) Taxation Services

Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,381,138</u> *
FTE	0.0	0.0	0.0	392.6
General Fund	0	0	0	27,998,305
Cash Funds	0	0	0	1,228,748
Reappropriated Funds	0	0	0	154,085
Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,318,340</u> *
General Fund	0	0	0	3,299,407
Cash Funds	0	0	0	18,933
Joint Audit Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>131,244</u> *
General Fund	0	0	0	131,244
Mineral Audit Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>918,132</u> *
FTE	0.0	0.0	0.0	10.2
Reappropriated Funds	0	0	0	66,000
Federal Funds	0	0	0	852,132

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	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
Document Management	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,634,987</u> *	
General Fund	0	0	0	4,596,468	
Cash Funds	0	0	0	38,519	
Fuel Tracking System	<u>0</u>	<u>0</u>	<u>0</u>	<u>501,145</u> *	
FTE	0.0	0.0	0.0	1.5	
General Fund	0	0	0	126	
Cash Funds	0	0	0	501,019	
Indirect Cost Assessment	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,364</u> *	
Cash Funds	0	0	0	11,364	
SUBTOTAL - (F) Taxation Services	0	0	0	38,896,350	0.0%
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>404.3</u>	<u>0.0%</u>
General Fund	0	0	0	36,025,550	0.0%
Cash Funds	0	0	0	1,798,583	0.0%
Reappropriated Funds	0	0	0	220,085	0.0%
Federal Funds	0	0	0	852,132	0.0%
TOTAL - (3) Taxation Business Group	74,408,000	81,655,558	80,248,899	86,795,603	8.2%
<i>FTE</i>	<u>402.8</u>	<u>420.5</u>	<u>408.6</u>	<u>422.9</u>	<u>3.5%</u>
General Fund	70,853,510	77,753,472	75,927,159	82,501,074	8.7%
Cash Funds	2,584,497	2,919,259	3,152,240	3,125,029	(0.9%)
Reappropriated Funds	145,605	158,439	317,368	317,368	0.0%
Federal Funds	824,388	824,388	852,132	852,132	0.0%

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Appropriation	FY 2021-22 Request	Request vs. Appropriation
TOTAL - Department of Revenue	143,900,642	156,470,117	164,265,029	158,644,547	(3.4%)
<i>FTE</i>	<u>558.5</u>	<u>589.0</u>	<u>580.9</u>	<u>594.2</u>	<u>2.3%</u>
General Fund	104,064,620	113,155,853	111,740,148	112,684,154	0.8%
Cash Funds	33,741,472	37,018,299	45,100,241	37,076,561	(17.8%)
Reappropriated Funds	5,270,162	5,259,636	6,388,127	7,839,886	22.7%
Federal Funds	824,388	1,036,329	1,036,513	1,043,946	0.7%

APPENDIX B FOOTNOTES AND INFORMATION REQUESTS

UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2020 Long Bill (H.B. 20-1360) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/HB20-1360>. The Long Bill footnotes relevant to this document are listed below.

- 114 Department of Revenue, Executive Director's Office, Administration and Support, Health, Life, and Dental — The General Fund appropriation includes a decrease of \$2,032,254 that is equal to 5.0 percent of the General Fund portion of estimated base salary for the Department. The reduction in this General Fund appropriation is in lieu of a 5.0 percent personal services base reduction and provides the Department with increased flexibility to absorb the reduction and engage in more considered targeted reductions across all department divisions and programs. This reduction is not intended to reduce the Health, Life, and Dental benefit provided to state employees. It is the General Assembly's intent that Health, Life, and Dental costs for employees, as approved in budget actions, be fully paid within personal services appropriations augmented by Department allocations from central benefits appropriations.

COMMENT: This footnote explains assumptions used in determining the amount of the FY 2020-21 appropriation for Health, Life, and Dental. The footnote describes the adjustment made as a statewide compensation balancing action. This item is addressed in the Statewide Compensation briefing document.

