

Issue Brief – Tax System Modernization

NUMBER TAX 08-06

SUMMARY

The Tax Commission is in the process of modernizing its computer systems. By the time the project is finished, it is expected to have cost approximately \$28 million dollars, with \$18 million in direct appropriations from the Legislature. The breakdown of the funding sources by the time the project is finished is shown in in the charts to the right.

ISSUES AND RECOMMENDATIONS

Tax System Modernization

To date, the Tax Commission has received \$12 million in direct appropriations (\$7 million General Fund, \$5 million Uniform School Fund). The Tax Commission has also used \$1.8 million in nonlapsing funds.

It is estimated that approximately 28% of the total project deals with Income Tax; 32% deals with Corporate Tax/Withholding; 29% deals with the Sales Tax (General Fund and Local split); and 11% deals with the Fuels Taxes.

If all goes as planned, the Tax Commission is estimating that this year’s request of \$6 million will be the last request for this project. The remainder of the funding will come from nonlapsing balances and redirection of funds from the IT mainframe upkeep. The Tax Commission is assigning existing staff to work with system developers to ensure Utah laws are accurately applied to the new system. In addition, the Tax Commission is developing new audit and discovery capability into the new system. Overall, it is currently estimated that the project is coming in about \$2 million under budget, at \$28 million.

ANALYST RECOMMENDATION

The Analyst recommends the following funding be placed on a priority list for FY 2009:

1. a. One-time \$2.1 million from the Uniform School Fund
- b. One-time \$3.9 million in Sales & Use Tax Administration Fees
- c. Direct the Tax Commission to report during the interim regarding the progress of this project
2. Should the Legislature wish to wait on funding this project with Uniform School Fund or the General Fund, the Tax Commission would use nonlapsing balances, redirection of funding, and Sales & Use Tax Administration Fees to cover the costs associated with this project for FY 2009.

If the Legislature chooses to wait on funding this request, the Analyst recommends:

- a. Prioritizing \$3.9 million in Sales & Use Tax Administration Fees for FY 2009.

