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0307 Committee on State Tax Policy

*Report to the Colorado General Assembly:*

**RECOMMENDATIONS FOR 1987  
COMMITTEE ON:**

**State Tax Policy**



**COLORADO LEGISLATIVE COUNCIL**

**RESEARCH PUBLICATION NO. 307  
December, 1986**

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Between sessions, the interim legislative committees concentrate on specific study assignments approved by resolution of the General Assembly or directed by the council. Committee documents, data, and reports are prepared with the aid of the council's professional staff.

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COLORADO LEGISLATIVE COUNCIL  
RECOMMENDATIONS FOR 1987

COMMITTEE ON:  
STATE TAX POLICY

Legislative Council  
Report to the  
Colorado General Assembly

Research Publication No. 307  
December, 1986

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To Members of the Fifty-sixth Colorado General Assembly:

Submitted herewith is the final report of the Committee on Tax Policy. The committee was appointed by the Legislative Council pursuant to House Joint Resolution No. 1025, 1985 session.

At its meeting of October 15, the Legislative Council reviewed the report and recommendations of the Committee on Tax Policy. Fourteen bills were recommended by the committee. The Legislative Council did not approve three proposed bills -- a bill to provide for the expansion of the sales tax base to include services, a bill to provide for the attachment of the sales tax at the point of sale, and a bill establishing a flat rate of taxation for the personal income tax. These three bills are not included in this report but are on file in the Legislative Council Office or Legislative Drafting Office for review by any interested person. With the exception of these three bills, the Legislative Council approved a motion to forward the committee's recommendations to the Fifty-sixth General Assembly.

Respectfully submitted,

/s/ Representative Carl B. "Bev" Bledsoe  
Chairman  
Colorado Legislative Council

CB/bo

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LEGISLATIVE COUNCIL  
COMMITTEE ON TAX POLICY

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Sen. Les Fowler, Committee Vice-Chairman and Chair, Property Tax Subcommittee	Rep. JoAnn Groff
Sen. Polly Baca	Rep. Tony Hernandez
Sen. Jim Brandon	Rep. Betty Neale, Chair, Sales Tax Subcommittee
Sen. Jim Lee	Rep. Chris Paulson, Chair, Income Tax Subcommittee
Sen. James Rizzuto	

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## SUMMARY OF RECOMMENDATIONS

The Committee on Tax Policy was created by House Joint Resolution No. 1025, 1985 session, to examine the corporate and individual income taxes; sales and use taxes, and all other excise taxes; local government taxes, mill levy and debt limits; and any other state and local revenue sources deemed appropriate to consider. The study resolution directed an evaluation of the rate, base, incidence and relative stability of each tax, as well as the efficiency and equity of the administration of each tax. The committee was authorized to identify problems with current tax policies, develop recommended solutions, and prepare legislation to implement such recommendations.

In addition, the fiscal year study directed by Senate Bill 112, 1986 session, was assigned to the Committee on Tax Policy by the Legislative Council. The purpose of this study was to determine whether the same fiscal year should be implemented for the state and school districts. In addressing this issue, the committee was instructed to examine the feasibility of changing: (1) the school district fiscal year to conform to the current state fiscal year; (2) the state fiscal year to conform to the current local government fiscal year; (3) all state and local fiscal years to conform to the current federal fiscal year; and (4) the current property tax assessment and levy calendar.

The committee met six times to complete its charges. Two hearings were devoted to the fiscal year study. The entire committee participated in discussions on this issue. However, in order to accord state tax policy issues sufficient time for a complete examination, the committee was divided into the following three subcommittees: income tax, sales and use tax, and property tax. The income tax subcommittee consisted of Senators Lee and Baca and Representatives Paulson and T. Hernandez; Representatives Neale and Groff and Senator Rizzuto made up the sales tax subcommittee; and the property tax subcommittee was comprised of Senators Fowler and Brandon and Representative Berry. Each of the subcommittees held meetings at which interested persons were encouraged to participate and submit suggestions for a more equitable and streamlined tax system. As a result of these meetings, each subcommittee recommended legislation to the full committee. All recommendations for legislation were approved at a meeting of the entire Committee on Tax Policy.

The Committee on Tax Policy recommends fourteen bills for consideration during the 1987 legislative session: twelve bills relating to property taxation, one concerning sales and use taxation, and one bill relating to the state fiscal year. These bills are summarized on the following pages.

## Property Taxation

Bill 1 deletes the requirement that, beginning January 1, 1987, the actual value of producing mines will be determined according to a specified year's level of value and the manuals and associated data published by the administrator for that year. Effectively, this provision would have required the use of the base year level of value in establishing actual value. This bill provides that the valuation for assessment of producing mines will continue to be determined solely as provided in article 6 of title 39, C.R.S.

Bill 2 removes production from oil and gas leaseholds and lands from the list of classes of property for which actual value will be determined according to a base year level of value effective January 1, 1987. The bill directs that the assessed valuation be computed for both current year (section 39-7-102) and base year levels of value. If the assessed valuation is greater for the base year level of value, the assessed valuation for the current year would be subtracted from the assessed valuation for the base year. Fifty percent of the resulting figure would be added to the valuation for assessment computed by the current year level of value method. This procedure would be operational for the years 1987 and 1988 -- the two years for which the 1985 base year is in effect. For the property tax year beginning January 1, 1989 and all subsequent years, the assessed value of oil and gas will be determined solely by current year level of value (section 39-7-102, C.R.S.).

Bill 3 repeals sections 37-87-116 through 121, section 39-1-104 (6), (13), and (14), section 39-1-103 (7), and section 39-5-105 (2) and (3). Each of these sections either provides for an assessment rate different from the constitution or requires approaches for determining value that are not consistent with the constitutional approaches.

Section 37-87-116 allows a property owner who forms a reservoir upon his own land a reduction in the valuation for assessment of \$40 for each acre-foot of storage capacity. The total reduction cannot exceed 25 percent of the valuation for assessment of the landowner's property. Sections 37-87-117 through 121 specify the requirements which must be met to qualify for the tax reduction.

Section 39-1-104 (6) defines "alternative energy device" and provides that the installation of such a device shall not cause an increase in the valuation for assessment through 1989. Section 39-1-104 (13) and (14) directs that plants producing gasohol be assessed at rates other than the constitutional 29 percent. Section 39-1-103 (7) states that up to four acres of open space residential property can be valued at 50 percent of its actual value and an additional 30 acres can be valued at 25 percent of its actual value. Finally, section 39-5-105 (2) and (3) permits the deferral for five

years of any increase in actual value due to the remodeling or renovation of a 30-year-old residential or commercial structure.

Bill 4 amends two sections of the statutes that currently conflict with the constitution. The valuation for assessment of federal lands used for recreational purposes is amended to be 29 percent of the actual value determined by the three approaches to appraisal contained in the constitution -- cost, market, and income. Section 39-1-104 (1) is amended to clarify that the valuation for assessment of taxable property is 29 percent of the actual value, except for residential real property, producing mines, and lands or leaseholds producing oil or gas. Current law provides that the valuation for assessment be based on 30 percent of actual value.

Bill 5 permits the person awarded the contract for the valuation for assessment study access to all personal property schedules and accompanying exhibits or statements, and any other document in the custody of a county assessor or the property tax administrator, including statements submitted by public utility companies. The bill ensures that the penalty for divulging confidential information (fine between \$100 and \$500, up to three months imprisonment, or both) would apply to the contractor.

Bill 6 provides the framework for amending the method of computing the assessed value of residential property if such a change is necessary to comply with the provisions of the constitution. Article X, section 3 of the constitution directs the General Assembly, in years in which a reappraisal occurs, to adjust the ratio of valuation for assessment for residential real property to ensure that the percentage of the aggregate statewide valuation for assessment attributable to residential real property remains the same as it was in the year immediately preceding the year of reappraisal. Currently, residential real property is valued for assessment at 21 percent of its actual value.

Bill 7 allows the assessor to determine the actual value of a person's taxable personal property if the assessor discovers that a person has failed to make a full and complete disclosure of such property. In these circumstances, the assessor is to impose a penalty in an amount up to 25 percent of the valuation for assessment. "Failure to make a full and complete disclosure" means including in a schedule any information concerning property which is false, erroneous, or misleading, or failure to include in a schedule any taxable property owned by the taxpayer. The bill also specifies that any person subject to a penalty will have the right to pursue administrative remedies available under the property tax statutes.

Bill 8 amends three sections of the statutes so that the language in all sections of the law relating to valuations that are excluded from the total valuation for assessment to compute the limitation on property tax levies is consistent. All statutes would now exclude the following increases in assessed valuations during the preceding year:

- 1) annexation or inclusion of additional land, the improvements thereon, and personal property connected therewith;
- 2) new construction and personal property connected therewith;
- 3) increased volume of production by a producing mine if said mine is wholly or partially within the taxing entity and if such increase in volume of production causes an increase in the level of services provided by the taxing entity; and
- 4) previously legally exempt federal property which becomes taxable if such property causes an increase in the level of services provided by the taxing entity.

In addition, Bill 8 amends a provision included in House Bill 1003, 1986 session, to ensure that all internal statutory references to section 29-1-301 (the 6 percent limitation on property taxes) include reference to section 29-1-301.1 (the 5.5 percent limitation in effect for 1988 collections). The bill also replaces the term "taxing district" with the term "taxing entity" so that a single term is used to refer to any body politic subject to the revenue-raising limitation.

Bill 9 corrects an anomaly which occurred as a result of House Bill 1003's adoption. As the law is currently written, boards of county commissioners are to set the property tax levy for taxing entities located in the county on November 15. However, taxing entities are not required to certify the amount of funds needed until December 15.

Bill 9 amends section 39-5-128 to require a taxing entity to certify its levy to the county commissioners by December 1, unless an election for an increased property tax levy will be held. Section 39-1-111 is amended so that the board of county commissioners levies taxes for taxing entities within the county by December 10. In those instances where an election to increase the property tax levy is planned, the taxing entity must certify the levy by December 15. Additionally, House Bill 1003 contained a provision directing the assessor to inform the secretary of each school district of the total valuation for assessment of the district by September 15. Thus, Bill 9 repeals section 39-5-128 (2) which directs the assessor to perform the same function by October 1.

A number of taxing entities have statutory dates for certification of mill levies different from the December 1 date contained in section 39-5-128. Bill 9 amends the law of these taxing entities to conform to the provisions of section 39-5-128. The mill levy certification date of the following taxing entities is affected by this bill:

- school districts (section 22-40-102 (1))
- junior college districts (section 23-71-402 (1))
- municipal public improvement districts (section 31-25-613)
- the Regional Transportation District (section 32-9-120 (3))
- urban drainage and flood control districts (section 32-11-217 (1) (c) (I))
- soil conservation districts (section 35-70-111)
- conservancy districts (section 37-5-102 (1))
- the Grand Junction Drainage District (section 37-31-141)
- water conservancy districts (section 37-45-122 (3))
- the Southwest Water Conservation District (section 37-47-109 (1) (b))
- the Rio Grande Water Conservation District (sections 37-48-107 (2) and 145 (1))

Bill 10 conforms the publication requirements for notice of an election to increase the mill levy above the statutory limitation to the requirements for notice of a public hearing to adopt the public disclosure provisions or to raise revenues for capital expenditures. The bill requires that notice be published in the newspaper having the largest paid circulation in the taxing entity which is within or nearest to the taxing entity holding the election. Current law stipulates that the notice be in a newspaper published in the taxing district.

Bill 11 corrects inconsistencies in language in part 3 of article 1 of title 29, C.R.S. The bill substitutes the term "taxing entity" for the terms "taxing authority" and "taxing districts" so that a single term is used to refer to any body politic subject to the revenue-raising limitation.

Bill 12 establishes May 1 as the deadline by which a special district must notify the assessor and county commissioners of any change in the district's boundaries in order for the special district to levy a tax on property which is within the district due to the boundary change.

## Sales Tax

Bill 13. With the major exception of food sold for off-premise consumption, this bill would eliminate many of the exemptions to the state sales tax that have been granted over a number of years. The bill also provides that the state sales tax and the maximum local sales tax rates would be reduced to correspond with the additional collections anticipated under the broader base. The state rate is set in the bill at 2.8 percent and the maximum local rate would be 6.8 percent instead of the present 7.0 percent.