UPDATE ON LONG BILL REQUESTS FOR INFORMATION

There were no Department requests for information from FY 2020-21.

APPENDIX C

DEPARTMENT ANNUAL PERFORMANCE REPORT

Pursuant to Section 2-7-205 (1)(b), C.R.S., the Department of Natural Resources is required to publish an **Annual Performance Report** for the *previous fiscal year* by November 1 of each year. This report is to include a summary of the Department's performance plan and most recent performance evaluation for the designated fiscal year. In addition, pursuant to Section 2-7-204 (3)(a)(I), C.R.S., the Department is required to develop a **Performance Plan** and submit the plan for the *current fiscal year* to the Joint Budget Committee and appropriate Joint Committee of Reference by July 1 of each year.

For consideration by the Joint Budget Committee in prioritizing the Department's FY 2021-22 budget request, the FY 2019-20 Annual Performance Report and the FY 2020-21 Performance Plan can be found at the following link:

<https://www.colorado.gov/pacific/performancemanagement/department-performance-plans>

APPENDIX D
LCS MEMO REGARDING THE SUTS SYSTEM HISTORY



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

Room 029 State Capitol, Denver, CO 80203-1784
Phone: (303) 866-3521 • Fax: (303) 866-3855
lcs.ga@state.co.us • leg.colorado.gov/lcs

November 19, 2020

TO: Joint Technology Committee Members
FROM: Luisa Altmann, Senior Research Analyst, 303-866-3518
SUBJECT: Sales and Use Tax Simplification System History

Summary

This memorandum provides a summary of the legislative history of the Department of Revenue's Sales and Use Tax Simplification system, often referred to as the SUTS system.

History of the Sales and Use Tax Simplification Task Force

According to the Department of Revenue, as of September 2020, there are more than 400 different combinations of Colorado taxing jurisdictions between the state, counties, statutory and home rule municipalities, and certain special districts, making it one of the most complicated sales and use tax systems in the country. Additional information regarding the state's sales and use tax system is provided as Appendix A.

The Sales and Use Tax Simplification Task Force (task force) was created by [House Bill 17-1216](#), and subsequently extended through July 1, 2026, by [House Bill 20-1022](#), in order to study ways to simplify this complicated system.¹ Under HB 17-1216, the task force was charged with studying the following policy areas:

- the necessary components of a simplified sales and use tax system for both state and local governments, including home rule municipalities and counties;

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¹Section 39-26-801, *et seq.*, C.R.S.

- opportunities and challenges within existing fiscal frameworks to adopt innovative, revenue-neutral solutions that do not require constitutional amendments or voter approval;
- the feasibility of having a third-party entity responsible for state or local sales and use tax administration, return processing, and audits;
- the feasibility of making audits of retailers more uniform for all state and local taxing jurisdictions in the state;
- the feasibility of utilizing certified software for sales and use tax administration and collection of state and local sales and use tax; and
- the feasibility of utilizing a single sales and use tax return for state and local taxing jurisdictions.

The task force consists of 15 members, including four legislators and representatives from a wide variety of business and local government stakeholder groups. The task force met 13 times from 2017 to 2019. Task force meetings are scheduled to resume in 2021, following a hiatus in task force activity in 2020, due to the COVID-19 pandemic.

Legislative History of the SUTS System

SUTS RFI - House Bill 18-1022. In 2017, the task force recommended, and the General Assembly later passed, [House Bill 18-1022](#). The bill required the Department of Revenue to issue a request for information (RFI) regarding the potential to contract for an electronic sales and use tax simplification (SUTS) system. The bill outlined that the system should provide:

- accurate address location information;
- a single application process for sales tax licenses;
- a uniform sales tax remittance form;
- a single point of remittance for sales and use tax; and
- a taxability or exemption matrix.

