

Joint Technology Committee

Colorado Department of Revenue - Systems Update
Sales and Use Tax Simplification Update – February 18th, 2021



COLORADO
Department of Revenue

DOR IT Solutions

- Sales & Use Tax Simplification (SUTS) - Tax
- GenTax - Tax
- Colorado Fuel Tax System (COFTS) - Tax
- DRIVES - DMV
- MyLicense One - SBG
- METRC - SBG
- IGT/Scientific Games - Lottery

What was the Primary intent of SUTS (SB19-006)?

- Single web portal where businesses could both look up sales tax information
- File and remit to all jurisdictions at once

Why does this matter?

- Ease of use for businesses - provides a one-stop shop to register, file, and pay taxes.
- Economic Nexus allowing Colorado to require collection of out-of-state businesses to collect sales tax.
- Created a Tax “Source of Truth” for tax data.

How Complex is Colorado's Sales Tax

- 97 municipalities are Home Rule Jurisdiction
- 70 Home Rules are self-collecting
- 400+ different combinations of taxing jurisdictions
- Each State administered municipality/county may choose to adopt exemptions from list of exemptions delineated in statute
- Home Rules may adopt exemptions outside of what the State administered exemptions

Tax Simplification Milestones

SB16-36

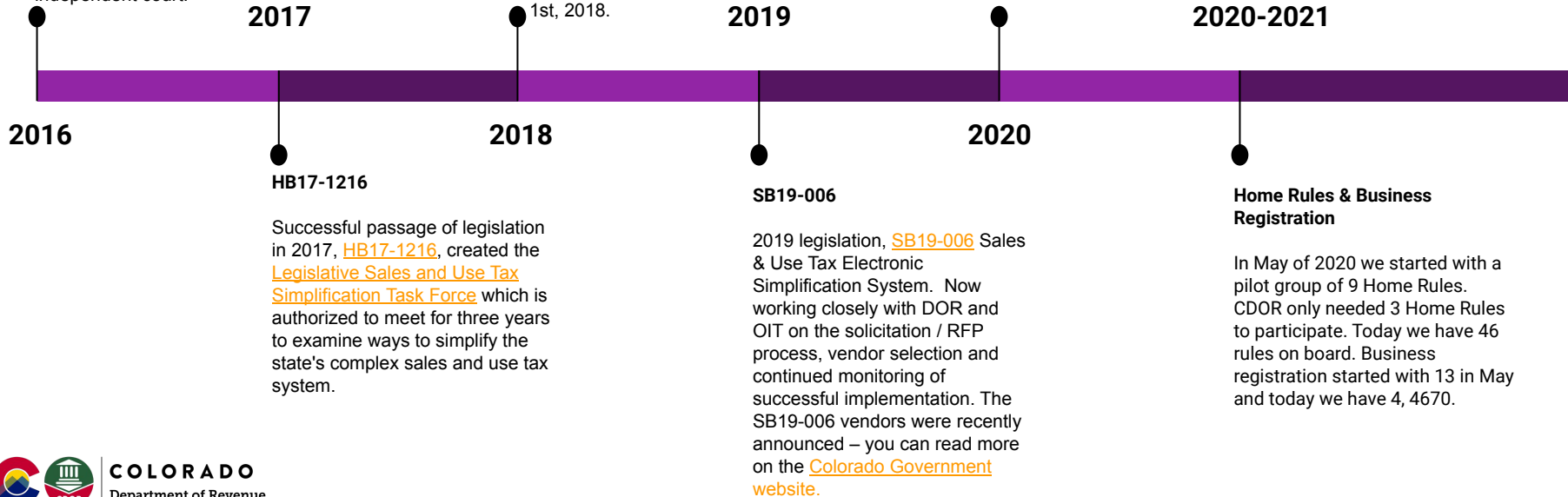
In 2016 the coalition passed legislation, [SB16-36](#) to reform the states' unfair system that required a taxpayer to pay the full tax audit assessment or post a bond before seeking a ruling from an independent court.