Some of the other existing exemptions would be retained, including sales to governmental entities and to charitable organizations. Selected items subject to another tax, e.g., cigarettes and gasoline, would continue to be exempted. The exemption for the sales tax on general aviation fuel is not repealed because the state constitution provides that such taxes shall be used exclusively for aviation purposes (Article X, Section 18). The judgment of the committee was that the exemption for food for off-premise consumption should continue because it is still an issue that creates emotional responses too great to expect that it could be changed, even with a resulting lower rate.

A significant change is recommended for the definition of food to simplify sales tax collections, reduce problems of computation of the tax at check-out counters, and resolve a problem with the federal food stamp program. The committee recommends adoption of the federal definition of food for use by the state and all counties and municipalities, both home rule and statutory. The federal definition is broader than that of the state, and use of the federal definition would exempt some further items -- ice, candy, chewing gum, soft drinks, distilled water, for examples. However, the uniformity provided would make the calculation of the appropriate sales tax easier in several respects. Food items taxable frequently differ between cities and the state making it difficult to calculate the correct rate on grocery purchases. A common definition would simplify the calculations at the check-out counters.

Use of the federal definition would also eliminate a problem of conformance with the federal food stamp program. Federal law now provides that state or local governments may not collect sales taxes on purchases made with food stamps (P.L. 99-198). Colorado has been granted an extension for compliance until October 1, 1987, after which the state and local entities will be required to eliminate the sales tax on food stamp purchases for items defined as food in federal law.



## State Fiscal Year

Bill 14 establishes a transitional state fiscal year to begin on July 1, 1988 and end on December 31, 1988. The first full fiscal year to coincide with the calendar year would start on January 1, 1989. All agency budget requests for both the transitional fiscal year and the fiscal year beginning January 1, 1989 would be submitted to the Joint Budget Committee by November 1, 1987. In conjunction with these provisions, Bill 14 repeals Senate Bill 112, 1986 session, which provided that the state fiscal year be the calendar year, effective January 1, 1988.

The following requirements relating to the transitional fiscal year are contained in the bill.

- All postaudits of financial transactions and accounts required to be performed by the state auditor are to be conducted for the transitional fiscal year.
- Any statute that requires an annual audit is to be construed to require an audit for the transitional fiscal year, with the exception of the annual performance audit of the design, methodology, procedures, and application of data regarding the annual salary and fringe benefits survey.
- Any statute that requires the submission of an annual report is to be construed to require such a report for the transitional fiscal year. However, a separate report need not be submitted if the information is included in a regular annual report.
- All required reports are to be submitted within the same period of time following the close of the transitional fiscal year as is required for the filing of such reports following a full fiscal year, if such a requirement exists.
- Any statute which requires the filing of a report on a quarterly basis is to be construed to require such report on a three-month basis during the transitional fiscal year.
- Whenever any statute makes a continuing appropriation of a specified sum of money for each fiscal year, the statute is to be construed to appropriate one-half of the amount for the transitional fiscal year.

In addition, the bill directs that if there are any conflicts between the provisions of the law concerning the transitional fiscal year and other provisions of the law referring to the state fiscal year, the transitional fiscal year provisions will prevail. The aforementioned provisions relating to the transitional fiscal year would be repealed, effective January 1, 1989.

Bill 14 also amends various sections of the law to address specific issues during the transitional fiscal year. An overview of these amendments follows.

Restriction on state appropriations. Current law limits the increase in state general fund appropriations to 7 percent over the previous year's appropriation. The bill specifies that the base for calculating the maximum general fund appropriation for the six-month fiscal year beginning July 1, 1988 will be one-half the fiscal year 1987-88 appropriation. For the fiscal year beginning January 1, 1989, state general fund appropriations would be limited to an increase of 3.5 percent over the transitional fiscal year appropriation multiplied by two. Five percent of general fund appropriations for the transitional fiscal year would be retained as a reserve.

Salary and fringe benefits surveys. The bill states that a separate salary and fringe benefits survey shall not be required for the transitional fiscal year. The salary and fringe benefit recommendations transmitted to the General Assembly by February 15, 1988, would take effect January 1, 1989.

Transfers for capital construction and water. When the General Assembly enacted House Bill 1340 in 1986, it directed that certain sums of money be transferred into the Capital Construction Fund, the Water Conservation Board Construction Fund, and the Colorado Water Resources and Power Development Authority. The schedule below indicates the amount of money and the date on which the money is to be transferred.

<u>Date</u>	<u>Capital Construction Fund</u>	<u>Water 1/</u>
July 1, 1988	\$15 million	\$15 million
July 1, 1989	\$15 million	\$15 million
July 1, 1990	\$25 million	\$25 million

Bill 14 amends this schedule as follows:

<u>Date</u>	<u>Capital Construction Fund</u>	<u>Water 1/</u>
July 1, 1988	\$ 7.5 million	\$ 7.5 million
January 1, 1989	\$15.0 million	\$15.0 million
January 1, 1990	\$20.0 million	\$20.0 million
January 1, 1991	\$12.5 million	\$12.5 million

1/ Allocated 50 percent to Water Conservation Board Construction Fund and 50 percent to the Colorado Water Resources and Power Development Authority.

Sales tax diversion to the HUTF. The bill specifies that the sales and use tax diversion to the Highway Users Tax Fund (HUTF) cannot exceed \$25 million during the transitional fiscal year beginning July 1, 1988.

Limitation on expenditures from HUTF. Current law provides that the General Assembly cannot make any annual appropriations or statutory distribution from the HUTF in a total amount which is:

- 1) more than 23 percent of the net revenue of the fund for the prior fiscal year; or
- 2) more than a 7 percent increase over the appropriation for the prior fiscal year.

In order to accommodate a six-month fiscal year, the base from which the maximum appropriation and appropriation increase is determined has been modified. For the fiscal year beginning July 1, 1988, the General Assembly will not be able to make any appropriation from the HUTF in a total amount which is:

- 1) more than 23 percent of one-half the net revenue of the fund for the 1987-88 fiscal year; or
- 2) more than a 7 percent increase over one-half the appropriation for the 1987-88 fiscal year.

In making its appropriation for fiscal year 1989, the General Assembly will be limited to 11.5 percent of two times the HUTF net revenue from the transitional fiscal year, or a 3.5 percent increase over two times the appropriation for the transitional fiscal year.

Miscellaneous. The bill amends a number of other statutory sections in a technical manner to adjust dollar amounts or percentage rates for the transitional fiscal year. Examples of changes affecting only the transitional fiscal year are listed below.

- Members of the population advisory council could not receive reimbursement in excess of \$600. Normally, the fiscal year reimbursement cannot exceed \$1,200.
- Expenditures from the land and water management fund would be limited to \$37,500, a reduction from the usual \$75,000.
- The limitation on the amount of the fee that can be collected from public utilities is changed from one-fifth of one percent of gross intrastate utility operating revenues to one-tenth of one percent.

## Committee Bills Not Approved by Legislative Council

Although the three bills summarized below are recommendations of the Committee on Tax Policy, the Legislative Council rejected these bills at its meeting on October 15, 1986. Copies of these bills are on file in the Legislative Council Office.

### Expansion of the Sales Tax Base to Include Services

A bill proposed by the committee recommended the extension of the state sales tax to most services, accompanied by a decrease in the sales tax rate to 2.3 percent. "Services" are defined as all activities engaged in for persons for a fee, retainer, commission, or other monetary charge, which involve predominately the performance of a service as distinguished from selling property. The broadness of this definition is intended to include all services, with the only exceptions being for services of an employee to his employer, services sold to governmental entities and to non-profit, charitable organizations, and services performed under warranty obligations to the extent there is no charge assessed. Statutory and home rule entities may also tax services provided that their definition of "services" is the same as that of the state.

### Sales Tax -- Point of Sale

The committee recommended a bill mandating the use of point of sale in determining the sales tax rate to be imposed. The bill is based on an Oklahoma law which defines point of sale transactions.

Special provisions are contained in the bill which define the point of sale in purchases made through telephone solicitation, sales made pursuant to written contract, sales subject to the Uniform Commercial Code, and sales in which the customer does and does not have the right to accept or reject delivery. Nothing in the bill affects the ability of municipalities to continue to collect sales tax revenues, to carry out their own audits, to utilize their own tax base and definitions, and to maintain their staffs.

### Income Tax

The Committee on Tax Policy submitted one bill concerning the Colorado income tax. It would establish a flat tax at a rate tentatively set at 5.2 percent for the Colorado personal income tax. This rate does not reflect any moneys estimated to accrue to the state as a result of federal income tax reform (i.e., revenue neutral). Adjustment of the rate could be made by the General Assembly depending on how it decides to handle the revenue impact on Colorado of federal income tax reform. The flat rate tax is submitted for reasons of tax code simplification and ease and cost of administration.

## PROPERTY TAXATION

### Background

Property taxes provide a significant source of revenue for Colorado school districts, counties, municipalities, and special and local improvement districts. In 1985, property taxes raised approximately \$1.8 billion in revenues for these entities. School districts received 61.3 percent of the total 1985 property tax revenue, while counties accounted for 22.6 percent, and municipalities and local and special districts received 16.1 percent.

While the property tax represents an important revenue source for local entities, it also accounts for a substantial portion of a Colorado taxpayer's total tax burden. The Division of Property Taxation presented figures to the committee indicating that 33 percent of the state and local taxes paid per capita in Colorado in 1984 were property taxes. In the period 1976 through 1984, property taxes increased 64.2 percent on an average per capita basis. In the same period, however, the property tax burden per \$1,000 of income decreased almost 24 percent while per capita income more than doubled.

### Valuation of Property -- 1987 Reappraisal

The Colorado Constitution, through an amendment adopted by the people in 1982, sets forth certain requirements for the valuation for assessment of property for taxation purposes. Article X, section 3 of the constitution provides that the actual value of property subject to taxation be determined as prescribed by statute. The constitution does require, however, that actual value be determined by appropriate consideration of the cost, market and income approaches to appraisal. Specific constitutional provisions are included for residential and agricultural property. The actual value of residential real property is to be based solely on the cost and market approaches to appraisal. The actual value of agricultural lands is determined by consideration of the earning or productive capacity of the land capitalized at a rate prescribed by law.

Article X, section 3 of the constitution also requires that residential real property be valued for assessment at 21 percent of actual value. The constitution contains a caveat to this provision. The General Assembly must ensure that the percentage of the aggregate statewide valuation for assessment attributable to residential property remains the same as it was the year preceding a reappraisal. In order to maintain this percentage, the General Assembly is directed to adjust the ratio of valuation for assessment for residential property in years in which there is a change in the level of value used for determining actual value, if such a change is necessary to comply with the constitution. With the exception of oil and gas and

producing mines, other taxable property is to be valued for assessment at 29 percent of its actual value.

The constitution requires that the valuation for assessment for producing mines and lands or leaseholds producing oil or gas be a portion of the actual annual or actual average annual production, based upon the value of the unprocessed material. "Producing mines" and "lands or leaseholds producing oil or gas" are defined by statute. The percentage of the production used to calculate the assessed value is also prescribed by law according to the different types of minerals.

Determination of actual value. The use of base year for determining actual value is a statutory enactment. Section 39-1-103 (5) (e), C.R.S., provides that "all real and personal property shall be appraised and the actual value thereof for property tax purposes be determined by the assessor of the county wherein such property is located. Section 39-1-104, C.R.S., specifies the methods by which assessors are to determine the actual value of property. Subsection (10) (a) of this section states:

(10) (a) For the years 1983 through 1986, the 1977 level of value and the manuals and associated data published for the year 1977 by the administrator and approved by the advisory committee to the administrator shall be utilized for determining actual value of real property in any county of the state as reflected in the abstract of assessment for each such year.

The base year is the year for which the property tax administrator is required to publish manuals and associated data. "Level of value" means the actual value of taxable real property for the calendar year immediately preceding the base year. Thus, in conformance with section 39-1-104 (10) (a), C.R.S., most real property is currently valued using a 1977 base year.

The use of the 1977 base year in determining valuation for assessment does not currently apply to certain classes of real property. These exemptions are listed in section 39-1-104 (12), C.R.S. For these properties not tied to the 1977 base, there are specific statutory provisions governing the calculation of assessed value. For example, producing mines and oil and gas lands or leaseholds are assessed based on current year level of value according to sections 39-6-106 and 39-7-102, C.R.S., respectively. The actual value of public utilities is determined by applying an equalization factor to adjust the actual value for the current year of assessment to the level of value in 1981.

Change in base year. During 1987, a reappraisal will occur and the base year for determining actual value of most property will change from the 1977 level of value currently utilized to the 1985 level of value. Section 39-1-104 (10) (b), C.R.S., provides that:

(10) (b) During the years 1983 through 1986, in preparation for implementation in the year 1987, the respective assessors shall conduct revaluations of all taxable real property utilizing the 1985 level of value and the manuals and associated data published for the year 1985 by the administrator and approved by the advisory committee to the administrator.