The Department of Revenue issued the RFI on March 16, 2018, and received responses from four vendors. In June 2018, the Department of Revenue established a 14-member team, which included four members of the task force, to review RFI responses.

SUTS solicitation - Senate Bill 19-006. In 2018, following the review of RFI responses, the task force recommended, and the General Assembly later passed, [Senate Bill 19-006](#), which:

- required the Governor’s Office of Information Technology to solicit an electronic SUTS system through the state’s procurement process;
- specified that the Governor’s Office of Information Technology and the Department of Revenue must work with stakeholders to determine the scope of work for the SUTS system before soliciting bids for the creation of the SUTS system; and
- required the creation of an electronic SUTS system and a geographic information system (GIS) database.

Senate Bill 19-006 also outlined that on and after the date the electronic SUTS system is online, the Department of Revenue is required to accept returns and payments processed through the SUTS system for state sales and use tax. In addition, SB 19-006 specified that it is the General Assembly’s intent that at least three home rule municipalities voluntarily use the SUTS system for accepting

returns and processing payments of any local sales and use tax once the electronic SUTS system is online. The voluntary use of the SUTS system by home rule municipalities should increase every year so that no later than three years after the effective date of the bill, all home rule municipalities are voluntarily using the SUTS system.²

SUTS appropriation history. Senate Bill 19-006 included an appropriation clause for FY 2019-20 that appropriated:

- \$9,183,000 General Fund to the Governor’s Office of Information Technology for the initial funding of the electronic SUTS system; and
- \$817,000 General Fund to the Governor’s Office of Information Technology for the GIS database to maintain jurisdictional boundaries of sales tax districts and to calculate appropriate sales and use tax rates for individual addresses.

The General Assembly appropriated an additional \$8,750,000 to the Governor’s Office of Information Technology for FY 2020-21, for the initial funding and ongoing maintenance of the electronic SUTS system and GIS database.

According to the Department of Revenue’s update to the Joint Technology Committee on September 14, 2020, the SUTS and GIS systems were completed at almost \$10.6 million under budget, with funding reverting back to the General Fund.

Post-system-implementation requirements. In 2019, the General Assembly passed [House Bill 19-1240](#), which made several changes to the state’s sales and use tax laws. Among those changes, the bill codified and expanded upon Department of Revenue emergency rules that changed sales tax sourcing from origin-based to destination-based that were promulgated following the U.S. Supreme Court’s decision in the *South Dakota v. Wayfair* case. Under the bill, small businesses with less than \$100,000 in annual sales are allowed to continue using origin-based sales tax sourcing. The bill repeals this small business exception to destination-based sourcing 90 days after the Department of Revenue notifies the Revisor of Statutes that the GIS system is online and available for a retailer to use to determine the taxing jurisdiction(s) in which an address resides. The Department of Revenue is directed to notify the Revisor of Statutes no later than 15 days after the GIS system is online.³

[House Bill 20-1023](#), which was also recommended by the task force and passed by the General Assembly, repeals the current hold harmless provisions for vendors that use the state’s currently available state-certified electronic address databases 90 days after the implementation of the new GIS database. Once the GIS database is implemented, the Department of Revenue is required to immediately notify vendors that it is available for use. The bill then establishes a hold harmless provision for vendors that use the state’s GIS database to determine sales and use tax rates for addresses and taxing jurisdictions. The hold harmless provision also applies to vendors that use third-party databases, which are verified by the Department of Revenue as containing the most current information from the state GIS database. The Department of Revenue is responsible for ensuring that 95 percent of the information provided in the GIS database is accurate and up-to-date.⁴

²Section 39-26-802.7 (2)(c), C.R.S. See Appendix B for full text of Section 39-26-802.7, C.R.S.

³Section 39-26-104 (3)(c)(III), C.R.S. See Appendix E for full text of subsection (3)(c).

⁴Section 39-26-105.2, C.R.S. and Section 39-26-105.3 (8), C.R.S. See Appendix C and Appendix D for full text of relevant sections.