HB18-1022

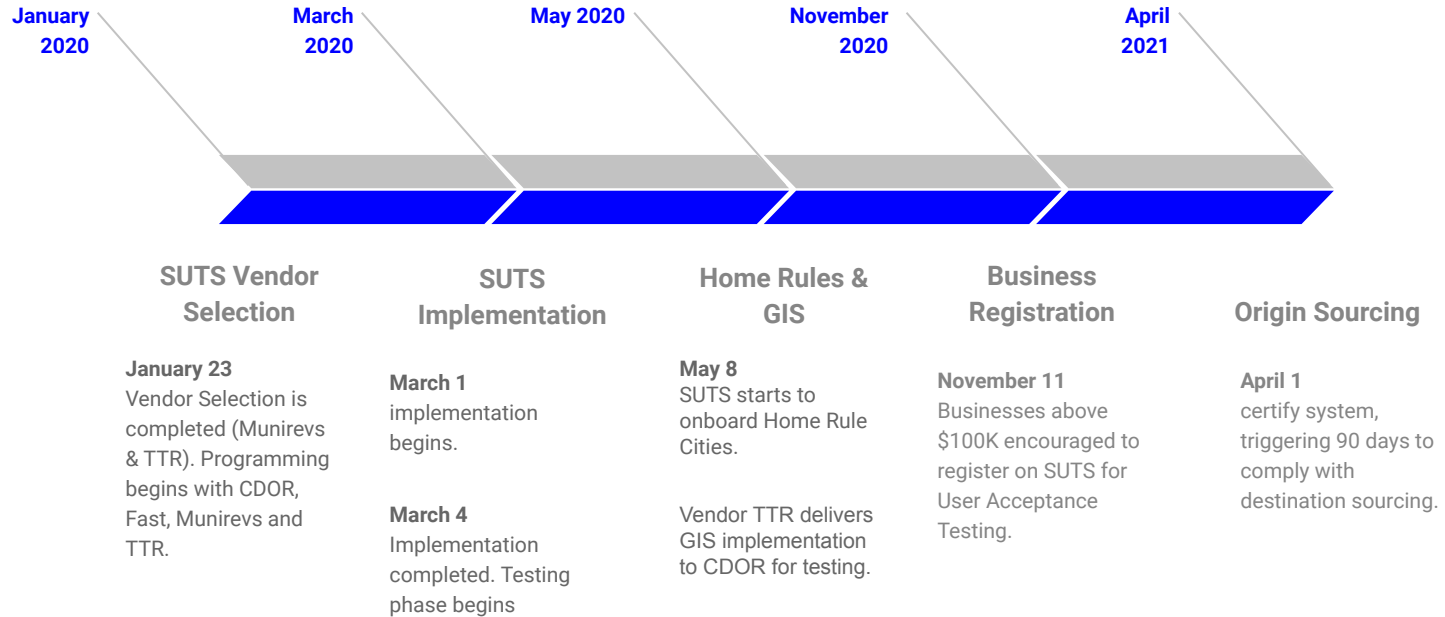
2018 legislation, Requiring the Department of Revenue to issue a request for information (RFI) for an electronic sales & use tax simplification system that the state and local governments could choose to use that would provide administrative simplification to the state and local sales & use tax license and collection system. This legislation has passed both the House and Senate and was signed by Governor Hickenlooper on March 1st, 2018.

HB20-1022 & 1023

2020 legislation: [HB20-1022](#) Task Force Extension and [HB20-1023](#) Sales & Use Tax GIS Implementation. Both are on track for passage in 2020.