Section 39-1-104 (10.1) (a), C.R.S., provides for continuing two-year reassessment cycles.

(10.1) (a) Beginning with the property tax year which commences January 1, 1987, a reassessment cycle shall be instituted with each cycle consisting of two full calendar years. At the beginning of each reassessment cycle, the base year and level of value to be used during the reassessment cycle in the determination of actual value of real property in any county of the state as reflected in the abstract of assessment for each year in the reassessment cycle shall advance by two years over what was used in the previous reassessment cycle; except that the base year and the level of value to be used for the years 1987 and 1988 shall advance by eight years over what was used for the years 1983 through 1986, so that for the years 1987 and 1988 the 1985 level of value is used.

In conjunction with the reappraisal, effective January 1, 1987, section 39-1-104 (12), C.R.S., -- the section which exempted certain classes of real property from the application of the 1977 base year -- is repealed. According to section 39-1-104 (12.2), C.R.S., the base year level of value and the manuals and associated data published by the administrator for that base year will apply to the assessment of all classes of real property, including producing mines, oil and gas leaseholds and lands, the operating property and plants of public utilities, agricultural lands, and producing coal mines and other lands producing nonmetallic minerals.

#### Limitation on Property Tax Revenues -- House Bill 1003 (1986)

During the 1986 session, the General Assembly enacted House Bill 1003 relating to the limitation on property tax revenues. This law was enacted, in part, in anticipation of the increased assessed valuations resulting from the upcoming reappraisal in 1987.

Presently, the state's counties, municipalities (excluding home rule cities) and special districts are limited by law to an increase of 7 percent over the prior year's property tax revenues. House Bill 1003 amended this limitation, providing for a 5.5 percent increase for property taxes levied in 1987 and collected in 1988, and a 6 percent increase for taxes levied in 1988 and thereafter. Home rule cities are subject to the 5.5 percent limitation for the 1987 tax year. House Bill 1003 also replaced certain mill levy limitations, including

those for school district capital reserve and self-insurance funds, with the revenue-raising limitation. It should be noted that school district property taxes levied for operating purposes are not subject to these limitations.

House Bill 1003 excluded certain increases in assessed value during the preceding year when calculating the total assessed value for determining the amount of property taxes that can be raised under the limitation. These include:

- annexation or inclusion of additional land and related improvements and personal property;
- new construction and related personal property;
- increased volume of production by a producing mine if an increase in local government services results; and
- the cessation of an exemption for federal property if an increase in local government services results.

Current provisions of law relating to the accumulation of levies allowed under the limitation but never imposed were also amended. Under House Bill 1003, no taxing entity will be permitted to carry into 1987 any property tax revenues that were not collected prior to the implementation of the 5.5 percent limitation. Any amount that is not actually raised from property taxes payable in 1988 and thereafter may be carried forward and raised in a subsequent year.

All taxing jurisdictions may exceed the revenue-raising limitation by a vote of the electorate. Special districts also have the option of appealing to the Division of Local Government for a determination of need to exceed the limitation. The ability of other taxing jurisdictions to apply to the division to exceed the limitation was deleted through House Bill 1003. Revenues may be raised in excess of the limitation without an election to make payments for bonds and interest, voter-approved contractual obligations, and capital expenditures.

#### Subcommittee Activities

The subcommittee appointed to address issues pertaining to property taxation focused attention primarily on the impact of the 1987 reappraisal. The effect of the reappraisal on property values will be different depending on geographical location and type of property. Because of changes in assessed value throughout the state, the reappraisal is also expected to change the proportion of revenues received from property taxes and state aid in many Colorado school districts. Testimony on these issues was presented to the subcommittee by representatives from the Division of Property Taxation, the Department of Education, mining and oil and gas industries, and county assessors.



The subcommittee was also interested in examining current property tax statutes, including the provisions of House Bill 1003, to identify conflicts, inconsistencies, or problems. Finally, representatives of the Task Force on Small Business Taxation addressed the subcommittee with respect to the property tax concerns of small businesses.

### Impact of 1987 Reappraisal

#### Effect by Geographical Area

Property values in all areas of the state are expected to increase during the 1987 reappraisal due to the periods of high inflation in the late 1970's and early 1980's. Estimates indicate that the statewide valuation for assessment could as much as double. It is also anticipated that the most pronounced increases in assessed value will occur in the urban front range counties.

Testimony by several county assessors from the Eastern Plains and Western Slope focused on the negative implications of the reappraisal on certain counties. The use of the 1985 base year will result in property being valued at an amount greater than its current actual value. This condition has been created by a continued decline in the economy of these regions of the state. A survey of county assessors revealed that the value of residential property in 28 counties is expected to be lower on July 1, 1986, than it was on January 1, 1985. County assessors in 12 counties reported estimated decreases in excess of 10 percent from January 1985 to July 1986. It was pointed out that property owners in these counties will be receiving notices of assessed valuation in which the property value is listed as higher than the price for which the property can be sold.

Assessors in these counties expressed concern about the inevitable results of the situation. In Mesa County alone, it was estimated that 15,000 appeals could be lodged relating to assessed valuation increases. Because the public does not fully comprehend all the elements of the property tax system, it is possible that increases in assessed valuation will be equated to a corresponding increase in property taxes. The number of appeals filed in such counties will place a strain on county assessors, their budgets, and county boards of equalization.

Concern was also expressed about the impact of the higher assessed valuations on the distribution of state school finance moneys. State school moneys are distributed under the provisions of the Public School Finance Act of 1973 (section 22-50-101 et seq., C.R.S.) based on a formula that considers assessed valuation per pupil. Because the assessed value using 1985 as a base year is higher than it otherwise might be, school districts in these counties may not receive as much state aid as they could with lower assessed valuations, increasing reliance on property tax revenues.

Current year level of value. A solution proposed to rectify problems encountered by these counties is to implement a current year level of value, rather than the 1985 base year level of value, for the 1987 reappraisal. Use of current year level of value would be more acceptable to property owners because they could better associate actual value with property value. The implementation of current year level of value would also ensure that school aid is distributed to districts based on an assessed value that more accurately reflects the condition of the district. Proponents of the base year contend, however, that the current two-year lag provides assessors with time to obtain data necessary to assess commercial property based on the income approach to appraisal. It was also noted that the actual value of residential property is not determined solely by the market approach, which compares market sales of similar properties, but also by the cost approach, which estimates the material and labor costs to replace the property.

Testimony indicated that the base year method of assessing property was initiated to mitigate the impact of inflation as well as to ensure that property was being uniformly valued throughout the state. Further, it was asserted that the use of a base year is not "just and equitable" if there have been changes in the economy which cause decreases in property values. A fair and equitable taxing system can be achieved only if there are no artificial restrictions, such as the base year, placed on the valuation for assessment process.

While the goal may be to eventually appraise property based on current year, the committee did not recommend legislation requiring use of current year level of value for the 1987 reappraisal. The aforementioned survey of county assessors revealed that in 36 counties, property could not be valued in 1987 using 1985-86 current market value. Of the major counties, only Arapahoe, Boulder, and Mesa counties indicated they could accomplish such a reappraisal. It was also explained that, although huge strides have been made in county computerization through the county assessment automation program (section 39-2-109.5, C.R.S.), several counties have yet to automate any portion of the assessment process.

The need for a campaign to educate the public about the reappraisal was stressed by the committee. While there is certainly a relationship between assessed value and property taxes, the relationship may not be proportional. A doubling of assessed value will not necessarily result in a doubling of property taxes. Committee members stressed the importance of teaching the public to disassociate the valuation for assessment process from the process of raising revenues through the property tax. Current law limits the growth in property tax revenues of cities, counties and special districts to a 5.5 percent increase in budget year 1988 over budget year 1987. A 6 percent limitation is mandated for budget years 1989 and thereafter. A property owner's property tax bill for governmental services will be influenced more by the change in assessed valuation of his parcel of property relative to the change in assessed value of

all other property in the taxing jurisdiction than by the actual increase in assessed value.

#### Impact on Assessed Value of Producing Mines and Oil and Gas

In 1983, the General Assembly enacted House Bill 1004 which provided in part that, effective January 1, 1987, the actual value of producing mines and oil and gas lands and leaseholds will be determined by using the income approach related to the base year in effect for other property. Presently, these classes of property are valued using production and average prices furnished by the property tax administrator for the preceding year.

The use of the 1985 base year would require the calculation of actual value utilizing 1984 price levels for property tax years 1987 and 1988. For producing mines, the actual value would be determined by the use of trending factors furnished to assessors by the administrator. The actual value of oil and gas lands and leaseholds will be calculated using the previous year's production at 1984 average prices. Once the actual value of each class of property is determined, the assessed value would be ascertained by applying the rates provided in section 39-6-106, C.R.S., (producing mines) and section 39-7-102, C.R.S., (oil and gas).

The Division of Property Taxation estimated that assessed values for producing mines could be 30 percent higher than they would have been under the current procedure due to trending to base year price levels. The assessed values for oil and gas will also be impacted by the law change due to 1984 price levels that are double the 1986 price levels. The committee was urged by representatives of oil and gas producers and producers of metalliferous minerals to recommend legislation amending the statutes relating to the valuation of property using the base year. Committee discussion on this issue focused on the effect of current year level of value versus base year level of value on the respective industry, the taxing jurisdiction, and other taxpayers in the jurisdiction.

Testimony to the committee indicated that the 1983 law which removed all exemptions to the use of the base year was intended to make the system equitable in that all property would be assessed in the same manner. The goal in administering the property tax law, as prescribed by the constitution, is to be fair and equitable. The issue is not whether assessed value is determined on a base year or a current year level of value, but whether the assessed value of all property is determined in the same manner. On the other hand, it was argued that use of a base year is a step backward in the assessment process for these classes of property if the goal is to eventually adopt the current year level of value for all property. Colorado was identified as the only state in the eight-state western region that utilizes a base year method of assessment for these minerals.

Witnesses expressed the view that it is particularly appropriate to determine the assessed value of these properties using current prices because of the influence of international factors on these commodities. The price levels for oil and gas and metalliferous minerals are not based on market demand that is restricted to Colorado but on a host of issues in the international arena.

With respect to the impact on local governments, industry representatives explained that use of the base year causes delays in local government access to property tax revenues in economic upswing years when the need for governmental services is at a premium. However, in those counties in which the assessed value from oil, gas, or minerals represents a large portion of total taxable assessed value, the use of current year level of value could result in a tax shift from mineral property to commercial and residential property. On the other hand, calculating assessed value on the 1985 base year simply delays the tax shift until 1989 and may cause producers to make production decisions in the present based on anticipated property tax levels. For example, most small oil producers pay property taxes from current year cash flow and they may not have enough cash for 1987 property taxes because of a decrease in prices and reductions of 20 to 40 percent in production.

Committee recommendations. The oil and gas industry representatives suggested industry and local governments share equally in the impact of the reassessment process. They proposed, and the committee recommends through Bill 2, that oil and gas be valued on current year level of value effective January 1, 1987, and that a transitional formula be applied to the assessment of oil and gas for the next two years. Under the transition formula, an adjustment of 50 percent of the differential between the assessed valuation for the current year level of value and the base year level of value would be added to the current year assessed value to determine assessed value.

With respect to producing mines, the committee recommends Bill 1 which directs that the valuation for assessment be determined solely by section 39-6-106, C.R.S., without regard to the base year.

#### Effect of Reappraisal on Distribution of State School Funds

School district general funds are comprised primarily of property tax revenues and state aid. The amount of funds generated from the property tax for a school district general fund is determined through the Public School Finance Act of 1973. The procedure contained in the act is very different than the method by which other jurisdictions that levy a property tax determine the mill levy. The mill levy for school districts is calculated by dividing the authorized revenue base (ARB) by the amount of money the state guarantees each district will be able to raise per mill per pupil (the state guarantee). Because the philosophy behind the act is to equalize the revenue-raising capability of a mill among school districts, school district property

tax revenues are not governed by the revenue-raising limitation contained in statute.

The assessed valuation of a district is a crucial factor in determining the proportion of a districts' revenues that will be generated from the property tax (local share) as opposed to those provided by the state (state share). The local share per mill per pupil is the amount that can be raised from the district's property tax base per mill divided by the number of pupils. The state share per mill per pupil is the number that results from subtracting the local share per mill per pupil from the state guarantee.