History of Joint Technology Committee Involvement with the SUTS System

On February 8, 2019, Representative Kraft-Tharp, bill sponsor, presented Senate Bill 19-006 to the Joint Technology Committee (JTC) under the committee's authority to review legislation dealing with information technology pursuant to Section 2-3-1704 (8), C.R.S. At that time, the bill did not include an appropriations clause, and it was anticipated that the Department of Revenue and the Governor's Office of Information Technology would have to submit an information technology (IT) capital budget request for the project that would be considered by the JTC at a later date. At that meeting, the JTC voted to send a letter to the House Finance Committee outlining the committee's support of the bill. Following the JTC meeting, the House Finance Committee adopted Amendment L.004, which appropriated \$10.0 million to the Department of Revenue and the Governor's Office of Information Technology for the electronic SUTS system and the GIS database for FY 2019-20, thereby avoiding the IT capital budget request review process by the JTC.

On October 25, 2019, the Department of Revenue and the Governor's Office of Information Technology provided the JTC with an update on the SUTS system. A copy of the department's presentation slides can be found here:

http://coga.prod.acquia-sites.com/sites/default/files/html-attachments/jtc_2019a_10252019_101456_am_committee_summary/191025%20AttachC.pdf

The Department of Revenue appeared before the JTC to provide another update on the SUTS system on February 26, 2020.

Because the Sales and Use Tax Simplification Task Force did not meet during the 2020 interim due to the COVID-19 pandemic, House Bill 20-1022 directed the JTC to:

- seek regular updates from the Governor's Office of Information Technology and the Department of Revenue regarding the development of the electronic sales and use tax simplification system;
- monitor and encourage participation by businesses and home rule municipalities once the system is online; and
- seek regular updates from the Governor's Office of Information Technology and the Department of Revenue regarding the purchase and development of a GIS database to maintain jurisdictional boundaries of sales tax districts and to calculate appropriate sales and use tax rates for individual addresses.

Throughout 2020, the Department of Revenue invited members of the task force and JTC to attend virtual demonstrations of the SUTS system, including one held on June 23, 2020.

On September 14, 2020, the Department of Revenue provided the JTC with another update on the SUTS system. At that time, the department indicated that the SUTS and GIS systems were completed ahead of schedule, under budget, and exceeded the initial scope. A copy of the department's presentation slides can be found here:

http://leg.colorado.gov/sites/default/files/images/dor_suts_presentation.pdf

Throughout the summer of 2020, the Department of Revenue had been sending the task force and JTC updates regarding the number of home rule municipalities that have voluntarily signed on to participate in the SUTS system. As of November 19, 2020, of the 71 home rule municipalities that self-collect sales and use taxes in the state:

- 41 had signed the SUTS system agreement and are onboarding the system, including Denver, which signed onto the SUTS system on November 18, 2020;
- 21 were reviewing and evaluating the SUTS system; and
- 9 had started the process of securing signatures for the SUTS system agreement.

Additionally, as of November 19, 2020, there were 526 businesses registered for the SUTS system with 1 filing a sales tax return for the month of November.

Department of Revenue FY 21-22 SUTS System Operating Budget Request

As part of the Senate Bill 19-006 [fiscal note](#), it was estimated that ongoing annual operating expenses for the SUTS system would be required; however, those estimates varied from indeterminate to between \$5 million and \$8 million.

