



**COLORADO**

Department of Revenue



# Colorado Sales & Use Tax Software (SUTS) System

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Summary Report: July 8, 2020



# Colorado’s Sales & Use Tax Software “SUTS” System

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## ***Table of Contents***

|   |         |
|---|---------|
| Executive Summary .....                   | Page 3  |
| Background.....                           | Page 3  |
| Controlled Launch.....                    | Page 4  |
| Budget.....                               | Page 5  |
| Project Management Methodology .....      | Page 5  |
| Change Management Plan .....              | Page 6  |
| Maintaining the SUTS System.....          | Page 6  |
| Stakeholder Engagement & Governance ..... | Page 7  |
| Stakeholder Feedback.....                 | Page 8  |
| Appendix A: The Consortium.....           | Page 9  |
| Appendix B: SUTS Vendors.....             | Page 10 |

## ***For more information on the SUTS system:***

- [SUTS general information](#) for description, updates, consortium members, etc.
- [SUTS Portal](#) for businesses to look up tax rates, sign up, log in, remit tax, etc.
- Call Center support for general questions: (303) 238-7378
- [Joining SUTS](#) if you are a Home Rule jurisdiction: email [Tracy.Winchester@state.co.us](mailto:Tracy.Winchester@state.co.us)
- [CML Model Ordinance](#) assisting Home Rule jurisdictions seeking to join SUTS
- [Press inquiries](#): email [Meghan.Tanis@state.co.us](mailto:Meghan.Tanis@state.co.us)

## ***Executive Summary***

The Sales and Use Tax Software (SUTS) system allows businesses to go to a single web “portal” (website) to find all sales and use taxes associated with a specific destination, as well as exemptions, and file a single remittance that will then go to multiple jurisdictions.

SUTS was exceptionally successful in every way:

- (a) The SUTS *development* was completed on May 6, 2020, seven weeks ahead of what was already an aggressive estimate of June 30, 2020.
- (b) The SUTS *budget* was \$18,750,000 over fiscal years 2020 and 2021, but SUTS was completed at almost \$6 million under budget for FY20 and \$4.6 million under budget for FY21. About \$10.6 million in savings (56.30% of the appropriation) was given back to the General Fund at a critical time given the overall budget shortfalls due to COVID-19.
- (c) The SUTS *functionality* exceeded the minimal viable product established at the start, allowing lookups of sales and use tax but also exemptions with a robust remittance service.
- (d) The SUTS *acceptance* rate also exceeded expectations. The original requirement was for three of the 71 self-collecting-tax municipalities to voluntarily use the system upon launching online and to reach 100% engagement within three years. As of July 6, 2020, twelve (17%) have already signed on, 24% more are in the process of approval, and 48% more are in the evaluation stage.
- (e) SUTS yearly *maintenance & support* is far less than originally anticipated and less than maintaining a system in-house. Starting in FY22, support is estimated to be only about \$2.2 million (see “Budget” below), which includes vendors, hosting, call center and infrastructure support for all jurisdictions across Colorado.

The significant success of SUTS illustrates the collaboration achieved between state government, local jurisdictions, vendors, and the business community. SUTS is a first-of-its-kind software program for the state of Colorado, developed using an [Agile methodology](#). Stakeholders have been engaged throughout the process, from designing the functionality, through procurement, development and ongoing improvements.

This report outlines the background that started the SUTS legislation, then covers the controlled launch, budget, methodology, change management and the future of the system, as well as the stakeholder engagement and Governance that ensured its success. Stakeholder feedback is also included.

## ***Background***

Colorado has a unique tax landscape with 272 municipalities, out of which 97 are [Home Rule](#) jurisdictions that can establish their own tax base, requiring businesses to file and remit tax directly to the municipality. Out of the 97, Colorado has 71 that are self-collecting-tax jurisdictions.

The [Sales and Use Tax Simplification Task Force](#) was originally created in 2017 to find ways to make it easier for businesses to navigate this highly-complex system, and simplicity became imperative after the 2018 Supreme Court’s ruling in [South Dakota v. Wayfair](#) that allowed states to require that sellers collect and remit sales tax based on the establishment of an “economic nexus,” doing away with the previous “physical presence” test.

In 2019, the Task Force advocated for legislation and the General Assembly passed [Senate Bill 19-006](#) which required that the Department of Revenue (DOR) and the Governor's Office of Information Technology (OIT) collaborate to deliver a Sales & Use Tax System (SUTS) that could be a single web portal where businesses could both look up sales and use tax information and file and remit to all jurisdictions at once.