As mentioned earlier, the reappraisal is expected to effect geographical areas of the state differently. The Department of Education estimates that the overall statewide valuation for assessment will increase 85 percent, but valuations in the urban front range area could increase 150 percent. Because of the interaction of the various components of the school finance act, those districts with an assessed valuation that increases at a greater rate than the statewide average will lose state funds. Conversely, districts with assessed values that do not increase as much as the state average will gain funds.

With the estimates that the urban front range area will experience huge gains in assessed valuation, districts in this area will no longer be entitled to the proportion of state funds they have traditionally received. As a result of decreasing state aid, property taxes in front range districts will increase. The beneficiaries of this situation will be the rural areas of the state, where state aid will increase and property taxes decrease. Another consideration brought to the committee's attention was the projected increase in the number of students enrolled in Colorado schools. These increases in enrollment are occurring in front range school districts, the districts that will be negatively impacted by the shift in state aid to schools.

The department recommended that any solution addressing the problems of school finance created by the reappraisal encompass many of the factors involved in computing state aid and not just one element in the formula. The department suggested the following options to the committee: limit the authorized revenue base (ARB) increase; reevaluate the method of counting pupils to limit the growth in total program cost; resurrect the alternative minimum guarantee but base it on a different criterion; inject additional aid for schools; and average district assessed valuations for a transitional period.

The committee did not recommend legislation to amend the school finance act because of the uncertainty of the assessed valuation estimates. However, the committee asked that the department keep the members of the General Assembly apprised of the effect of the new assessed valuations on school districts as better data becomes available.

## Problems Identified with Property Tax Law

### Statutes in Conflict with the Constitution

The committee heard testimony concerning several current property tax laws that are inconsistent with the constitution. The statutes identified by the property tax administrator provide for assessment rates different from the constitution or require approaches for determining value other than those established by the constitution.

Reference was made to legislation recommended by a 1982 interim committee that had earmarked thirteen statutes for amendment or repeal pending passage of the constitutional amendment. The General Assembly has since repealed or amended four of those statutes. On August 9, 1983, the Attorney General rendered an opinion which provided that, to the extent the statutes are in conflict with the constitution, the constitutional provision prevails and the statute is repealed by implication. The opinion also stated that assessors should arrive at the valuation for assessment by consideration of the constitutionally required approaches to value. Based on this opinion, the property tax administrator no longer refers to the obsolete sections in the assessor's manuals and has advised assessors to disregard the conflicting statutes. The committee recommends the 1982 interim committee's recommendations for repealing or amending the statutes inconsistent with the constitution. These are addressed in Bills 3 and 4.

### Audit of Valuations for Assessment

In a related matter, it was suggested that the contractor who performs the valuation for assessment study have access to confidential records to audit property tax records accurately. Prior to the adoption of the constitutional amendment, the Division of Property Taxation performed this function and had access to these documents. Under current law the director of research of the Legislative Council is directed to contract with a private person for a valuation for assessment study. The contractor cannot access documents needed for the study without violating confidentiality laws. The committee recommends Bill 5 to eliminate this difficulty.

### Assessment of Residential Property

The committee addressed the administration of the Gallagher amendment to the state constitution (article X, section 3, Colo. Const.). The Gallagher amendment directs that the General Assembly maintain, in years in which a reappraisal occurs, the same relative proportion of assessed value between residential property and all other classes of property in the state as existed in the year preceding the reappraisal. Currently, residential property is valued for assessment at 21 percent of the actual value. Bill 6 provides the

framework for amending the method of computing the assessed value of residential property if such a change is necessary to comply with the provisions of the constitution. Estimates of assessed valuations were unavailable when the committee completed its work.

### Statutory Inconsistencies in House Bill 1003

Testimony revealed that House Bill 1003, 1986 session, contained inconsistent reporting dates for local governments to certify levies. Currently, the law requires county commissioners to levy taxes November 15, before taxing entities within the county certify their mill levies to the commissioners on December 15. Representatives of local governments suggested the date for the county to levy taxes should be December 10, and the date that mill levies are certified should be an earlier date. Also, about a month's time is required between the certification of mill levies and the distribution of tax bills on January 1. Therefore, local levies should be certified by December 1 so that counties may levy taxes by December 10 and mail tax bills as soon as possible after January 1. The committee recommends Bill 9 to coordinate the conflicting dates.

Technical changes. Two technical problems surfaced in House Bill 1003: (1) all the statutes which list valuations for assessment that are excluded from calculation of the revenue limitation do not contain the same language; and (2) certain cross references to the 5.5 percent revenue-raising limitation were omitted from House Bill 1003. Bill 8 makes statutory language uniform concerning the assessment exclusions from the calculation of the limitation on revenues and ensures cross references are made to the 5.5 percent limitations.

Other suggested technical changes to House Bill 1003 were to reinstate section 32-1-1103 (1) (a) (I), C.R.S., authorizing hospital districts specifically to levy property taxes for operating expenses. No bill was recommended because the authority was believed to be provided generally in section 32-1-1103 (1) (a) (I) (A), C.R.S. It was suggested that language be added to sections 32-1-202 (2) (b) and 32-1-301 (2) (d.1), C.R.S., specifying that a special district financing plan include the proposed operating revenue derived from the district for the first budget year during which property taxes are collected for operating purposes. The committee made no recommendation. Consistent language should also be used when referring to any body politic subject to the revenue-raising limitation for property tax levies. Bill 11 substitutes the term "taxing entity" for the terms "taxing district" and "taxing authority" in the relevant sections.

Newspaper publication requirements. Witnesses testified that section 29-1-302 (3), C.R.S., should be modified so that the public notice for a general or special election to grant an increased levy will be placed in the newspaper having the largest paid circulation in the taxing entity that is in or nearest to the taxing entity. The change would conform the newspaper publication requirements to those

specified in section 29-1-301 (1.2) (c), C.R.S. The committee recommends Bill 10 to clarify which newspaper may be used in advertising.

#### Reporting of Special District Boundary Changes

A problem surfaced concerning the reporting of special district boundary changes for tax purposes. Since no deadline currently exists for a special district to notify assessors of district inclusion, exclusion, or consolidation assessors believe that such changes must be reflected in an assessed valuation as late as December 31 for tax rolls generated January 1. This lack of a deadline causes administrative difficulties for assessors. Bill 12 establishes May 1 as a deadline for reporting such changes to the assessor and county commissioners.

#### Small Business Concerns Relating to Property Taxes

Representatives of the Task Force on Small Business Taxation reported their concerns relating to property taxation to the committee. The concerns and solutions they proposed are listed below.

- 1) The number of exceptions to the revenue-raising limitation for local governments dilutes its effectiveness. Routine exclusions should be eliminated.
- 2) The limitations on property tax increases currently exceed the inflation rate. The revenue limitation should be tied to the rate of inflation.
- 3) Mill levy limitations provide little protection to taxpayers in times of sharp increases in property values. The mill levy limits should be replaced by revenue limitations.
- 4) The accumulation of tax levies may have a significant negative effect on the taxpayer. The cumulative formula should be maintained but altered so that a cap is placed on the total accumulated levy.
- 5) Exceptions to the revenue limitations may be granted by a non-elected official who is not responsible to the electorate. If increases are granted by a governmental board, future revenue increases should be reduced accordingly. Alternatively, an elected official could be responsible for approving increases in excess of the limitation.
- 6) The increasing number of special districts that levy property taxes is creating additional complexity. Thus, the number of special districts should be reduced.



Other recommendations offered by the task force were to place oil and gas assessment on the current commodity price and not the base year price; to tie the rate of capitalization for assessing agricultural land to an indicator so that the rate can fluctuate with the economy and not require a statutory change for adjustment; to send notices of value to taxpayers at an earlier date to allow more time for the taxpayer to appeal an assessed value; to provide more detailed information regarding the assessment appeal process; to increase the penalty for non-filers and late-filers and establish penalties for underassessment; and to adopt zero-based budgeting for local governments.

Personal property. Members of the task force discussed the valuations for assessment of personal property. The assessed value of the same piece of personal property may be different among counties because each county selects the factor table it will use. An example was provided to the committee of \$105,000 of business furniture that, because of different factor tables, could be assessed at \$10,459 in Adams, Denver, and El Paso counties. However, in Arapahoe and Jefferson counties the assessed value could be \$11,430 and \$13,870, respectively. The task force suggested that assessors utilize a uniform statewide reporting format and establish well defined sets of assumptions and well defined descriptions of the various categories of property. These changes would provide statewide uniformity when determining the assessed value for a given piece of property. Uniform assessment could also help implement self-assessment procedures so that the property tax system can be more predictable and better understood by the taxpayer.

The property tax administrator informed the committee that the differences in life spans applied to assessed property between counties may be found in the quality of the property or the degree of care the property has received. The guidelines that are provided assessors allow them flexibility to adjust assessments for the care and quality the property has received.

Committee recommendation. Members of the committee informed the task force representatives that some of the concerns and recommendations suggested have been addressed by the General Assembly. For example, the number of exceptions to the revenue-raising limitation have been limited, mill levy limits have been replaced with revenue limitations in most instances, and the number of days special districts may hold a revenue-raising election have also been curtailed.

With respect to the task force's concerns relating to personal property, the committee directed the property tax administrator to review the procedures for assessing personal property to determine whether a more uniform statewide assessment process can be achieved.

The committee recommends Bill 7 which increases the penalty for non-filers and late-filers and establishes penalties for failure to make a full and complete disclosure of personal property for assessment purposes. The committee noted it was unable to act on other issues raised by the task force because of time constraints and the need for further examination before any recommendations can be made.

## SALES AND USE TAXES

As discussed in the summary of recommendations, issues of simplification and administration were principal concerns of the sales tax subcommittee. Three bills were submitted to the Legislative Council, but only one was approved for submission to the 1987 General Assembly. The two bills not approved would include services in the sales tax base, with a reduction in the rate, and provide for collection of the sales tax at point of sale, not at the point of delivery.

The reasoning underlying the recommendation that most exemptions be eliminated and the rate be reduced proportionately is covered in the committee recommendations. The list of exemptions is provided below, with a brief notation if retention of the exemption has been recommended. An important consideration of the committee was that these exemptions should be reviewed to determine the justification for continued exemption.

### Exemptions That Would Be Repealed

- drugs dispensed by prescription;
- insulin dispensed by a physician;
- glucose used for treatment in insulin reactions;
- urine and blood testing kits;
- hypodermic syringes and needles;
- prosthetic devices;
- wheelchairs and hospital beds;
- corrective eye glasses, contact lenses or hearing aids;
- therapeutic devices or appliances which are used to treat or correct a disability or when recommended by a doctor;
- lubricating oil used other than in motor vehicles;
- division of partnership assets according to their interest in the partnership;
- transfer of assets to a corporation in exchange for the corporation's outstanding stock;
- assets of shareholders or dissolution of professional corporations;
- distribution of a corporation's assets to its stockholders;
- transfer of assets from a parent corporation to a subsidiary;
- transfer of assets from a subsidiary to a parent corporation when the parent corporation owns at least 80 percent of the subsidiary;
- transfer of partnership interest;
- transfer in a reorganization;
- transfer of assets to a partnership for interest in the partnership;
- repossession of property by a chattel mortgage holder or foreclosure;

- transfer of assets between parent and subsidiary which are owned by the same shareholders;
- purchases of machinery or machine tools in excess of \$1,000 by a person engaged in manufacturing not to exceed \$500,000 per calendar year;
- bags or containers to a retail vendor of food which is to be furnished to a consumer;
- newspapers and preprinted newspaper supplements;
- newsprint and printer's ink;
- property purchased by a business for manufacture or compounding for sale;
- sales of electricity, coal, gas, fuel oil, coke or nuclear fuel for use in processing or manufacturing;
- refractory materials and carbon electrodes used to manufacture iron and steel;
- inorganic chemicals used in processing vanadium-uranium ores;
- property for use in food manufacturing when such property becomes part of a product or is unfit for further use;
- transfer of property to out-of-state vendee;
- property for testing, modification, and inspection if the ultimate use occurs outside the state;
- sales of motor vehicles to nonresidents purchased for use by nonresidents outside of Colorado;
- electricity, coal, wood, gas, fuel oil, or coke sold, but not for resale, to occupants or residents for light, heat, and power of a residence;
- sales in vending machines under 15 cents;
- new or used trailers, semitrailers, trucks, truck tractors, or truck bodies manufactured within this state when used in interstate commerce or outside Colorado, dealer delivery authorized;
- construction materials to railroads for construction and maintenance;
- electric-powered motor vehicles;
- aircraft used in interstate commerce;
- meals to employees which are considered part of their salary;
- any exchange of one vehicle for another if both are subject to licensing in Colorado;
- neat cattle, sheep, lambs, poultry, swine, goats, and mares and stallions for breeding;
- live fish for stocking;
- farm sales when the operation is being abandoned;
- livestock feed, seed, or orchard trees;
- straw and other bedding for livestock use;
- straw and other bedding used in the care of poultry;
- leases of personal property for three years or less if the tax is paid upon original acquisition;
- commodities and services to any occupant who is a permanent resident of a hotel under written agreement for occupancy of at least 30 consecutive days; and
- forty-eight percent of the purchase price of a factory built home.