The FY 2021-22 budget package, submitted on November 2, 2020, by the Governor for consideration by the Joint Budget Committee (JBC) and General Assembly, included an operating budget request for the Department of Revenue of \$2.2 million and 5.0 FTE for FY 2021-22 and ongoing years for the support and maintenance of the SUTS system. The full operating budget request document can be found here:

<https://drive.google.com/file/d/1n3WrjDiM2r4-qbB-ZWuweQxxS2Yr9jCt/view>

The JBC is scheduled to hear additional information on this request during the JBC staff briefing for the Department of Revenue, which is currently scheduled for Wednesday, December 9, and the JBC hearing for the Department of Revenue, which is currently scheduled for Friday, January 8.⁵

Additional Information

On July 8, 2020, the Department of Revenue released a SUTS system summary report. The report includes information on the:

- controlled launch of the SUTS system, which happened on May 6, 2020;
- project budget;
- project management methodology using agile;
- department's change management plan;
- plan for the ongoing maintenance of the SUTS system;
- stakeholder engagement and governance, including an overview of the SUTS Consortium; and
- vendors involved in the SUTS project.

⁵http://leg.colorado.gov/jbc_schedule.

A full copy of the report can be found here:

[https://www.colorado.gov/pacific/sites/default/files/Sales and Use Tax System %28SUTS%29 Final Report 07-08-2020.pdf](https://www.colorado.gov/pacific/sites/default/files/Sales%20and%20Use%20Tax%20System%20-%20SUTS%20-%20Final%20Report%2007-08-2020.pdf)

Links to the SUTS system and GIS database can be found here:

<https://colorado.munireos.com/>

<https://colorado.ttr.services/>

<https://www.colorado.gov/tax/suts-info>

Appendix A – Overview of Colorado’s Sales and Use Tax System

State tax. Colorado is one of 45 states to assess a state sales tax.⁶ Among states with a sales tax, Colorado’s state sales tax is assessed at the lowest rate, 2.9 percent. The tax base includes all sales of tangible personal property except those that are specifically exempted, and exempts all sales of services except those that are specifically subject to the tax.⁷ The state use tax is assessed when sales tax was due but was not collected. In these cases, the purchaser is required to remit use tax directly to the state. The state sales and use tax is administered by the Colorado Department of Revenue (DOR).

County taxes. With voter approval, counties are authorized to assess a sales tax, use tax, or both.⁸ County sales taxes are imposed on the same collection of goods and services as the state sales tax, except that certain state sales tax exemptions are not by default extended to counties.⁹ In these cases, boards of county commissioners may adopt an ordinance or resolution to extend the exemption(s). Notable state sales tax exemptions that are not necessarily available at the county level include the exemptions for: machinery; electricity, gas, and heating oil; food for home consumption; sales by charities; and retail marijuana. Sales taxes assessed by 50 counties are administered by the DOR, which collects tax revenue and remits the tax to the appropriate county. The provisions governing county taxes do not apply to the consolidated city-county governments of Denver and Broomfield, each of which has a home rule charter. Twelve counties do not assess a sales tax.

Municipal taxes. Provisions for municipal taxes vary greatly according to whether the municipality has adopted a home rule charter pursuant to Article XX of the Colorado Constitution. Municipalities that have not adopted a home rule charter are authorized in statute to assess sales or use taxes in a manner similar to the county taxes described above. Municipalities that have adopted a home rule charter have broad jurisdiction over their own sales taxes and generally are not bound by statutory sales tax requirements.

Statutory municipalities. With voter approval, municipalities that have not adopted a home rule charter (statutory municipalities) are authorized to assess a sales tax, use tax, or both.¹⁰ Sales taxes assessed by these municipalities are imposed on the same collection of goods and services as the state sales tax, except that certain state sales tax exemptions are not by default extended to municipalities.¹¹ In these cases, the city or town council may adopt an ordinance or resolution to extend the exemption(s). Municipal sales taxes are administered by the DOR, which collects tax revenue and remits the tax to the appropriate municipality.

Home rule municipalities. Article XX, Section 6, of the Colorado Constitution empowers any municipality with a population of 2,000 people or more to adopt a home rule charter with voter approval. Home rule municipalities have broad latitude to govern themselves in matters of local concern.¹² With voter approval, home rule municipalities may assess sales or use taxes on a locally determined collection of goods and services. Because municipal taxes need not be assessed on the same tax base as the state, home rule municipalities may variously tax transactions that are exempted

⁶Alaska, Delaware, Montana, New Hampshire, and Oregon do not assess statewide sales taxes.