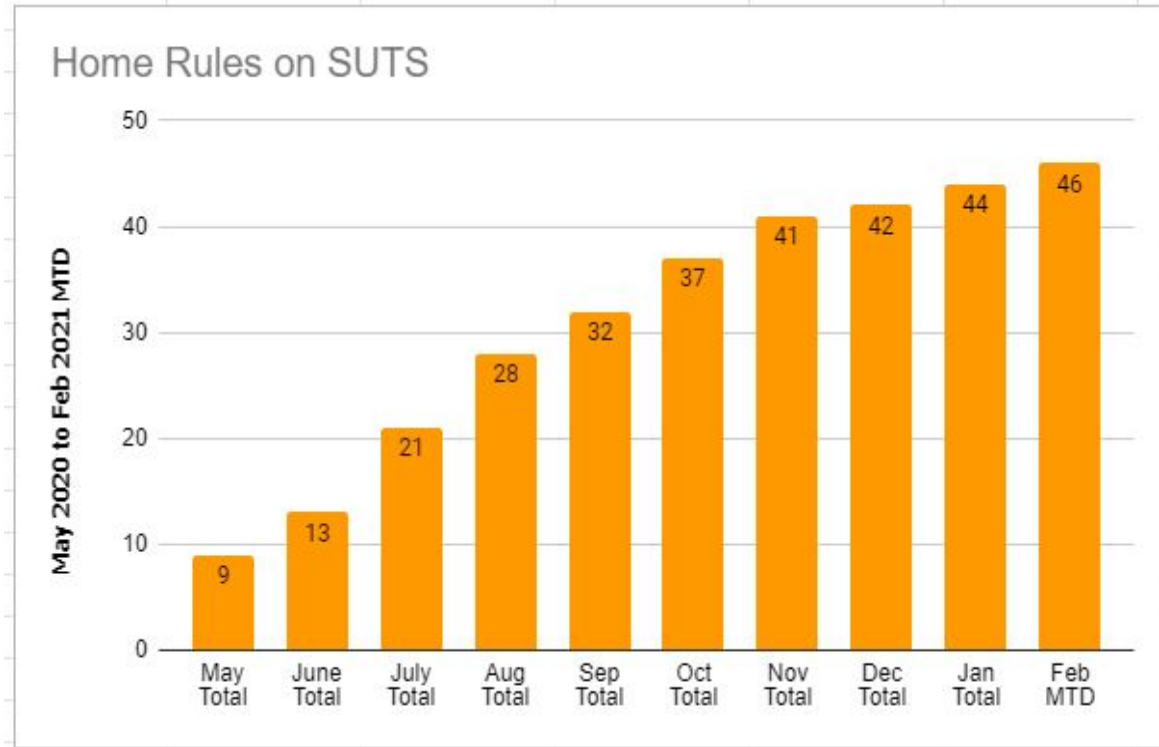
SUTS Timeline - Implementation



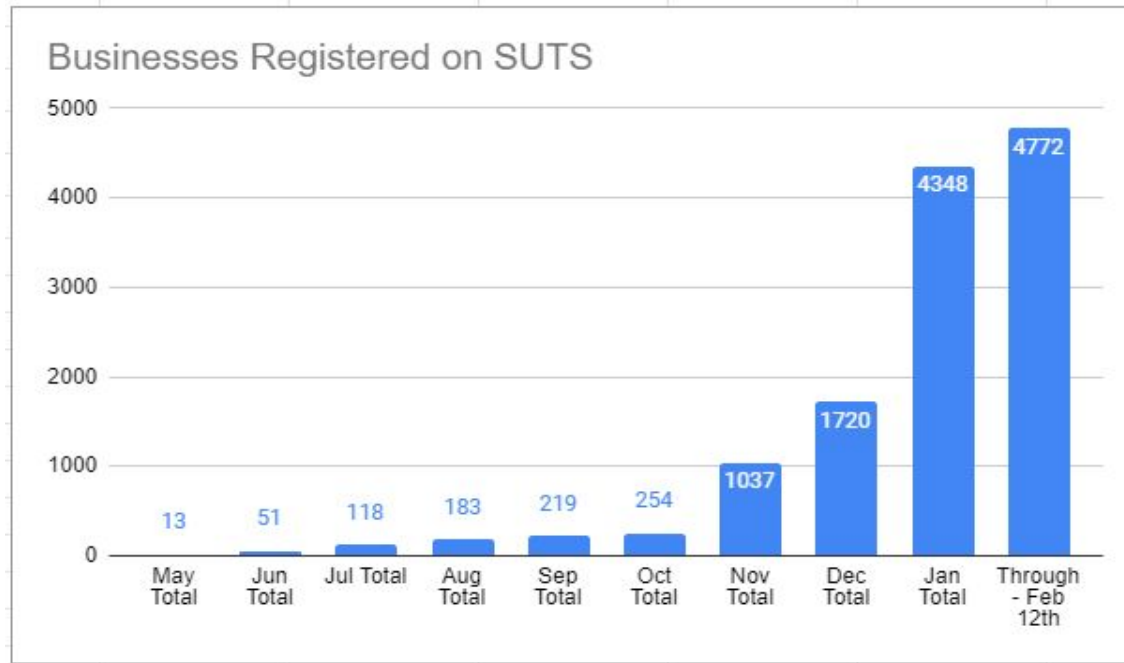
SUTS Budget

- \$18.75 million over two FY20 & FY21
 - \$6 million under budget for FY20
 - \$4.6 million under budget for FY21
- \$10.6 million in savings
 - (56.30% of the appropriation) back to General Fund
- \$2.2 million annual licensing, maintenance, and support - begins FY22
- Only charge for Home Rule participation is an annual Bank transfer fee of \$260
- Home Rules can directly integrate their existing system for a fee capped at \$17,500

Home Rules on SUTS



Businesses Registered on SUTS



SUTS Cumulative Revenue Processed

Month	State Collected	Home Rule Collected	Total
Oct - 2020	\$46,322	\$8,462	\$54,785
Nov - 2020	\$62,947	\$35,007	\$97,955
Dec - 2020	\$643,244	\$227,329	\$870,573
Jan - 2021	\$1,751,985	\$731,048	\$2,483,033

SUTS Ease of Use

Does provide:

- One filing portal and payment for participating jurisdictions
 - Jointly administered by the state and local jurisdictions
- Free GIS Address lookup tool for businesses, with option of integration into point of sale systems for a cost
- Taxability matrix for some common items sold & the ability to export data into printable PDF for documentation

Does not:

- Change home-rule jurisdiction self-determination
- Reduce the number of combinations of taxing jurisdictions
- Force businesses into a filing option that is not right for their circumstances
- Allow all tax types to be filed (e.g., lodging taxes, marijuana, etc.)

COLORADO TECHNOLOGY ASSOCIATION

APEX AWARDS

2021 PROJECT OF THE YEAR

The Colorado Department of Revenue has won the Apex Award for 2021 Project of the Year for the Sales and Use Tax System (SUTS).

Recipients of the Project of the Year award have completed a project that creatively solved a business problem utilizing strategic objectives and innovation, overcoming obstacles, met goals and demonstrated outstanding team collaboration.



GenTax - software suite responsible for processing all tax data for the state.