Beginning in July, 2019, DOR and OIT designed the concept of a stakeholder [Consortium](#) with multiple layers of constituents to participate at every level of development. The Consortium included legislative representation, local jurisdictions, technical and tax experts and members of the business community. The Consortium was empowered to drive real decisions on the functionality, interface and development from the onset of this project.

The procurement was done using a newly-authorized "[Invitation to Negotiate](#)" (ITN) process that allowed DOR and OIT to work with vendors closely to find the right match and cost structure. Incorporating [Agile methodologies](#) enabled the direction of the project to evolve as understanding grew and requirements developed, culminating in a final product that is truly responsive and adaptive in meeting the needs of the stakeholders.

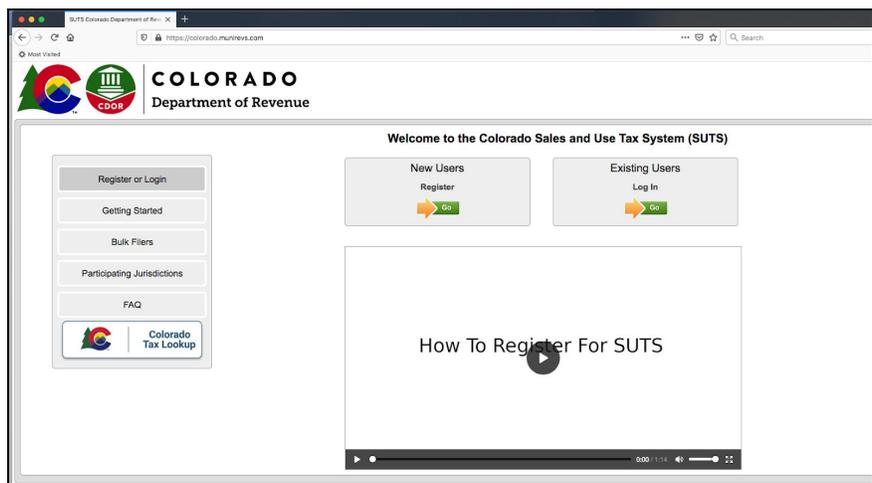
SUTS was designed collaboratively with the Consortium stakeholders with the expectation that it will be readily adopted.

## Controlled Launch

On May 6, 2020, DOR and OIT initiated a controlled launch of [Colorado.Gov/Revenue/SUTS](#), a new, one-stop portal that allows users to do two things: (1) look up the sales and use tax rates, including exemptions, for any address in Colorado, and (2) file and remit sales and use tax to multiple jurisdictions in an easy, automated and seamless fashion.

Rifle, Craig, Ridway, and approximately 50 counties and all state-administered (statutory) cities participated in the launch that allowed the SUTS Team to actively operate the system from end-to-end in a controlled environment with a select number of taxpayers.

SUTS originally launched with three separate vendor agreements that Home Rules needed to sign, which proved cumbersome and legally challenging. Again, with Consortium support and guidance, the agreements were consolidated, streamlined and re-emerged as one inter-governmental agreement (IGA) between DOR and the Jurisdiction. That improved agreement significantly facilitated Home Rule jurisdictions signing up.





## Budget

For Colorado fiscal year, July 1, 2019, to June 30, 2020, (“FY20”), [SB19-006](#) required an appropriation from the General Fund of \$9.183 million for the remittance part of the software, and \$817,000 for the “GIS” part that would be the tax look-up functionality, for a total of \$10 million. An additional \$8.75 million was designated for FY21. The total appropriation for both years was \$18,750,000 which was based on a *Request for Information (RFI)* issued as required by HB18-1022.

| <b>SB19-006 FUNDING</b>      | <b>FY20</b>         | <b>FY21</b>        | <b>TOTAL</b>        | <b>FY22*</b>       |
|------------------------------|---------------------|--------------------|---------------------|--------------------|
| <b>Budget Appropriation</b>  | <b>\$10,000,000</b> | <b>\$8,750,000</b> | <b>\$18,750,000</b> | <b>\$2,218,566</b> |
| Vendor development           | \$3,797,619         | \$716,266          | \$4,513,885         | \$0                |
| Vendor Support               | \$0                 | \$1,915,275        | \$1,915,275         | \$1,819,200        |
| State Tech/User Support Cost | \$228,662.72        | \$1,150,600        | \$1,379,263         | \$399,366          |
| <b>Total Budget Impact</b>   | <b>\$4,026,282</b>  | <b>\$3,782,141</b> | <b>\$7,808,423</b>  | <b>\$2,218,566</b> |
| <b>Balance</b>               | <b>\$5,973,718</b>  | <b>\$4,967,859</b> | <b>\$10,941,577</b> | <b>\$0</b>         |
| General Fund Reversion (56%) | \$5,973,718         | \$4,600,000        | \$10,573,718        |                    |
| Contingency in FY21 (2%)     | \$0                 | \$367,859          | \$367,859           |                    |