⁷Section 39-26-104, C.R.S.

⁸Section 29-2-103, C.R.S.

⁹Section 29-2-105 (1)(d), C.R.S.

¹⁰Section 29-2-102, C.R.S.

¹¹Section 29-2-105 (1)(d), C.R.S.

¹²*City and County of Denver v. Qwest Corp.*, 18 P.3d 748 (Colo. 2001).

at the state level or exempt transactions that are taxed at the state level. Additionally, home rule municipalities may tax specific goods or services at a different rate from others. For example, the City and County of Denver, a home rule government, assesses a tax of 4.31 percent on most taxable transactions, but assesses a tax of 4.00 percent on sales of food for immediate consumption, e.g., at restaurants.

Home rule municipalities may choose whether to collect and administer their sales taxes locally. Municipalities that choose to collect their own sales taxes may develop their own systems for licensure, remittance, and auditing. There are 96 home rule municipalities that assess a sales tax. According to the DOR, 71 home rule municipalities collect and administer their own sales taxes.¹³ The DOR collects and administers sales taxes for home rule municipalities that choose not to administer taxes at the local level.

Special districts. With voter approval, certain special districts and other limited purpose governmental entities are permitted to assess sales taxes up to certain tax rate limits. Special districts authorized to assess sales taxes include:

- the Regional Transportation District (RTD) in the Denver metropolitan area;
- the Scientific and Cultural Facilities District (SCFD) in the Denver metropolitan area;
- local improvement districts in Boulder, Broomfield, Douglas, Jefferson, and Mesa Counties;
- mass transportation systems in Eagle, Pitkin, and Summit Counties;
- local improvement districts in Boulder, Broomfield, Douglas, Jefferson, and Mesa Counties;
- regional transportation authorities in Eagle, El Paso, Garfield, Gunnison, Logan, Pitkin, and San Miguel Counties;
- a multi-jurisdictional housing authority in Summit County;
- a public safety improvement district in Montrose and Mesa Counties;
- metropolitan districts in Eagle and Jefferson Counties;
- a health services district in parts of Montezuma, Park, and Otero Counties; and
- local marketing districts in Alamosa, Eagle, Gunnison, Larimer, Moffat, and Routt Counties.

Statutory requirements for each special district sales tax are included in the portion of state law that authorizes creation of the particular type of special district. In general, all special district sales taxes are collected and administered at the state level. The tax base for special districts is generally consistent with the state tax base, and changes to the state base (i.e., via the creation or repeal of a sales tax exemption) are extended by default to special districts.

TABOR. Article X, Section 20, of the Colorado Constitution was added via ballot initiative in 1992. This section, known as the Taxpayer's Bill of Rights or TABOR, prohibits the state government and all local governments from enacting or increasing taxes without voter approval. TABOR complicates simplification efforts because proposals to narrow the tax base, e.g., in local jurisdictions that have not enacted sales tax exemptions found at the state level, require voter approval to enact corresponding tax rate increases in order to offset revenue loss. Thus, jurisdictions that currently assess sales taxes on a broader collection of goods and services than those taxed by the state must either maintain their dissimilar tax base, narrow the base while increasing tax rates with voter approval, or narrow the base without voter approval and experience a decrease in revenue.

¹³Colorado Department of Revenue form DR 1002: https://www.colorado.gov/pacific/sites/default/files/DR1002_07-2020_V2.pdf.

Appendix B – Full Text of Section 39-26-802.7, C.R.S.

(1) As used in this section, unless the context otherwise requires:

(a) "Department" means the department of revenue.

(b) "Local taxing jurisdiction" means a city, town, municipality, county, special district, or authority authorized to levy a sales or use tax pursuant to title 24, 25, 29, 30, 31, 32, 37, 42, or 43, and any county, city and county, or municipality governed by a home rule charter.