- \$6.3 Billion to \$6.8 Billion per year in tax processing
- Processes tax licenses for Nicotine, Tobacco, Marijuana, and Alcohol
- Data review and analysis for fraud and audit functions
- Direct and dedicated vendor support
- Collaborate with DPA vendor, FairFax, to process all paper returns via their OCR software
- Collaborate with third-party software vendors to seamlessly accept and process returns submitted through those sites/software suites
- Revenue Online website for Taxpayer access to perform most of their tax functions online

Training and Support

- Developers have a learning curve when joining the team.
 - Application of development principles
 - The functionality of the solution
 - How the tax code is managed in the solution
- Experienced developers have a learning curve as well.
 - Even developers experienced in Visual Studio have a learning curve to understand the table configuration, proprietary development tools, configuration change management principles and specifics related to the Colorado Tax code.
 - To build skills, developers are rotated through the 140 different subsystems (approx. 20+/year).
 - Basics can be learned in a few months, proficiency in a large number of subsystems requires exposure years.
- Analysts experience many of the same challenges.
 - Basic skills and knowledge are learned in months
 - True proficiency takes years to acquire
- Average time to feel comfortable completing a typical project assignment without oversight is three to six months from onboarding

Colorado Fuel Tax System

- Vendor Supported 1999 - 2022
- Custom designed system has reached its end of life and current vendor will no longer support the system
- Solutions being considered:
 - Contract with a software company to rebuild the existing system with OIT maintaining the code. Early estimates are approximately \$2-3M and may take more time than we have with existing vendor support.
 - DOR Bill to streamline tax collection process to be collected at the rack. This structure would allow the programming in GenTax within current operating budget.