### Exemptions That Would Not Be Repealed

- |  |                           |
|--|---------------------------|
| -- gasoline;                           | Items in the first group  |
| -- cigarettes;                         | are subject to other      |
| -- all commodities subject to use      | state taxes.              |
| taxes;                                 |                           |
| -- special fuel defined as diesel,     |                           |
| kerosene, liquified petroleum          |                           |
| gases, and natural gas;                |                           |
|  |                           |
| -- sales to the federal government,    | Governmental, charitable, |
| the state of Colorado, and its         | and non-profit educa-     |
| political subdivisions;                | tional institutions would |
| -- sales to charitable organizations;  | remain exempt.            |
| -- sales to nonprofit schools;         |                           |
| -- construction and building materials |                           |
| for use in building, altering, or      |                           |
| repairing structures used by the       |                           |
| federal government, the state of       |                           |
| Colorado or political subdivisions     |                           |
| thereof, charitable organizations,     |                           |
| and public schools;                    |                           |
|  |                           |
| -- retail sales within a distance of   | All adjoining states levy |
| 20 miles within the boundaries of      | a sales tax, so the       |
| this state to residents of             | provision is no longer    |
| adjoining states if the adjoining      | applicable.               |
| state has no sales tax;                |                           |
|  |                           |
| -- aviation fuel;                      | The Colorado Constitution |
|  | requires that any moneys  |
|  | raised from this source   |
|  | be used exclusively for   |
|  | aviation purposes.        |
|  |                           |
| -- food marketed for consumption as    | The food sales tax        |
| commonly sold by grocers.              | exemption would be        |
|  | continued under the bill  |
|  | as recommended.           |

The elimination and retention of the sales and use tax exemptions as outlined above would result in a net state revenue increase of \$39.6 million, enough to allow a rate reduction to 2.8 percent without a substantial revenue loss or gain to the state.

## INCOME TAX

House Joint Resolution 1025 (1985 session) directed the interim Committee on Tax Policy to examine the state's individual and corporate income tax structure, to evaluate the rates, base, incidence, and relative stability of each tax, and to consider the efficiency and equity of the administration of those taxes.

The second year of the Committee on Tax Policy provided a convenient forum for consideration of the impact on Colorado of the federal Tax Reform Act of 1986 (H.R. 3838). The changes to the federal income tax code contained in the act will increase the state's corporate and individual income tax receipts by virtue of how closely Colorado's state income tax liability is calculated from federal adjusted gross income. A study of the magnitude of increased state income tax revenues and the impact the bill's provisions will have on the state and its economy were the subject of several income tax subcommittee hearings and discussions in the full committee.

### Tax Reform Act of 1986 -- Background

The Senate Finance Committee cited three main goals in considering income tax reform -- simplification, fairness, and efficiency. Changes designed to reach these goals were also intended to increase taxpayer confidence in the system, reverse the erosion in the income tax base, and to decrease the influence of the tax code in economic decision-making. <sup>1/</sup> It should be noted that tax law changes will affect each taxpayer differently. Disagreements remain as to whether the desired goals will be achieved by the changes made to the federal tax code.

#### Simplification

In the context of simplification of the federal income tax, two elements have been frequently cited -- a reduction in the number of rate classes and the elimination or curtailment of many itemized deductions.

<sup>1/</sup> Discussion of the reasoning behind federal tax reform efforts and specific provisions of H.R. 3838 are based on Tax Reform Bill of 1986 -- Senate Finance Committee Report on H.R. 3838, Federal Tax Guide Reports, No. 33, Vol. 69, May 29, 1986; and Tax Reform Act of 1986 -- Law and Controlling Committee Reports, October 22, 1986, both published by Commerce Clearing House. References in text to "Senate committee" or "committee" in this section are to the Senate Finance Committee.

Current individual income tax law contains 14-15 brackets ranging from 11 to 50 percent. Upon full implementation in January, 1988, of the rate changes in H.R. 3838, there will be two brackets -- 15 and 28 percent. (There are transition brackets and rates for 1987.) An additional bracket of 33 percent is created to phase out the value of personal exemptions for incomes over \$89,650 for individuals and \$149,250 for joint returns.

It is estimated that these rate reductions, in conjunction with increases in the standard deduction and personal exemption, would eliminate approximately six million taxpayers from federal income tax rolls. (For a discussion of the changes made in personal exemption and standard deduction provisions, please see page 33.)

Many of the amendments made to the income tax code since its inception in 1913 were designed to legislate national social or economic policy by granting tax-preferred status to particular income classes, investments, or industries. Much of the congressional impetus behind tax reform was based on the perception that over the years the profusion of credits, exemptions, and exclusions has skewed investment incentives toward tax-avoidance strategies and away from activities that could be justified on more purely economic grounds. Another consequence of the narrowing of the tax base is that a greater tax burden may be placed on the income and activities that remain taxable.

By eliminating or reducing many of these provisions, Congress hopes to diminish use of the tax code as a means of sheltering income and to redirect income-sheltering efforts toward more economically productive activities. With these changes, the Senate Finance Committee has estimated that the number of taxpayers filing itemized returns will decline by one-third. Increases in the standard deduction and the personal exemption are designed, in part, to offset the loss of some of these tax-saving provisions. These changes are designed to simplify preparation and filing for some taxpayers, simplify the administration of the tax system, and expand the income tax base.

It should be kept in mind, however, that the tax code remains a very complex set of laws. Many of these complexities remain because they are necessary to accurately measure income in higher income brackets. Though the rules governing the five-year transition period over which various provisions of the new law are phased in complicate the tax code further, they were judged to be necessary to lessen the impact of rule changes on those who have structured their activities around the former tax code.

## Fairness

As expressed by the Senate Finance Committee, "it is difficult ... to find fairness in a tax system that allows some high-income individuals to pay lower rates of tax than other, less affluent individuals." <sup>2/</sup> The ability or willingness of a taxpayer to use the tax code to shelter income, according to the committee, has a direct relationship to overall taxpayer confidence in and compliance with the tax code. Disparities in that ability led the committee to state: "A primary goal of the committee is to provide a tax system that ensures that individuals with similar incomes pay similar amounts of tax." <sup>3/</sup>

Changes designed to increase the fairness of the tax system include: decreased overall rates and increases in the standard deduction and personal exemption (which significantly assist low-income wage earners), restrictions on the use of tax shelter losses (passive losses) to offset unrelated income, elimination of preferential treatment of capital gains, the reduction or elimination of various itemized deductions, and changes in the treatment of contributions to certain retirement plans and pension programs. Once again, overall rate reductions, coupled with increases in the standard deduction and the personal exemption, are designed to partially offset the loss of these provisions.

There is also a partial shift of income tax liability from individuals to corporations (including minimum tax provisions increased from 15 to 20 percent). The Senate committee estimated that these changes will increase corporate income tax liability approximately \$100 billion over the period of 1986-1991.

The Senate committee indicated that many of the provisions mentioned above were unnecessarily generous to high-income households, led to abuse of the tax code through attempts to shelter income, and greatly increased the code's complexity. Few changes are made, however, to a number of itemized deductions such as those for mortgage interest, charitable contributions, and local and state income and property taxes.

## Efficiency

Quoting from the committee's report, "The committee's most important steps in promoting the efficiency of the economy and in reducing the interference of the tax system are the dramatic reduction

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<sup>2/</sup> Tax Reform Bill of 1986 -- Senate Finance Committee Report on H.R. 3838, p. 3.

<sup>3/</sup> Ibid., p. 4.



in personal and corporate tax rates." 4/ Corporate tax rates currently include five brackets (15 to 46 percent). This will change to three brackets (15 to 34 percent).

In addition to rate reductions, the Congress eliminated many of the preferences built into the code that have favored certain investment activities to the detriment of others. Those preferences had not, in the committee's words, "satisfactorily served the purposes for which they were designed." 4/ These changes are designed to promote the efficient allocation of investment and work effort based on economic considerations, not tax savings considerations.

### Specific Provisions

With the overall intent of congressional action briefly outlined, many of the major modifications to the tax code are detailed below. For estimated revenue impacts, see Table I on page 41.

#### Personal Exemption/Personal Deduction

Under current law, a deduction is allowed for each personal exemption a taxpayer may claim. Personal exemptions include: (1) the taxpayer, (2) the taxpayer's spouse (joint return), (3) an additional exemption for those 65 years or older, (4) an additional exemption for those who are blind, and (5) an exemption for each dependent (meeting eligibility criteria) of the taxpayer. For 1986, the personal exemption is \$1,080. Under federal tax reform, the personal exemption is increased to \$1,900 in 1987.

The standard deduction's counterpart in the present tax code is called the zero bracket amount (ZBA) and is the level of income below which an individual does not incur federal tax liability -- \$2,480 for single filers in 1986. The ZBA was built into the tax tables and rate schedules to simplify tax computation by eliminating recordkeeping requirements for many taxpayers. The standard deduction replaces the zero bracket amount in the federal tax reform package and will be \$2,570 for single filers in 1987 and \$3,000 in 1988.

#### Capital Gains

A capital gain is any increase in the value of an asset that has been sold or exchanged. Assets owned less than six months are considered short-term capital gains and assets held over six months are considered long-term capital gains. Short-term gains are taxed at a higher rate than long-term gains. Under current law, net capital gains (long-term gains over short-term losses) are reduced by 60

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4/ Ibid., p. 7.

percent before the individual's income tax rate is applied. This makes the effective tax rate on capital gains for those in the highest tax bracket 20 percent (50 percent maximum rate x 40 percent net capital gain).

Federal tax reform eliminates the 60 percent reduction, treating capital gains essentially as ordinary income (taxable at the individual's normal rate; highest rate: 28 percent). According to the Senate committee, preferential treatment of this category of income led to efforts to recharacterize ordinary income (fully taxable) as capital gains income. It was reasoned that the overall reductions in the tax rates made the special treatment of capital gains no longer necessary while also greatly simplifying filing procedures for many taxpayers. Elimination of the special treatment will also negate the need to hold such assets for a certain amount of time (six months) in order to obtain favorable tax treatment.

#### Non-Business (Consumer) Interest

Non-business, or consumer, interest is defined as interest on loans for purposes other than business, rental, or royalty production, such as interest on indebtedness incurred for the purchase of consumer goods. It is used only as an itemized deduction.

According to the committee, through the deductibility of consumer interest, the current tax code allows the consumer to shelter a portion of income that would be taxable under other investment options. There is, then, a bias within the tax code toward consumption to the detriment of savings and other investment options. For these reasons, federal tax reform eliminates the deductibility of consumer interest with the intention of enhancing incentives to save or to invest in other areas of the economy. Provisions limiting and eventually eliminating the deductibility of non-business interest are phased-in over a five-year period beginning January 1, 1987.

The deductibility of mortgage interest has been retained to continue incentives for home ownership.

#### Miscellaneous Itemized Deductions

Currently, miscellaneous itemized deductions fall into the four categories described below, the first three of which will no longer be deductible.

- (1) Employee business expenses are those costs that are incurred by an employee in the course of performing a job. Examples of such expenses include subscriptions to professional journals, continuing education courses, union dues, and uniforms. Though generally available only to itemizers, some of these deductions

may be used on non-itemized returns and subtracted from taxable income.

- (2) Expenses from the production of income are those costs, unassociated with a trade or business, which produce income or are associated with its production. Such expenses may include investment counseling services, subscriptions to investment advisory publications, and trust administration fees.
- (3) Expenses related to filing tax returns are essentially tax counseling and preparation fees.
- (4) Expenses of adopting children with special needs may also be deducted.

According to the Senate Finance Committee, these provisions created significant complexities within the code, especially considering their normally low dollar value, and attendant recordkeeping and IRS auditing requirements. Some of these expenses also have the characteristics of voluntary personal expenditures, i.e., they were not significantly related to taxpayers' professional responsibilities.