(c) "Office of information technology" or "office" means the office of information technology created in section 24-37.5-103.

(d) "Sales and use tax simplification task force" or "task force" means the sales and use tax simplification task force created in section 39-26-802.

(2)

(a) The office of information technology, on behalf of the department, within existing resources, shall conduct a sourcing method in accordance with the applicable provisions of the "Procurement Code", articles 101 to 112 of title 24, and any applicable rules, for the development of an electronic sales and use tax simplification system. The office and the department shall involve stakeholders to develop the scope of work.

(b) On and after the date the electronic sales and use tax simplification system is online, and notwithstanding any law to the contrary, the department shall accept any returns and payments processed through the system for state sales and use tax and for any sales and use taxes that are collected by the department on behalf of any local taxing jurisdiction.

(c)

(I) On and after the date the electronic sales and use tax simplification system is online, it is the general assembly's intent that at least three local governments governed by a home rule charter voluntarily use the system for accepting returns and processing payments of any local sales and use tax.

(II) It is the general assembly's intent that the voluntary use of the system increase every year so that no later than three years after April 12, 2019, all local governments governed by a home rule charter are voluntarily using the system.

(3) For the 2020-21 state fiscal year, the general assembly shall appropriate eight million seven hundred fifty thousand dollars to the office of the governor for use by the office of information technology for the initial funding and ongoing maintenance of the electronic sales and use tax simplification system. Any contract entered into for the system must provide that initial funding payments to the vendor are made on a quarterly basis.

(4) In the interim between the 2019 and 2020 legislative sessions, the office and the department shall regularly provide the sales and use tax simplification task force with any such detailed information regarding the sourcing method progress as is allowed under the procurement code.

Appendix C – Full Text of Section 39-26-105.2, C.R.S.

- (1) As used in this section, "GIS database" means the geographic information system database that the department of revenue owns and maintains, that meets the defined scope of work set forth in the request for solicitation, and is provided to vendors to determine the jurisdictions to which tax is owed and to calculate appropriate sales and use tax rates for individual addresses.
- (2) The department of revenue shall immediately notify vendors when the GIS database is online, tested, and verified by the department of revenue to be operational, supported, and available for use. Notification to vendors may be provided in any way that the department deems appropriate and must be accomplished within existing resources.
- (3) Any vendor that collects and remits sales tax to the department of revenue as provided by law may use the GIS database. Any vendor that directly uses the data contained in the GIS database, or uses data from a third-party database that is verified to use the most recent information provided by the GIS database, to determine the jurisdictions to which tax is owed is held harmless for any tax, charge, or fee liability to any taxing jurisdiction that otherwise would be due solely as a result of an error or omission in the GIS database data.
- (4) The department of revenue shall ensure that the GIS database data is at least ninety-five percent accurate based on a statistically valid sample of addresses from the database, or based on another acceptable method of proving accuracy.
- (5) The executive director of the department of revenue shall promulgate rules for the administration of this section. Such rules must be promulgated in accordance with article 4 of title 24.

Appendix D – full text of Section 39-26-105.3

(1) Any vendor that collects and remits sales tax to the department of revenue as provided by law may use an electronic database of state addresses that is certified by the department pursuant to subsection (3) of this section to determine the jurisdictions to which tax is owed.

(2) Any vendor that uses the data contained in an electronic database certified by the department of revenue pursuant to subsection (3) of this section to determine the jurisdictions to which tax is owed shall be held harmless for any tax, charge, or fee liability to any taxing jurisdiction that otherwise would be due solely as a result of an error or omission in the database.

(3) Any electronic database provider may apply to the department of revenue to be certified for use by Colorado vendors pursuant to this section. Such certification shall be valid for three years. In order to be certified, an electronic database provider shall have a database that satisfies the following criteria:

(a) The database shall designate each address in the state, including, to the extent practicable, any multiple postal address applicable to one location and the taxing jurisdictions that have the authority to impose a tax on purchases made by purchasers at each address in the state.

