

Schedule 13

Department of Revenue

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-02 Sales and Use Tax Simplification System Support a

Dept. Approval By: Lorri Dugan Digitally signed by Lorri Dugan
Date: 2020.10.21 12:58:25 -06'00'

Supplemental FY 2020-21

OSPB Approval By: Cynthia Kelly

Budget Amendment FY 2021-22

X

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$35,038,629	\$0	\$37,908,205	\$2,246,631	\$2,223,116
FTE		152.2	0.0	159.2	5.0	5.0
Total of All Line Items Impacted by Change Request	GF	\$17,629,920	\$0	\$21,212,377	\$2,246,631	\$2,223,116
	CF	\$17,201,693	\$0	\$16,507,147	\$0	\$0
	RF	\$22,635	\$0	\$12,815	\$0	\$0
	FF	\$184,381	\$0	\$175,866	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$14,806,800	\$0	\$17,495,386	\$39,636	\$39,636
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$3,833,915	\$0	\$6,738,907	\$39,636	\$39,636
Administration and Support - Health, Life, and Dental	CF	\$10,850,714	\$0	\$10,637,162	\$0	\$0
	RF	\$13,065	\$0	\$8,235	\$0	\$0
	FF	\$109,106	\$0	\$111,082	\$0	\$0

Total		\$161,639	\$0	\$159,187	\$467	\$467
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$61,023	\$0	\$71,866	\$467	\$467
Administration and Support - Short-term Disability	CF	\$99,201	\$0	\$86,233	\$0	\$0
	RF	\$160	\$0	\$72	\$0	\$0
	FF	\$1,255	\$0	\$1,016	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$4,778,411	\$0	\$4,676,092	\$12,280	\$12,280
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$12,280	\$12,280
Administration and Support - Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0

	Total	\$4,778,411	\$0	\$4,676,092	\$12,280	\$12,280
01. Executive Director's Office, (A)	FTE	0.0	0.0	0.0	0.0	0.0
Administration and Support, (1)	GF	\$1,800,739	\$0	\$1,940,010	\$12,280	\$12,280
Administration and Support - Supplemental Amortization	CF	\$2,935,957	\$0	\$2,701,944	\$0	\$0
Equalization	RF	\$4,705	\$0	\$2,254	\$0	\$0
Disbursement	FF	\$37,010	\$0	\$31,884	\$0	\$0

	Total	\$9,988,240	\$0	\$10,328,966	\$274,703	\$274,703
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	152.2	0.0	159.2	5.0	5.0
Taxpayer Service Division - Personal Services	GF	\$9,613,579	\$0	\$9,954,305	\$274,703	\$274,703
	CF	\$374,661	\$0	\$374,661	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$525,128	\$0	\$572,482	\$1,907,265	\$1,883,750
03. Taxation Business Group, (C) Taxpayer Service Division, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Taxpayer Service Division - Operating Expenses	GF	\$519,925	\$0	\$567,279	\$1,907,265	\$1,883,750
	CF	\$5,203	\$0	\$5,203	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

Auxiliary Data

Requires Legislation? NO

Type of Request?

Department of Revenue Prioritized Request

Interagency Approval or Related Schedule 13s:

No Other Agency Impact



Department Priority:R-02
Sales and Use Tax Simplification System Support and Maintenance

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$45,055,484	\$46,572,390	\$2,246,631	\$2,223,116
FTE	408.6	425.0	5.0	5.0
General Fund	\$42,038,266	\$43,577,902	\$2,246,631	\$2,223,116
Cash Funds	\$1,847,718	\$1,824,988	\$0	\$0
Reappropriated Funds	\$317,368	\$317,368	\$0	\$0
Federal Funds	\$852,132	\$852,132	\$0	\$0

Summary of Request

The Department of Revenue (DOR) requests funding for support and maintenance of the Sales and Use Tax Simplification System (SUTS). Without approval of the funds in this request, SUTS cannot be supported or maintained beginning in FY 2021-22. This request adds 5.0 FTE and \$2,246,631 in General Fund for FY 2021-22, annualizing to 5.0 FTE and \$2,223,116 in General Fund for FY 2022-23 and thereafter, primarily for vendor costs.

SUTS was created during FY 2019-20 through SB 19-006. The project to create SUTS was completed on time and significantly under budget by approximately \$9.1 million, funds that were returned to the General Fund as part of the current year budget. These savings were achieved through aggressive contract negotiations and diligent project management. However, while the Fiscal Note estimated ongoing costs at \$5-8 million annually, SB 19-006 did not fund the ongoing annual support or maintenance costs of SUTS pending DOR's final contract negotiations. By continuing the aggressive contract negotiations started during development and through system design efficiencies, DOR has reduced the ongoing cost by 50-75%.

The primary function of SUTS is to simplify the sales tax filing process for businesses (for primarily online sales) through one central system, rather than requiring businesses to file with the state and up to 72 self-collecting home-rule taxing jurisdictions. The same is true for filing sales tax returns. A properly maintained SUTS system creates huge efficiencies for taxpayers by reducing their tax calculation and filing workload. To maintain jurisdictional accuracy, the GIS matrices must be updated and changed every time one of the 72 special districts, counties, or cities change changes rates or boundaries. To provide accurate and timely taxpayer assistance for filing and other system questions, the system must be adequately supported by customer service representatives. That maintenance and customer service support is the subject of this request.