Based on these reasons, and in conjunction with base-broadening efforts, the first three categories of expenses are no longer deductible. The deduction remains for expenses involved with adopting children with special needs. These changes take effect on January 1, 1987.

#### Individual Retirement Accounts (IRAs)

IRAs were created in 1974 to provide tax-favored retirement savings arrangements to individuals who were not covered under other qualified plans. IRAs were intended to increase the level of savings in general and retirement savings in particular. Eligibility was expanded in 1981 to those covered by other retirement plans. Currently, up to \$2,000 is deductible from gross income per year when deposited in an eligible IRA account. Accumulations and interest on IRAs is tax-deferred until age 59 1/2, death or disability.

According to the Senate committee report, the changes made in 1981 which expanded access to IRAs have had "no discernible impact on the level of personal savings"<sup>5/</sup>; the use of IRAs is quite low among low-income taxpayers; and the level of IRA deductions increases substantially as income increases. The committee also concluded that those taxpayers who use IRAs most frequently would have saved without

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<sup>5/</sup> Ibid., p. 542.

regard to the tax incentives and that the overall reduction in tax rates within the tax code eliminates the need for IRA deductions for those who participate in other tax-favored retirement plans.

Federal tax reform returned IRA provisions to their more limited pre-1981 status. Qualifying income ceilings are now \$25,000 for individuals (with contributions phased out between \$25,000 and \$35,000), \$40,000 for married couples filing joint returns (with contributions phased out between \$40,000 and \$50,000), and \$0 for couples filing separate returns (with contributions phased out between \$0 and \$10,000). The interest from IRA contributions exceeding the statutory limit is still tax-deferred although the contributions are not deductible from gross income. These provisions are effective January 1, 1987.

#### State and Local Sales Tax Deduction

Taxpayers who itemize their federal returns currently are allowed to deduct four types of state and local taxes -- individual income, real property, personal property, and general sales taxes.

The deductibility of state and local sales taxes was repealed by federal tax reform, effective January 1, 1987. The change is designed to improve the economic and administrative efficiency of the federal tax code by eliminating tax benefits associated with consumption. The deductibility of sales taxes also favors certain consumption patterns over others.

The committee could not find persuasive evidence supporting the view that the loss of the deductibility of state and local sales taxes would encourage a shift on the part of state and local governments away from sales taxes and that it would be unfair to those governments that continued to rely on sales taxes for revenue. Other factors mentioned in the committee's report included: the generally small size of sales tax deductions claimed, the general rule concerning the non-deductibility of personal consumption items, definitional problems between general and specific sales taxes, and the substantial recordkeeping involved when IRS estimation tables are not used.

#### Medical Expense Deduction

Current law allows the deduction of medical expenses that exceed 5 percent of the taxpayer's adjusted gross income. Federal tax reform increases this lower limit from 5 to 7.5 percent.

The higher deduction floor is intended to reduce the number of filers claiming the deduction while reducing complexities associated with it, such as substantiation, audit verification, and definitional problems. Increasing the floor for such deduction also serves to further broaden the income tax base. The committee maintained that the benefit of the deduction remains in those instances where medical

expenses absorb a substantial portion of the taxpayer's income. This provision is effective January 1, 1987.

### Investment Tax Credit (ITC)

A credit is allowed for up to ten percent of a taxpayer's investment in qualified property. The amount of the credit is dependent on which class the property belongs to within the Accelerated Cost Recovery System (ACRS). The total credit allowed is \$25,000 plus 85 percent of the amount over \$25,000.

While acknowledging the importance of investment incentives in the tax code, the committee stated that increasing international economic competition made it more important that investment in capital equipment be determined by market forces rather than by tax considerations. In that regard, the committee report also stated that too much investment occurs in tax-favored sectors while too little occurs in sectors that may be more productive but which do not receive preferential tax treatment.

The federal act reflected the thinking that elimination of the ITC would allow reduction in overall tax rates and that modifications made to ACRS would partially offset the loss of the ITC. The committee stated that with these changes, investment incentives would remain high and that the nation's savings could be used more efficiently. It concluded that a neutral tax system allows the economy to adapt more quickly and efficiently to changing economic needs. The elimination of the ITC is retroactive to January 1, 1986. However, complicated transition rules do apply (see Depreciation below).

### Old Age and Blind Exemptions

Under present law, an additional personal exemption is allowed for individuals who are 65 years or older, and for those who are blind. For 1986, the exemption is \$1,080 for each category.

Tax reform eliminates the additional personal exemption for old age and blindness because other elements of tax reform -- overall rate reductions, increases in the personal exemption and standard deduction (see above), and an additional amount for each elderly or blind person (\$600) -- offset the loss of the extra personal exemption. The higher standard deduction for the elderly and blind is effective one year earlier (January 1987) than for other individuals.

### Unemployment Compensation

Present law generally treats all cash wages and similar compensation as fully taxable. However, unemployment compensation is

taxable only if the taxpayer's income exceeds specified levels (\$12,000 for single filers).

Beginning in January 1987, unemployment compensation will be treated (for tax purposes) in the same manner as wages or similar payments. This is designed to provide more equal tax treatment of individuals with the same income and to reinforce tax simplification efforts.

### Qualified Cash/Deferred Compensation

Under present law, if an employee profit-sharing or stock bonus plan qualifies as a deferred compensation or qualified cash program, employer contributions to such programs received as cash are not considered taxable income. There are complex percentage limitations to the deferrals elected by each employee. The limitations take into account the amount of the deferral relative to the employee's regular income and that employee's income relative to the company's workforce as a whole. The current overall limits to elective deferrals may not exceed the lesser of \$30,000 or 25 percent of the employee's nondeferred income.

The Senate committee expressed concern that under the current system, employees have the ability to transfer large amounts of income into these programs. This shifts too large a portion of the share of the cost of retirement savings from the employer to employees when these programs were originally meant to be supplementary in nature. The committee also stated that present rules permit disproportionate contributions by highly compensated employees without comparable participation by other employees.

For these reasons, tax reform provisions eliminated the percentage requirements and replaced them with a \$7,000 yearly limit (indexed to inflation) on deferred income (\$9,500 for certain investments in employer securities). These provisions take effect January 1, 1987.

### Depreciation

Depreciation is the lessening in the worth of tangible property due to the gradual loss of usefulness of that property. Factors causing depreciation -- wear and tear, decay, inadequacy, and obsolescence -- ultimately cause the retirement of the tangible property. The Accelerated Cost Recovery System (ACRS) is the current method used to determine what portion of eligible property may be deducted from federal adjusted gross income because of depreciation. The previous method employed an "estimated useful life" concept. ACRS increases the rate at which tangible property may be depreciated. The allowable depreciation deduction in each recovery year is determined by applying a statutory percentage to the property's original cost. There are different rates for different classes of property.

The changes made to ACRS are designed to make it more neutral in its treatment of different classes of property by: 1) increasing the recovery period of very long-lived equipment; and 2) extending the recovery period of real property. Further acceleration in the rate of recovery under ACRS for five- and ten-year property classes were also allowed to offset the loss of the investment tax credit. As stated above regarding the ITC, these changes were made to increase the responsiveness of capital investments to market forces, not tax-savings incentives. In general, the modifications to ACRS take effective January 1, 1987.

### Passive Losses

A passive activity involves the conduct of a trade or business in which the taxpayer does not materially participate. Material participation involves the regular, continuous, and substantial involvement of the taxpayer in the activity.

For instance, involvement in a limited partnership may be considered passive in nature. In this situation, an investor might contribute operating funds to the partnership but would not have an active role in day-to-day decision-making. Normally, the partnership agreement specifies the share of profits (passive gains) or losses (passive losses) that each investor may claim for tax purposes. Such a share is usually in proportion to the investor's level of contributions to the partnership. An investor would report passive gains from the partnership as income. Passive losses, on the other hand, represent the partnership's operating expenses, such as depreciation of equipment, as well as its ability to use other features of the tax code, such as research and development and investment tax credits. Investors in the partnership, by virtue of their monetary involvement, are allowed to use their portion of these deductible operating expenses and credits on their tax returns to reduce their tax liability on this and other sources of taxable income.

Until passage of the Tax Reform Act of 1986, passive losses could be used by the investor to offset any other form of taxable income, whether passive or active (e.g., salary) in nature. Taxpayers have benefited from this provision by investing in tax shelters that provide substantial losses which they then use to offset other taxable income. Such losses can potentially eliminate all tax liability in a given year while any excess could be carried forward to future tax returns.

According to the Senate committee, the ability of some taxpayers to shelter income with passive losses while others choose not to or were not able to do so has created the impression that the system is unfair and that taxes are paid by the "naive and the

unsophisticated." 6/ It also encourages tax-avoidance investment strategies which direct capital away from other economically viable investment choices. This practice results in a narrowing of the income tax base and in the loss of tax revenues. Thus, significant limitations on the use of tax shelter losses were considered necessary to improve the perceived fairness of the tax system while also becoming a necessary part of congressional base-broadening efforts allowing overall rate reductions.

Under the new tax law changes, passive losses may only be used to offset passive gains. To the extent that passive losses exceed passive gains, excess losses may be carried forward indefinitely but, again, may only be used to offset passive gains. The intended result is to encourage investment decisions based on economic return rather than on the avoidance of taxes. Changes in passive loss provisions are phased in over a five-year period beginning January 1, 1987. (It should be noted that portfolio income -- interest, dividends, annuities, and royalties -- is not considered passive income.)

#### Impact on Colorado

Congress was able to decrease the number of income tax brackets and the rates within the remaining brackets because of two factors: the elimination of many of the modifications that previously reduced tax liability, and the shifting of additional tax burden onto corporations. These two factors significantly broadened the income and activities subject to income tax -- the income tax base. By taxing more income, overall rates can be reduced while still generating an equivalent amount of revenue. Much of the predicted increase in income tax receipts in Colorado will be a result of the broadening of the income tax base by changes in the definition of federal gross income and adjusted gross income (AGI).

By virtue of the extent to which Colorado gross income is based on the calculation of federal (AGI), any changes in federal (AGI) automatically affect Colorado gross income. In the case of H.R. 3838, income subject to federal tax will increase, automatically increasing Colorado gross income and, ultimately, Colorado taxable income (gross income minus most modifications). Should Colorado's tax rates remain the same, those rates would be applied to a larger amount of taxable income in most cases and, in that way, increase the amount of income tax revenue for the state.

There is, however, a decrease in net tax liability between federal and state income taxes for Colorado taxpayers. In calendar year 1988, the Colorado Department of Revenue estimates that state taxpayers will realize an aggregate increase in state income taxes of

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6/ Ibid., p. 714.



\$220.0 million. This is offset by a \$595.0 million decrease in federal tax liability. There is, therefore, a net decrease in tax liability of \$375.0 million. On a per capita basis, this results in a \$109 net tax decrease or \$256 on a per return basis. See Part B of Table I. Estimates of revenue increases for specific tax code changes are provided in Part A of Table I below. Please note that these estimates are for fiscal years. This was done to make comparisons with state revenue collections easier.

Differences in the total tax revenue impact between FY 1986-87 and FY 1987-88 are due to: the five-year phase-in of certain provisions; accrual accounting techniques which allocate revenues and expenditures to the time period in which assets and liabilities were incurred; and to the fact that the FY 1986-87 reporting period includes, for the most part, only six months of tax law changes (January through June, 1987). The estimates were prepared by the Office of State Planning and Budgeting and the Department of Revenue and are based on the conference committee report on House Resolution 3838. The estimates should be considered tentative at this time because several elements of the tax reform act await the adoption of rules and regulations by the Internal Revenue Service. These rules and regulations could change the eventual revenue impact on Colorado.

