



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

**FINAL
FISCAL NOTE**

| | | | |
|-------------------------|--|------------------------|---|
| Drafting Number: | LLS 19-1088 | Date: | July 8, 2019 |
| Prime Sponsors: | Sen. Tate; Bridges Rep. Singer; Baisley | Bill Status: | Signed into Law |
| | | Fiscal Analyst: | Katie Ruedebusch 303-866-3001 Katie.Ruedebusch@state.co.us |

Bill Topic: STATE TAX SYSTEM WORKING GROUP

Summary of Fiscal Impact:

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

The bill creates a working group to evaluate the state tax administration system, GenTax, and make recommendations. The bill will increase state expenditures and workload in FY 2019-20 only.

Appropriation Summary: In FY 2019-20, the bill requires and includes an appropriation of \$44,552 to the Legislative Department and \$30,000 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under SB 19-248**

| | | FY 2019-20 | FY 2020-21 |
|---------------------|------------------------|-----------------|------------|
| Revenue | | - | - |
| Expenditures | General Fund | \$74,553 | - |
| | Centrally Appropriated | \$9,932 | - |
| | Total | \$84,485 | - |
| | Total FTE | 0.5 FTE | - |
| Transfers | | - | - |
| TABOR Refund | | - | - |

Summary of Legislation

The bill convenes a state tax system working group to meet during the 2019 legislative interim to evaluate the state tax administration software system, GenTax, and make recommendations. Working group stakeholders include the nonpartisan legislative service agencies, the Department of Revenue (DOR), the Department of Personnel and Administration, and the Governor's Office of Information Technology. The working group must evaluate:

- the deficits of the current state tax system;
- the benefit of ownership of the current tax system in relationship to the cost of the total deficits of the current system;
- whether it would be more cost-effective for the state to make adjustments and new investments in the current tax system or to pursue a new system;
- options for managing the recurring changes in tax data and methods by which new tax reports are implemented and tracked; and
- any other topics the working group deems necessary.

The working group must hold its first meeting by June 1, 2019. By October 1, 2019, the working group must provide an update on its progress to the Joint Technology Committee and the Joint Budget Committee. By December 1, 2019, the working group must report to the General Assembly on its findings and recommendations; whether an independent third-party assessment of the state tax system is necessary; and whether the working group should be continued through the 2020 legislative interim.

Background

In 2008, DOR undertook a project to modernize Colorado's income tax administration software and database. Completed in 2012, the project resulted in the GenTax system, a software solution supported through a maintenance and support contract with Fast Enterprises, Inc. The GenTax core functionality focuses on processing tax returns and payments, and issuing refunds. The system also includes support functions, such as a web-enabled functionality for taxpayers, refund approvals, collections, and fraud prevention. Approximately 25 states, including Colorado, use GenTax. The state has a maintenance agreement with Fast Enterprises, which currently provides technical support at an hourly rate.

State Expenditures

The bill increases General Fund expenditures by \$84,485 in FY 2019-20 only. These impacts are summarized in Table 2 and described below.

**Table 2
Expenditures Under SB 19-248**

| Cost Components | FY 2019-20 | FY 2020-21 |
|---|-------------------|-------------------|
| Legislative Council Staff | | |
| Personal Services | \$34,736 | - |
| Operating Expenses and Capital Outlay Costs | \$2,261 | - |
| Centrally Appropriated Costs* | \$6,483 | - |
| FTE – Personal Services | 0.4 FTE | - |
| LCS (Subtotal) | \$43,480 | - |
| Office of Legislative Legal Services | | |
| Personal Services | \$6,990 | - |
| Operating Expenses and Capital Outlay Costs | \$565 | - |
| Centrally Appropriated Costs* | \$3,449 | - |
| FTE – Personal Services | 0.1 FTE | - |
| OLLS (Subtotal) | \$11,005 | - |
| Department of Revenue | | |
| Contract Services | \$30,000 | - |
| Total | \$84,485 | - |
| Total FTE | 0.5 FTE | - |

* Centrally appropriated costs are not included in the bill's appropriation.

Legislative Council Staff. Legislative Council Staff requires 0.4 FTE to staff and coordinate the working group and issue the report. The fiscal note assumes the majority of the work will be done by a staff person at an IT manager level.

Office of Legislative Legal Services. The Office of Legislative Legal Services requires 0.1 FTE to attend meetings and provide assistance.

Department of Revenue. DOR requires \$30,000 for a contract employee to attend meetings, provide assistance, and respond to working group inquires regarding the system. Contract costs are calculated at 16 hours a week at a rate of \$75 per hour for 25 weeks.

Governor's Office of Information Technology. The bill will increase workload for the Governor's Office of Information Technology to participate in the working group. This workload can be accomplished within existing resources and no appropriation is required.

Department of Personnel and Administration. The bill will increase workload for the Department of Personnel and Administration to participate in the working group. This workload can be accomplished within existing resources and no appropriation is required.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$6,483 in FY 2019-20.

Effective Date

The bill was signed into law by the Governor and took effect May 23, 2019.

State Appropriations

In FY 2019-20, the bill requires and includes a General Fund appropriation of \$44,552 to the Legislative Department and \$30,000 to the Department of Revenue.

State and Local Government Contacts

All Service Agencies
Personnel

Information Technology
Revenue