Without this funding, SUTS will experience breakdowns and inaccuracies, and quickly become inoperable and unsustainable.

Current Program:

The DOR Taxation Division administers, enforces, and collects the State's sales and income tax. The Department also administers local sales taxes for special districts, counties, statutory cities, and a small number of home-rule cities. The Taxation Division is separated into a processing and customer service section known as Taxpayer Service (TPS) and a compliance section called Tax Audit and Compliance (TAC). An important function of TPS is providing assistance to taxpayers who may have questions about how or when to file, how much is owed, when payments are due, and what to do if they cannot pay in full. By answering these questions for its customers, TPS provides customer service and supports the efforts of taxpayers to comply with the tax laws. In this way, TPS facilitates the collection of sales and income taxes for the State. TPS also is the primary point of contact for local government sales tax collection, and directly communicates with third-party income and sales tax filing software vendors to assist taxpayers with their filing requirements. The SUTS system supports the assessment, collection, and distribution of state and local sales and use taxes. It is vitally important to the State and to local governments because it has modernized DOR's collection methods, increasing efficiency for the taxpayers as well as the local jurisdictions and state. However, this system cannot operate without ongoing funding.

Problem or Opportunity:

The SUTS system requires constant updating and maintenance to ensure addresses, rates, and boundaries are kept accurate. For example, State and local sales tax rates can change twice a year, January and July. Speedy and accurate implementation of such changes ensure that the correct amount is collected, that taxpayers understand what the correct amount is, and that taxpayers feel that the tax structure is applied fairly. Having personnel and vendor support dedicated to keeping SUTS up-to-date is essential in order to realize the potential of the large investment in creating SUTS.

Customer service is also a fundamental purpose of DOR and this request serves that goal. Part of this FTE request is for Tax Examiners ("TEs") which serve as the Tier 1 support to answer and resolve taxpayer questions and issues as they arise. The TEs who work in the call center serve on the front line of the Department of Revenue, interacting directly with taxpayers. No section more efficiently disseminates tax information to taxpayers or resolves their tax account or system access issues. Effective resolution of taxpayer problems helps them comply with the complex structure of sales tax laws in Colorado. TEs facilitate compliance by answering questions, giving information about the law, assisting taxpayers with calculating what they owe, handling payment plans, and generally serving the needs of taxpayers, whatever they may be. More compliance results in more revenue and happier taxpayers.

Proposed Solution:

When SB 19-006 was passed by the General Assembly, it was recognized that additional resources would be needed to support SUTS after its creation, estimated at the time to be \$5-8 million. However, the legislature did not appropriate funds beyond those initial implementation costs. The following request will allow the SUTS system to continue to be accurate and to be of great service to the State's taxpayers:

YEAR ONE PERSONNEL TABLE

Requested FTE	FTE Description	Job Description	Yearly Salary	Operating	Benefits	TOTALS
1.0	SUTS Product Owner	Responsible party to maintain and advise on SUTS system	\$80,000	\$5,653	\$25,559	\$111,212
4.0	Tax Examiner I	Tier 1 troubleshooting support to answers calls and questions to provide taxpayer support	\$165,600	\$22,612	\$68,207	\$256,419
5.0 FTE		TOTALS	\$245,600	\$28,265	\$93,766	\$367,631

OUT YEAR PERSONNEL TABLE

Requested FTE	FTE Description	Job Description	Yearly Salary	Operating	Benefits	TOTALS
1.0	SUTS Product Owner	Responsible party to maintain and advise on SUTS system	\$80,000	\$950	\$25,559	\$106,509
4.0	Tax Examiner I	Tier 1 troubleshooting support to answers calls and questions to provide taxpayer support	\$165,600	\$3,800	\$68,207	\$237,607
5.0 FTE		TOTALS	\$245,600	\$4,750	\$93,766	\$344,116

TOTAL REQUEST TABLE

Item	FY 2021-22	FY 2022-23
Vendor #1 Support	\$855,000	\$855,000
Vendor #2 Support GIS	\$500,000	\$500,000
Vendor #2 Hosting GIS	\$464,000	\$464,000
State IT Support (OIT)	\$60,000	\$60,000
State User Support (DOR)	\$339,366	\$339,366
Other Operating	\$28,265	\$4,750
TOTALS	\$2,246,631	\$2,223,116

Anticipated Outcomes:

If the request is approved, a system vital to the Department's mission will be adequately maintained. This, in turn, will ensure the continuation of the accuracy and integrity of SUTS. SUTS is a valuable resource for taxpayers in the State because they can rely on it to provide accurate sales tax bills, information, and refunds statewide. It also minimizes the filing burden for businesses and provides additional revenue to local jurisdictions. Maintaining such system performance is the goal and anticipated outcome of this request.

Assumptions and Calculations:

This request makes the following assumptions:

1. That each requested FTE will be assigned to the job duties as described herein.
2. Operating expenses are \$5,653 per FTE for Year 1.
3. Operating expenses are \$950 in out-years.
4. All benefits are calculated using the DPA FTE benefits calculation workbook.