### FY22\* Request for FY22 support

As the chart above shows, total spending for SUTS in FY20 is \$4,026,282, which is almost \$6 million under budget. For FY21, SUTS spending is estimated to be \$3,782,141, leaving a balance of almost \$5 million. The original intention was to ask the General Assembly for a rollover to use the unspent amount for years of support going forward, as DOR had negotiated a discount with vendors for pre-paid support. Then, the pandemic hit and it was more critical to give back all unspent funds to the General Fund to cover economic shortfalls throughout the state. SUTS gave back \$5,973,718 in FY20 and \$4,600,000 in FY21, for a total of \$10,573,718 which is 56.39% of the entire appropriation, without loss of time or functionality.

As the Department looks to the future, DOR requests \$2,218,566 in FY22 to cover vendor support, hosting, technical and user support and some minor infrastructure costs. This includes only one “Product Owner” (an important Agile role) and four FTE for call center staff as DOR is contractually obligated to provide Tier-1 (general) support. The original appropriation for the system never allocated maintenance and support funding to address ongoing operational needs past FY21. A properly maintained SUTS system is essential for accurate and effective usability of the product for all taxpayers. Without this ongoing support funding, SUTS would have to be shut down. The FY22 request is a fraction of the estimated 28 FTE plus hosting and support needed if the system had been created completely in-house instead of SUTS implementing a [SaaS approach](#).

In FY21, we will be auditing and assessing the amount of additional money brought into Colorado from SUTS, especially from out-of-state retailers who must comply with the state’s destination sourcing laws.

## Project Management Methodology

The SUTS team used [Agile methodology](#) for planning and development. Instead of creating a comprehensive blueprint at the outset of a project, when understanding is at its lowest, planning happens continuously, through a process of on-going stakeholder engagement and adaptation.

The system’s final design emerged through a collaborative effort between developers and business users, requiring a shift in the traditional procurement approach relying heavily on functional specifications written up front.

OIT and DOR employed a relatively new procurement method called an *Invitation to Negotiate* (ITN), rather than the normally used *Request for Proposal* (RFP) process. SUTS was the first major technology project in the state to embrace the ITN approach, allowing for greater insight on core products in the marketplace and how the state could fit into that solution rather than assuming needs and fitting a vendor into the solution. DOR was able to take on the role as agency lead in negotiating price and functionality, with OIT in a supporting role helping vendors meet state standards and bringing technical expertise.

MUNIREvs was the vendor contracted to develop and support the filing and payment (remittance) portal, and TTR was contracted to develop the Geographic Information System (GIS) and taxability matrix. FAST Enterprises took the role of integration with DOR's existing Revenue Online system.

## ***Change Management Plan***

Change management is the engagement and adoption of SUTS into local governments and businesses. The Change Management Plan (CMP) outlines the processes, systems, organizational structure, and responsibilities for local governments and businesses to transition to SUTS.

The CMP is for:

- Statutory Cities, Counties, and Special Districts that have state-administered tax collection and need to know how this affects their traditional relationship and the process.
- Home Rule Municipalities that want to know how it benefits their communities, yet lets them retain the independence they cherish.
- Businesses that need to know how this works and how it makes collection and remittance easier.
- DOR and OIT where employees and infrastructure will be needed to support the system.

The CMP details the onboarding, maintenance and support that jurisdictions and businesses can receive from DOR, OIT and the vendors to facilitate the transition and process for using the SUTS System. The support involves individual meetings with each Home Rule municipality to demonstrate the use of the system and to review questions on the SUTS Agreement.

Tutorial video instructions for using the GIS and the remittance portal have been developed for taxpayers and are linked on the DOR Sales Tax webpage.

DOR will continue to work with Home Rule jurisdictions until all 71 self-collecting-tax municipalities have adopted the SUTS System.

## ***Maintaining the SUTS System***

From a Governance level, the Governance committee will continue to meet monthly to go over financials and any high-level issues around scope, resources, contract management, etc. The Consortium Executive Committee will also meet periodically to look at enhancements.

From a tax data perspective, as sales taxes change due to the passage of new laws, each jurisdiction is responsible for updating their local tax information. A detailed user agreement has been put in place for self-collecting jurisdictions, and users will be held harmless for incorrect data as DOR has certified TTR as an official "source-of-truth" database of sales and use tax information. DOR will make administrative changes for tax changes at the state level.