(b) The information contained in the electronic database shall be updated as necessary and maintained in an accurate condition. In order to keep the database accurate, the database provider shall provide a convenient method for taxing jurisdictions that may be affected by the use of the database to inform the provider of apparent errors in the database. The provider shall have a process in place to promptly correct any errors brought to the provider's attention.

(c) The database shall be at least ninety-five percent accurate based on a statistically valid sample of addresses from the database tested for accuracy by the department of revenue.

(d) The database shall satisfy any additional criteria that the executive director of the department of revenue establishes pursuant to subsection (7) of this section.

(4) The department of revenue shall have the authority to designate an entity to examine electronic databases and report to the department as to the accuracy and suitability of the databases for use by vendors. The entity may impose a fee on each electronic database provider applying for certification in an amount necessary to cover the reasonable and documented costs of examining the database.

(5) The department of revenue shall have the authority to waive the certification process specified in subsection (4) of this section and certify an electronic database as suitable for use by vendors if the database has been previously certified by a public or private entity and the certification criteria of the certifying entity are the same or more stringent than the criteria specified in subsection (3) of this section. The department shall have the discretion to accept or reject a previously certified database, and under no circumstance shall the department be required to waive the certification process pursuant to this subsection (5).

(6) The department of revenue shall have the right to deny or revoke the certification of any electronic database for just cause.

(7) The executive director of the department of revenue shall promulgate rules for the administration of this section. Such rules shall be promulgated in accordance with article 4 of title 24, C.R.S.

(8) This section is repealed, effective ninety days after the date that the revisor of statutes is notified by the department of revenue that a geographic information system that meets the defined scope of work set forth in the request for solicitation, provided by the state, is online, tested, and verified by the department of revenue to be operational, supported, and available for a retailer to use to determine the taxing jurisdiction in which an address resides. The department of revenue shall notify the revisor of statutes in writing, by email to revisorofstatutes@state.co.us, no later than fifteen days after such a system is online, tested, and verified by the department of revenue to be operational, supported, and available for use.

Appendix E – Full Text of Section 39-26-104 (3)(c), C.R.S.

(I) A retailer shall source its sales to the business location of the retailer regardless of where the purchaser receives the tangible personal property or service in a calendar year:

(A) If in the previous calendar year the retailer has made retail sales of tangible personal property, commodities, or services in the state totaling one hundred thousand dollars or less; or

(B) Until the first day of the month after the ninetieth day after the person has made retail sales of tangible personal property, commodities, or services in the state in the current calendar year that total more than one hundred thousand dollars, after which the sourcing rules set forth in subsections (3)(a) and (3)(b) of this section apply to all sales made by such retailers on and after such date.

(II) Sales of tangible personal property, commodities, or services that are sourced to the business location of the retailer under this subsection (3)(c) and that would otherwise be sourced to an out-of-state location under subsection (3)(a) of this section are exempt from taxation under the provisions of this part 1.

(III)

(A) This subsection (3)(c) is repealed effective ninety days after the date that the revisor of statutes is notified by the department of revenue that a geographic information system that meets the defined scope of work set forth in the request for solicitation, provided by the state, is online and available for a retailer to use to determine the taxing jurisdiction in which an address resides. The department of revenue shall notify the revisor of statutes no later than fifteen days after such a system is online.

(B) The department of revenue shall immediately notify the retailers described in subsection (3)(c)(I) of this section that the geographic information system described in subsection (3)(c)(III)(A) of this section is online and that ninety days after the date of the notice to the revisor of statutes described in subsection (3)(c)(III)(A) of this section, the sourcing rules set forth in subsections (3)(a) and (3)(b) of this section will apply to all sales made by such retailers on and after such date.