TABLE I  
A. ESTIMATED INCREASE (DECREASE) IN COLORADO INCOME TAX REVENUES  
AS A RESULT OF FEDERAL TAX REFORM  
FISCAL YEARS 1986-87 and 1987-88  
(\$ Millions)

	<u>FY 1986-87</u>	<u>FY 1987-88</u>
<u>Individual</u>		
Exemption/Age Blind Dual	\$ 3.45	\$ 6.95
Interest Deduction	\$ 4.40	\$ 11.35
Sales Tax Deduction	\$ 10.60	\$ 22.40
Medical Expense Deduction	\$ 5.50	\$ 11.60
Misc. & Emp. Bus. Ded.	\$ 11.10	\$ 23.05
Depreciation	(\$ 0.25)	(\$ 1.25)
Pensions & Annuities	\$ 1.40	\$ 2.95
Contributions Charitable	---	---
Capital Gains	\$ 16.00	\$ 41.00
Meals & Entertainment	\$ 2.05	\$ 4.60

	<u>FY 1986-87</u>	<u>FY 1987-88</u>
Unemployment Compensation	\$ 2.00	\$ 4.05
Retirement Plans	\$ 0.80	\$ 1.70
IRA's	\$ 3.45	\$ 7.10
ITC	\$ 14.25	\$ 9.50
Shelters, Int. Exp., Pas. Los.	<u>\$ 7.25</u>	<u>\$ 22.00</u>
Total-Direct	\$ 82.00	\$167.00
Federal Tax Change Impact on Federal Income Tax Deduction From State Form	<u>\$ 7.50</u>	<u>\$ 23.00</u>
Subtotal Individual	\$ 89.50	\$190.00
 <u>Corporate</u>		
Depreciation	(\$ 0.60)	(\$ 2.10)
Tax Rates	---	---
Dividends Received	---	0.15
Minimum Tax	---	---
Credit R & D	---	---
Energy Credits	---	---
Targeted Jobs Credit	---	---
Empl. Stock Ownership	---	---
Tax Exempt Bonds	---	---
Res. Bad Debts-Ex. Thrifts	\$ 0.50	\$ 1.35
Res. Bad Debts-Thrifts	---	\$ 0.05
Meals & Entertainment	\$ 0.45	\$ 1.20
Matching Income & Expenses	\$ 3.20	\$ 8.20
Limits on Cash Accounting	---	\$ 0.10
Shelters, Int. Exp., Pas. Los.	(\$ 0.40)	(\$ 1.95)
Recogn. Gain Instal. Sales	\$ 0.80	\$ 1.85
Misc. & Technical Changes	\$ 0.90	\$ 1.35
ITC	<u>\$ 26.70</u>	<u>\$ 18.40</u>
Subtotal Corporate	\$ 31.60	\$ 28.60
TOTAL IMPACT	\$121.10	\$ 218.60

B. ESTIMATED INCREASE (DECREASE) IN STATE INDIVIDUAL  
 INCOME TAX LIABILITY AS A RESULT OF FEDERAL  
 INCOME TAX REFORM IN CALENDAR YEAR 1988 -- \$220.0M

<u>Per Capita</u>	<u>Per Return</u>
\$64	\$150.00

NET INCREASE (DECREASE) ON COLORADO INDIVIDUAL INCOME TAX --  
 FEDERAL AND STATE IN CALENDAR YEAR 1988  
 (\$ Millions)

Estimated Decrease in Federal Income Tax Liability for Colorado Individual Taxpayers	(\$595.00)
Minus Increase in State Tax Liability	<u>\$220.00</u>
Net Decrease in Individual Income Tax Liability	(\$375.00)

<u>Per Capita</u>	<u>Per Return</u>
(\$109)	(\$256.00)

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Source: Colorado Office of State Planning and Budgeting  
 Colorado Department of Revenue  
 November 10, 1986

All figures are based on 1985 returns.

## Short- and Long-Term Adjustments

In theory, the federal tax law changes are designed to alter investment decisions by individuals and businesses so that those decisions will be based less on favorable tax treatment and more on the prospects for the decision's economic success. This may force the reexamination of many existing and future investment decisions, creating a transition period during which those decisions will be adjusted to the new tax law. How this is done may affect Colorado's economic performance and further affect state income tax receipts, either indirectly through changes in the state's overall business climate or directly through changes in taxpayer filing behavior (changes made to take advantage of the new tax code).

Divergent opinions exist as to whether tax reform will hurt or help the economy, in the short-run and in the long-run. Changes in investment behavior may cause economic dislocation during a period when the nation's and the state's economies are weak. This could result in a recession. Alternatively, lower overall tax rates may carry the economy through the transition and make it more productive in the long run.

Predictions in either direction are mostly speculative considering the structure of Colorado's economy. For instance, Colorado has a large manufacturing sector (including mining) which may be adversely impacted by the elimination of the investment tax credit (ITC) and by altered depreciation schedules. However, the state also has large and growing service and retail sectors which are not as dependent on the ITC and which would benefit from reduced corporate tax rates. Small business, an important job-creating sector in the state, appears to be in a similar position of benefiting from reduced corporate and individual tax rates. Other potential influences include:

- \* changes in the treatment of capital gains;
- \* changes in the taxation of insurance companies, real estate investments, and financial institutions;
- \* lower ceilings and tighter definitions on tax-exempt bonds which may subsequently impact on the ability of state and local governments to finance their capital needs; and
- \* changes in interstate tax competition. The elimination of the deductibility of state sales tax may affect Colorado compared with other states that do not rely as heavily on state sales tax revenues. Presumably, those states that rely more heavily on property and income taxes (which remain deductible) will have their competitive positions enhanced, especially where high-income households and corporations are concerned.

## Income Tax Subcommittee Discussions

Members of the income tax subcommittee expressed the belief that federal income reform provides an opportunity for the state to reexamine its own tax system for the following reasons:

- 1) Inaction on the part of the General Assembly will automatically increase state income taxes. A conscious decision should be made regarding whether the state should retain all, a portion, or none of the projected increase in income tax receipts.
- 2) Federal changes and the added revenues enable the state to examine and to possibly adjust the tax burdens among the various income classes and industries. Changes could be made that are similar to those made by the federal government or Colorado could restructure its own tax system with different goals or groups in mind.

The subcommittee considered three state responses regarding the projected revenue increase.

- 1) No change in state tax code. State may choose not to change its present tax code. An increase in income tax revenues will automatically accrue to the state as a result of federal income tax reform.
- 2) Rate changes. State may choose to retain its present code but decrease the code's overall rates to reduce or eliminate any increased revenues accruing to the state as a result of federal income tax reform.
- 3) Structural changes. State may choose to alter its present tax code to target specific income groups or business or industry types based on tax policy or economic considerations.

In addition to the issue of the projected revenue increase, these options entail similar considerations of social and economic policy built into the state's tax code that the federal government considered during its deliberations on tax reform.

Option 1 -- Maintaining the current structure. Reasons cited for not changing the state's present tax code relate to the current precarious condition to the state's economy as a whole and its revenue situation in particular. This reasoning contends that the state should retain the projected revenue increase because the money is needed to help eliminate recurring budgetary shortfalls, to finance state capital construction and improvement projects, and to increase the funding for K-12 and higher education.

An additional concern is the degree of uncertainty as to the long-term effect of federal tax reform on the economy. It may be prudent to retain the excess revenues as a safeguard against the economic uncertainties and the consequent revenue uncertainties for the following reasons:

- 1) The state will realize a portion of the revenue increases as a consequence of federal income tax reform during the upcoming session. Larger increases in state revenues are predicted to appear when tax returns are filed in 1988 for the 1987 tax year, and for subsequent tax years.
- 2) The short-term economic implications of tax reform on national and state economies are still subject to varied interpretation. The long-term economic consequences of tax reform may take many years to become evident.
- 3) There may be pressure to further amend the federal tax reform package. These changes may further affect the nation's and Colorado's economic performance as well as the state's income tax revenues.
- 4) There is a relationship between federal income tax reform and continued federal program reductions to state and local governments.

By stabilizing the state's revenue prospects in the long term and applying extra moneys to areas important to future economic growth, the state can weather the uncertainties of an economic downturn and enhance its long-term competitive position. This option also still affords the state the choice of shifting the tax burden among income groups or industries and of targeting tax relief through such redistributions. (See Option 3 below.) As noted earlier, however, opponents of this view contend that retention of the moneys may trigger a recession.

Option 2 -- Decreasing state income tax rates. If the decision is made to refund all or a portion of the projected revenue increase, decreasing the state's overall income tax rate structure may be the least complicated alternative. If all rates were lowered in such a way so as to maintain the current relationship between income classes, the refund goal may be achieved with a minimal amount of disruption in the tax collection process. Consideration could also be given to developing a flat tax rate.

If only a portion is returned to taxpayers in this manner, depending on the size of such refunds, some of the investment goals mentioned in Option 1 (e.g., education, capital construction) could still be attained. Likewise, some of the future revenue uncertainties could be reduced.

Option 3 -- Targeting specific tax relief. By examining specific credits, deductions, and exclusions contained in the tax code, and by identifying who uses those provisions, the General Assembly may be able to target tax relief to specific individuals or industries much like the federal government intends with its reforms. Alternately, consideration could also be given to reinstating various provisions at the state level that were eliminated at the federal level (e.g., investment tax credit, extra exemptions for old age and blindness).

Another approach would be decreasing the tax rates for specific income groups or industries (such as mining or agriculture which are currently suffering severe economic problems). In this way, the General Assembly might target tax relief while also achieving other policy objectives, such as dropping low-income groups from the tax rolls or reducing the potential impact of tax increase on various taxpayers due to tax reform.

The subcommittee requested that the Department of Revenue detail, by income class, the value and extent of use of various provisions of the tax code that reduce taxable income. Such considerations are useful as it is probable that different features of the tax code enjoy different levels of usage by different income groups or industries. For instance, it is probable that higher personal income corresponds with increased use of capital gains features of the tax code. Based on the figures supplied by the Department of Revenue, proposed federal changes in the taxation of capital gains account for 25 percent of the expected total revenue increase for Colorado (FY 1987-88). On the other hand, the repeal of exemptions for old age and blindness account for less than four percent of the projected revenue gains. These two features are designed to serve different functions. This fact increases the importance of identifying, by demographics and income class, those individuals and industries which employ various features on their tax returns.

Simplification. Because Colorado income tax liability is substantially based on federal determination of taxable income, a degree of simplification has already been achieved through federal tax reform. However, further simplification could be accomplished by eliminating various credits and modifications that are specific to Colorado. In this way, Colorado might increase the degree to which its state tax system parallels the federal system. By following the new federal rate structures and provisions, individuals who no longer incur income tax liability under federal tax law would also no longer incur income tax liability under state tax law. Otherwise, certain administrative complications arise concerning low-income wage earners when such filers must file a state return but do not incur federal tax liability.

Decoupling. There may be, on the other hand, some value in decreasing the extent to which Colorado's tax system "piggybacks" the federal system. Doing so may limit the disruptive influence of federal tax decisions on state revenues. However, such a course may increase the complexity of filing state returns while also reducing the ability of state tax administrators to use federal tax audits.

#### Income Tax Subcommittee Discussion

Testimony before the subcommittee revealed the consensus that the current structure of Colorado's income tax, both individual and corporate, is not overly complex or burdensome. Concerning potential refunds of the projected revenue increase, testimony cautioned against the unnecessary complications of the tax code with numerous provisions designed to direct refunds to specific groups. An overall decrease in tax rates was suggested as an alternative. Continued conformity with the federal code was stressed as well. If the state decoupled from the federal code and substantially amended the state code, this would create a second set of regulations and procedures for tax filers to learn, complicating the code and filing procedures while also increasing the cost of compliance and administration.

Concerning the impact of federal tax reform on state taxpayers, the Colorado Department of Revenue reported that:

- \* between federal income tax liability decreases and potential state income tax liability increases, there would be an estimated net benefit to Colorado individual taxpayers of almost \$375 million; and
- \* should the full amount of the projected revenue increase in state taxes (\$220 million; CY 1988) be returned to Colorado individual taxpayers, refunds would be \$150 on a per return basis and \$64 on a per capita basis.

The opinion was expressed that, since: 1) there would be a net decline in tax liability; and 2) refunds would be insignificant, retention of projected revenue increases would be justified by many of the arguments presented in Option 1 above. Only after the state's future investment needs have been calculated, should the General Assembly decide if any moneys should be refunded. Opposition was expressed to this point on the basis that, if the choice is between the state spending the money or taxpayers spending the money, the projected revenue increases should be returned to state taxpayers because the latter pay taxes on their purchases.

Discussion in the subcommittee proceeded with the identification of various credits, deductions, and exemptions within federal and state tax codes (using the figures prepared by the Department of Revenue). The subcommittee also attempted to identify the purpose of these provisions, as well as the revenue cost or benefit to the state if changes were made to these provisions.



### Subcommittee Recommendations

Based on testimony and discussions, the subcommittee recommended the following to the full committee:

- 1) simplification of the state tax code;
- 2) the imposition of a flat tax on individual and corporate income;
- 3) a broadening of the income tax base; and
- 4) an increase in the taxation of spending and consumptive behavior and a decrease in taxes on production and saving behavior.

