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SB 19-006

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 4, 2019)

Drafting Number: LLS 19-0225
Prime Sponsors: Sen. Williams A.
 Rep. Kraft-Tharp;
 Van Winkle

Date: March 5, 2019
Bill Status: House Appropriations
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Bill Topic: ELECTRONIC SALES & USE TAX SIMPLIFICATION SYSTEM

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

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

Appropriation Summary: For FY 2019-20, the bill requires an appropriation of \$10 million from Electronic Sales and Use Tax Simplification Cash Fund to the Office of Information Technology.

Fiscal Note Status: This fiscal note has been revised to include the amendments passed by the House Finance Committee.

**Table 1
State Fiscal Impacts Under SB 19-006**

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	Cash Funds	Up to \$10.0 million	Up to \$8.75 million
Transfers	General Fund	(\$10.0 million)	(\$8.75 million)
	Cash Funds	\$10.0 million	\$8.75 million
	Total	\$0	\$0
TABOR Refund		-	-

Summary of Legislation

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

DOR is required to use the system once it is in place to accept sales tax returns and payments for state and state-collected local jurisdictions. Home rule jurisdictions may choose to use the system.

The bill creates a cash fund to pay any initial and ongoing costs of the system subject to annual appropriation by the General Assembly. Additionally, it requires that the solicitation process for the new system be managed within existing resources.

Background

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

- accurate address location capability;
- a single application process for state and local tax licenses;
- a uniform remittance form;
- a single point of remittance;
- a taxability and exemption matrix; and
- access to data in the system for auditing or revenue projection purposes.

In addition, the system must:

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

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

Transfers

This bill requires transfers from the General Fund to the newly created Electronic Sales and Use Tax Simplification System Cash Fund of \$10.0 million in FY 2019-20 and \$8.75 million in FY 2020-21.

State Expenditures

This bill will increase state cash fund expenditures for OIT by up to \$10.0 million in FY 2019-20, and up to \$8.75 million in FY 2020-21.

The bill requires the DOR and OIT to proceed with soliciting proposals for an electronic sales and use tax simplification system. Any agreements with vendors will be conditional on the General Assembly appropriating funds for the system. Soliciting bids for the system can be accomplished with existing resources; however, future workload and expenditures will be determined based on system development and implementation.

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

Local Government

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

State Appropriations

For FY 2019-20, the bill requires an appropriation from the Electronic Sales and Use Tax Simplification System Cash Fund of \$9.183 million to OIT and \$817,000 to DOR. The amount appropriated to DOR is reappropriated to OIT.

Effective Date

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

State and Local Government Contacts

Counties	Information Technology
Municipalities	Regional Transportation District
Revenue	Special Districts