From a user point of view, DOR will maintain a “Tier-1” call center to handle simple user questions and help them get on the system. The vendors will be supporting “Tier-2” level issues around the software and technology.

From a cost position, the state has contractual payments due to vendors and the costs of call centers and product management which are captured in decision items yearly. When legislation changes the imposition of sales and use tax rates or exemptions, DOR fiscal notes will request funding for changes needed in the SUTS system and the state tax administration system (GenTax).

### Stakeholder Engagement & Governance

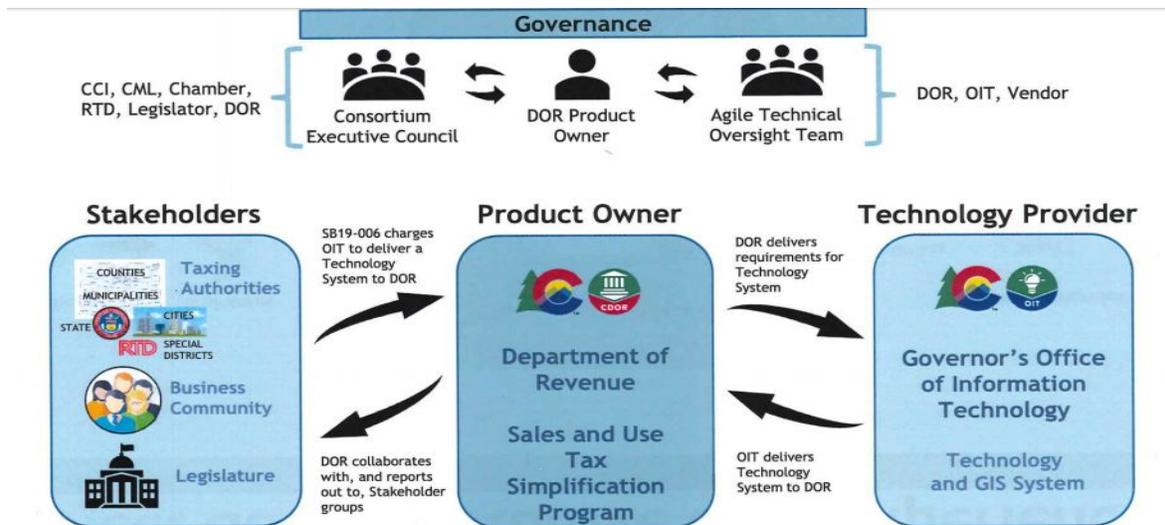
From inception, SUTS was a collaborative effort. The Sales & Use Tax Task Force was made up of representatives from government and business, as were the many associations that came together to create the initial specification for what was needed.

The plan from the beginning was to not build it in a state silo, but rather engage the stakeholders in every phase to build it together. The concept of a Consortium was formed. The largest group in the Consortium was open to the public and invited all the stakeholders, where hundreds had input and were kept involved along the way for feedback at key moments of development, but a smaller group, a Consortium Executive Committee, was set up to meet more frequently and guide the project at critical decision points.

Additional subsets included a selection committee to review and select the vendors that would best meet their needs, and a technical committee with those having particularly deep technical knowledge, who helped in the specification and scope of software creation.

Lastly, a Governance Committee meets monthly to review progress and next steps and anything that affects scope, budget or resources.

Details of the Consortium, including members of the Executive Committee, can be found in Appendix A below.