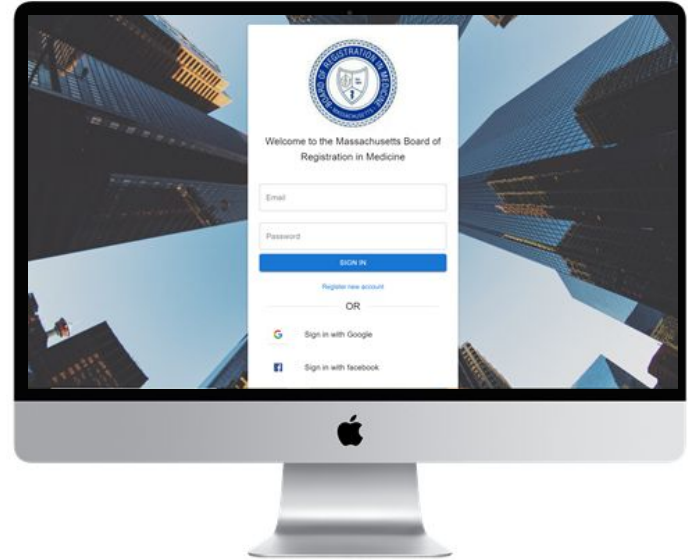


DRIVES is a vendor hosted & supported COTS software solution configured for Colorado driver and vehicle services.

- \$92 million project deployed on time and \$17 million under budget in August 2018
- Replaced two separate obsolete State developed systems - Drivers License System (DLS) and Colorado State Titling and Registration System (CSTARS) and 8 related IT systems.
- \$1.7 billion in revenue brought in via 18.6 million transactions annually in FY20
- 40 online services via integrated MyDMV webpage.
- 315 interfaces and 224 third party access to obtain data.
- Provides an IT foundation to expand use of additional technology solutions.
- Limited programming resources.

MYLICENSE ONE - ONLINE PORTAL - ML1(*June 2021*)

- Dashboard View
- Initial Licensing/Credentialing
- License Renewal
- Change of Address Submissions
- Duplicate Request
- Fee Payments
- Intuitive Guided Questions
- Document Upload
- Application Tracking
- Browser, Tablet, and Smartphone Ready





Regulatory tracking system utilized by the Specialized Business Group; Marijuana Division (MED).

- “Seed to sale” inventory tracking system that serves the objectives and mandates of both the State and Licensed community.
- Utilizes unique identifiers associated with RFID (radio-frequency identification) tags
- Tracks product in real time, providing regulatory agencies transparency into cannabis as it is grown and delivered for sale real time
- Provides:
 - Tracking - see all regulatory events in real time, for all license types
 - Tracing - allow regulators to go back to the source should issues arrive (*potentially placing holds and alerting licencees of potential issues*)
 - Trending - analyzation of risk, monitoring compliance, identifying taxable events, evaluate public policy
 - Reporting - brief stakeholders, construct cases, share aggregate data with the public

Lottery Vendors IGT/Scientific Games

IGT (Vendor) - Hosts the Central Gaming System (CGS) that fully supports both Jackpot and Scratch games, with all associated gaming products, retailer network, and back office functions for the Lottery.

Specialized Business Group's Gaming division utilizes IGT for certification/testing of games

Scientific Games - (*SGI*), *IGT*, *Pollard (Vendors)*
Production and supply of physical Scratch Tickets to the Colorado Lottery.



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