## ***Feedback from Representatives of the Consortium Executive Council***

- *"Since its inception in 2017, the Sales and Use Tax Simplification Task Force, in collaboration with the Joint Technology Committee, has been working towards the day when Colorado would have a centralized sales tax collection system between state and local governments; that day is here and the SUTS system has surpassed our expectations. CDOR/OIT created a stakeholder consortium of local jurisdictions and businesses to successfully build technology to meet the needs of a 21st century state government." - State Senator Jack Tate, General Assembly, Joint Technology Committee representative.*
- *"We appreciate the work that DOR has put into making this goal a reality. We appreciate the work of lawmakers and opportunity to participate in the conversation and take an active role in the selection process." - Dave Davia, Vice President and CEO of the Colorado Association of Mechanical and Plumbing Contractors (CAMPC), Chairman and representative from Simplify Colorado Sales Tax Coalition.*
- *"I am truly amazed by the level of cooperation and focus on delivering a solution that not only simplifies sales and use tax filings in Colorado but also meets the needs of government and businesses. The SUTS team was truly impressive in the way they mobilized resources quickly to deliver a sales and use tax filing system that provides significant benefit to all users." - Ezequiel Vasquez, Revenue Manager, City of Arvada, representative from Colorado Municipal League.*
- *"The Executive Council gave us a chance to see all sides of sales and use tax, the good and the bad. The feedback and collaboration from all sides of sales and use tax gave us a chance to create a system that works for all parties involved with sales and use tax." - Ray Baca, Sales and Use Tax Analyst, El Paso County, representative from Colorado Counties, Inc.*
- *"The development of the Sales and Use Tax System has been a well-organized and thought-out process. The opportunity for all stakeholders, including the businesses of Colorado, to be deeply involved in this process has been extremely beneficial and has allowed for a well-considered product set up for success. The Department has listened and considered the thoughts and concerns of all involved in the process." - Ashley Granger, CPA, Manager, State and Local Tax, Rubin Brown, representative from Colorado Chamber of Commerce.*

## APPENDIX A: THE CONSORTIUM

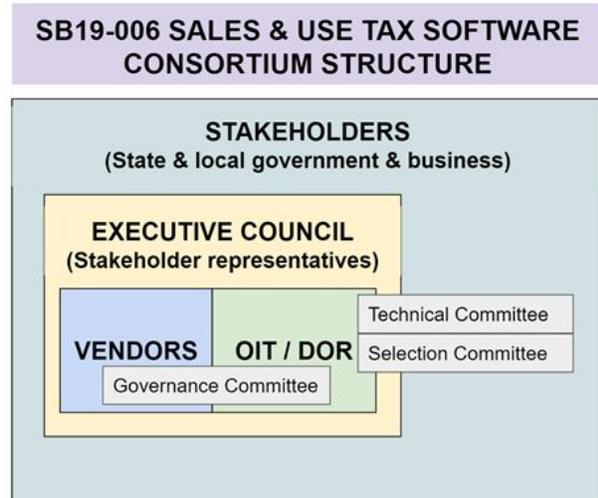
**Stakeholders Consortium:** General stakeholder input was solicited for those who would interface with the SUTS software to ensure a human-centered design. They assisted with the scope of work on the remittance software and convened several times to review the scope of the work on the GIS software side. An Agile approach was used to solicit input and gather information in the form of user stories. Businesses and local taxing jurisdictions were asked to provide examples of their current operation for collecting sales taxes and to describe obstacles or barriers they would like to see removed or beneficial features added to the new system.

Most common feedback from user needs included:

- Search for tax rate and location code by address
- View map of jurisdictional boundaries
- Upload multiple addresses for batch searches
- Download data sets
- Provide specific reports; contact information, trending data, etc.

**Consortium Executive Council:** The Consortium Executive Council was created to provide perspective from stakeholders who are currently operating within the boundaries of multiple taxing jurisdictions. Their role is to deliberate on direction, prioritization, and strategic input on issues that affect both taxing authorities and the business customer. The Council has representatives from the General Assembly, Colorado counties, Home Rule jurisdictions, special districts, business organizations, and included the [following members](#), to whom we owe a great deal of appreciation and gratitude:

- General Assembly: Senator Jack Tate, Joint Technology Committee
- Counties and Commissioners Acting Together: Ramona Farineau, CFO, Boulder County
- Colorado Chamber of Commerce: Ashley Granger, CPA Manager, RubinBrown
- Special District Association: Heather McKillop, CFO, Regional Transportation District
- Colorado Counties, Inc: Breanna Paderewski-Vice, Senior Budget Analyst, Douglas County, and Ray Baca, Sales and Use Tax Analyst, El Paso County
- Colorado Municipal League: Heather Pezella, Revenue Services Manager, Town of Breckenridge, and Ezequiel Vasquez, Revenue Manager, City of Arvada
- Simplify Colorado Sales Tax Coalition: Lee Nelson, Assistant Controller, American Furniture Warehouse





## **APPENDIX B: SUTS VENDORS**



MuniRevs: MUNIRevs provides the easiest way for jurisdictions to collect, and businesses to remit, sales and other taxes. Over 50,000 businesses utilize MUNIRevs to remit taxes, manage licenses and ensure compliance with jurisdiction requirements. Founded in 2011, the MUNIRevs team provides expertise and nimble software solutions to jurisdictions for sales tax, licensing and permitting. MUNIRevs has automated the delivery of over \$1 billion in tax revenues to jurisdictions throughout the United States. To learn more, visit [www.munirevs.com](http://www.munirevs.com).



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