### Committee Recommendations

The Tax Policy Committee submitted one bill to the Legislative Council based on the subcommittee's deliberations and the above recommendations, Concerning the Colorado Income Tax. The bill established a flat tax rate tentatively set at 5.2 percent on personal income. This rate does not reflect any moneys estimated to accrue to the state as a result of federal tax reform. The flat tax is recommended for reasons of tax code simplification, and for its ease and cost of administration. Adjustment of the rate could be made by the General Assembly depending on how it decides to respond to the projected revenue increases.

The committee decided that recommendations for specific changes to the state tax code would be more timely after more accurate estimates of the revenue impacts of federal tax reform are received from the Colorado Department of Revenue.

## STATE FISCAL YEAR

Senate Bill 112 (1986) directed the Colorado Legislative Council to undertake a study examining "the implementation of the same fiscal year for the state and for school districts . . . (and) the advantages and disadvantages of using the same fiscal year for all other units of government in Colorado . . ." (Ch. 153, Session Laws 1986). These advantages and disadvantages and the feasibility of such changes were to be studied through the scenarios listed below as well as others that may be considered.

- Change the school district fiscal year to conform to the current state fiscal year.
- Change the state fiscal year to conform to the current local government fiscal year.
- Change all state and local fiscal years to conform to the current federal fiscal year.
- Change the current property tax assessment and levy calendar.

The study was assigned to the Tax Policy Committee created the prior year (House Joint Resolution 1025; Session Laws 1985, p. 1554). As enacted, Senate Bill 112 specified a change in the state fiscal year from its current July-June base to a January-December (calendar year) base beginning January 1, 1988.

### Reasoning Behind Senate Bill 112

A primary motivation for implementing the same fiscal year for the state and for school districts is to eliminate complexities that arise in the state budgeting process as a result of the funding mechanism contained in the public school finance act (section 22-50-101, et seq., C.R.S.). These complexities are created by the interaction of provisions of the act, the property tax levy and collection process, the local school districts' budget year, and the state fiscal year.

Misunderstandings regarding public school appropriations become more serious when the size of these appropriations, in absolute terms or as a percentage of General Fund appropriations, is considered. The chart below illustrates state equalization appropriations for the last seven fiscal years. State equalization figures do not include categoricals or other public school funds. As a percentage of total state equalization appropriations, categoricals and other public school funds have varied from 20 to 23 percent over the period FY 80-81 to FY 86-87.

Fiscal Year	State Equalization (SE) FY Appropriation (millions)	General Fund (GF) Appropriation (millions)	SE As Percentage of GF
1986-87	\$751.6	\$1,999.9	37.6%
1985-86	723.5	1,894.1	38.2
1984-85	683.7	1,784.1	38.3
1983-84	694.0	1,755.8	39.5
1982-83	621.3	1,618.2	38.4
1981-82	527.4	1,463.8	36.0
1980-81	495.5	1,425.2	34.8

Note: These figures have not been adjusted for reversions, supplementals or rollforwards. General Fund figures include appropriated tax relief. Source: Joint Budget Committee Appropriation Reports, 1980-81 through 1986-87.

The majority of funds for K-12 education in Colorado are composed of state equalization payments drawn from the General Fund and the Public School Fund, and property taxes levied in each school district. Certain complexities arise from the fact that the General Assembly appropriates its funds on a July-June basis whereas:

- property taxes are levied and collected on a calendar year basis;
- school district budgets are calculated for the calendar year; and
- major funding provisions in the school finance act (e.g., authorized revenue base or ARB) operate on a calendar year basis.

In relation to the above three elements, state appropriations are juxtaposed by six months. Therefore, a state fiscal year appropriation necessarily overlaps two school district budget years, two different ARB levels, and two different property tax years. Public school finance in Colorado has developed into a complex set of relationships to accommodate these various cycles.

One additional provision makes this overlap important when considering the rationale behind attempts to simplify the school finance act. The public school finance act specifies that state funds are to be distributed in twelve equal monthly payments over the calendar year. When the General Assembly is establishing appropriations for the upcoming fiscal year beginning in July, it is obligated to fund the last six months of the current district budget year at the level established in the first six months. Any changes in funding must await the beginning of the next school budget year (January) to be implemented. Please see the illustration on page 53.

In conclusion, there exist several elements in the funding of K-12 education which operate on different schedules from the state budget calendar. These different schedules lead to complexities in the administration of school finance, rigidity in the funding process, and to misunderstandings concerning the relationship between state fiscal year appropriations, funding provisions in the act, and school district calendar year budgets. Senate Bill 112, as enacted, approaches those complexities by altering the state fiscal year to coincide with the calendar year. In that way state appropriations would coincide with school district budgets and property tax collections. Such a change, however, creates other complexities which are examined below.

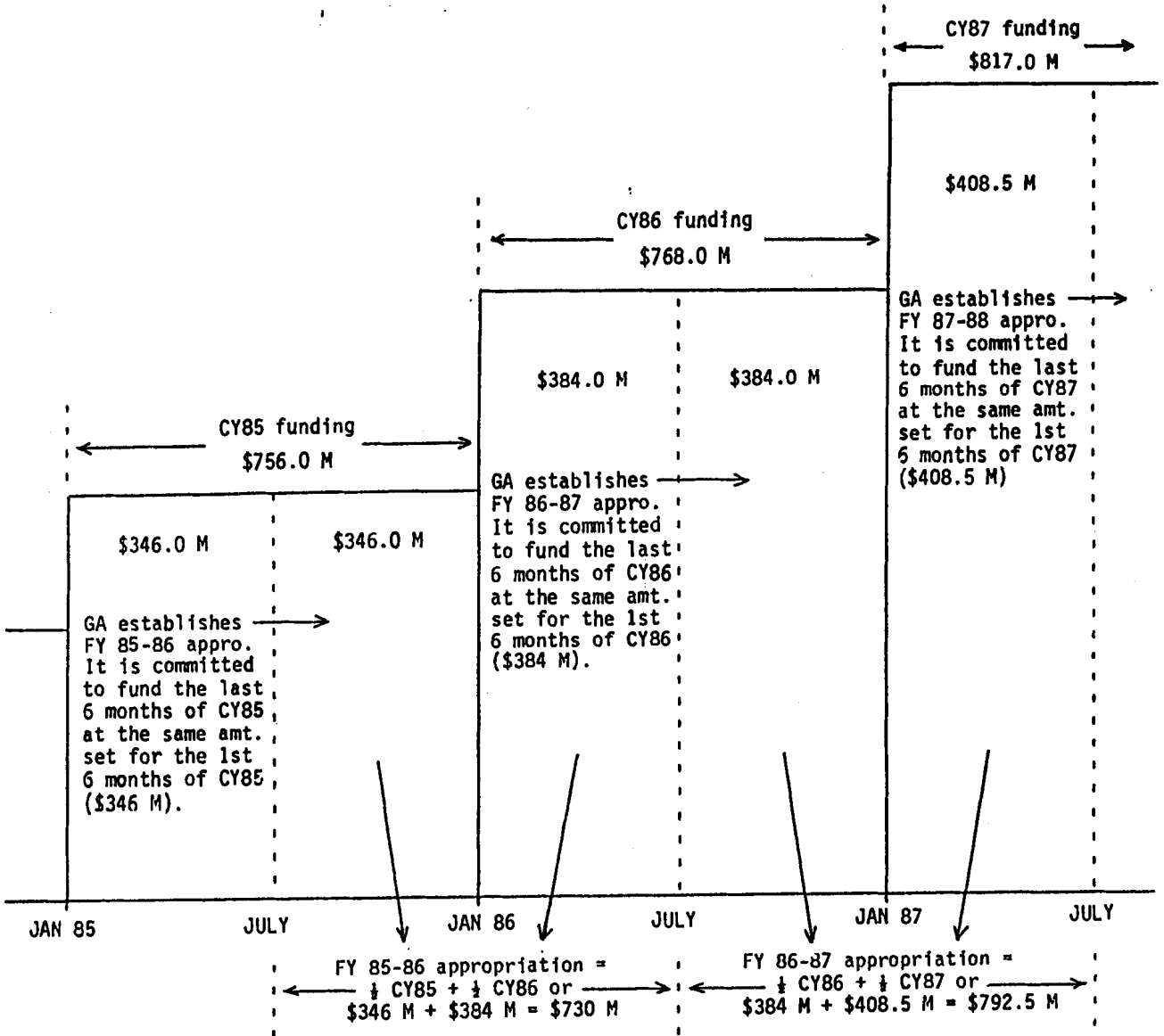
#### Discussion of Four Alternatives

Each of the proposed scenarios mentioned in Senate Bill 112 impacts, to a greater or lesser degree, the schedules established by the General Assembly for the adoption of legislation, and the budget processes of executive agencies and local governments (including school districts). Because most of these local entities rely on property taxes for the bulk of their funding, the levy and collection process is also affected. As many of these schedules and budget parameters are set in statute, the intricate relationships between the various levels of government would also be affected.

#### I. Changing the State Fiscal Year

Because Senate Bill 112 specifies a change in the state fiscal year to the calendar year beginning January 1, 1988, the initial direction of the committee was to investigate the advantages and disadvantages involved with such a change. As an aid to the following discussions, please consult the budget timeline provided on page 56.

Fiscal Year Public School  
Appropriation Process and  
Its Relationship to  
Calendar Year Budgets



## Effect of Change on the Legislative Process

The Colorado Constitution specifies that the General Assembly convene in January and, in even-numbered years, regular sessions are not to exceed 140 days. One of the advantages to this schedule is its timing with the current state fiscal year from July 1 to June 30. The General Assembly is in session and creates the budget for the next fiscal year during the first six months of the calendar year immediately prior to the commencement of the new fiscal year. Changing the state's fiscal year to a calendar year diminishes this relationship.

Assuming that there would be no changes to constitutional provisions specifying the dates of the legislative session, with a calendar fiscal year the General Assembly would meet during the first part of the year to establish a budget that would not go into effect until the following January 1. Revenue projections used to estimate revenues for that budget year would be based on data which would be nine months old by the time the new budget year begins. This compares with the present three months. It was generally conceded in testimony that the further in advance such projections are made, the less accurate they will be.

In a similar vein, representatives of the Joint Budget Committee staff stated that the greater the time between departmental budget hearings (November) and the start of the budget year, the greater the uncertainty of the budget estimates. Currently there is an eight month lag; this would lengthen to 14 months with a calendar fiscal year. Inquiries were made concerning the possibility of shortening the budget review process to ameliorate some of these concerns. However, the view expressed was that, if the General Assembly wished to maintain the detailed, line-item format of its budget, little time could be excised from the process without losing some legislative control. If the budget consideration process is to be accelerated, some other budget format, such as a program-oriented budget, may have to be adopted with the consequent diminution of the General Assembly's control.

The Long Bill, if adopted in May, would establish budgets seven to eight months prior to the beginning of the fiscal year and approximately twenty months before the close of that year. This could increase the need for supplemental appropriations and transfers. Generally, the need for supplementals is known midway through the fiscal year. By adopting a calendar fiscal year for the state, it is likely that the legislature would not be in session to consider such requests. If such supplementals were passed prior to adjournment, the figures would be based on three or four months of actual spending data compared to the present nine months. The suggestion was made that, by increasing the transfer authority of the Governor or department heads to manage year-end funding shortages, the need for the General Assembly to pass supplementals could be lessened.

Two-part session. One solution to these concerns would be the adoption of a two-part legislative session, including a budget session in the fall. However, this may present problems in even-numbered years (140-day limit). There is the danger that if the first session continued for too many days, insufficient time would remain in which to pass the Long Bill in the fall. A special session may have to be called in that instance. Testimony did not conclusively determine whether the 140-day restriction meant consecutive days or total legislative days within a given calendar year. The former would be much more restrictive.

Other concerns relating to a split session include: the treatment of the governor's line-item vetoes, which presumably would require a special session; the split session may lead to a full-time legislature; and the fall budget session may conflict with primary election dates. However, such a split session would shorten the time between the adoption of the budget and its commencement the following January. It would also allow the General Assembly to address revenue shortfalls which occurred toward the end of a calendar fiscal year.

An advantage cited for changing to a calendar fiscal year is the six-month lag time between the adoption of the budget and its implementation. This may provide additional time for budget planning for the upcoming fiscal year. The General Assembly would also be in session during the closing of the books from the prior year (mid-February) which would negate the need for special sessions in the late summer to deal with transfer and other budget matters. Should revised revenue estimates require budget cuts, such cuts could be spread over eleven or twelve months rather than the current four or five months. Lastly, there may be benefits from the simplicity of having all units of government in the state on the same fiscal year.

#### Effect of Change on the Executive Budget Process

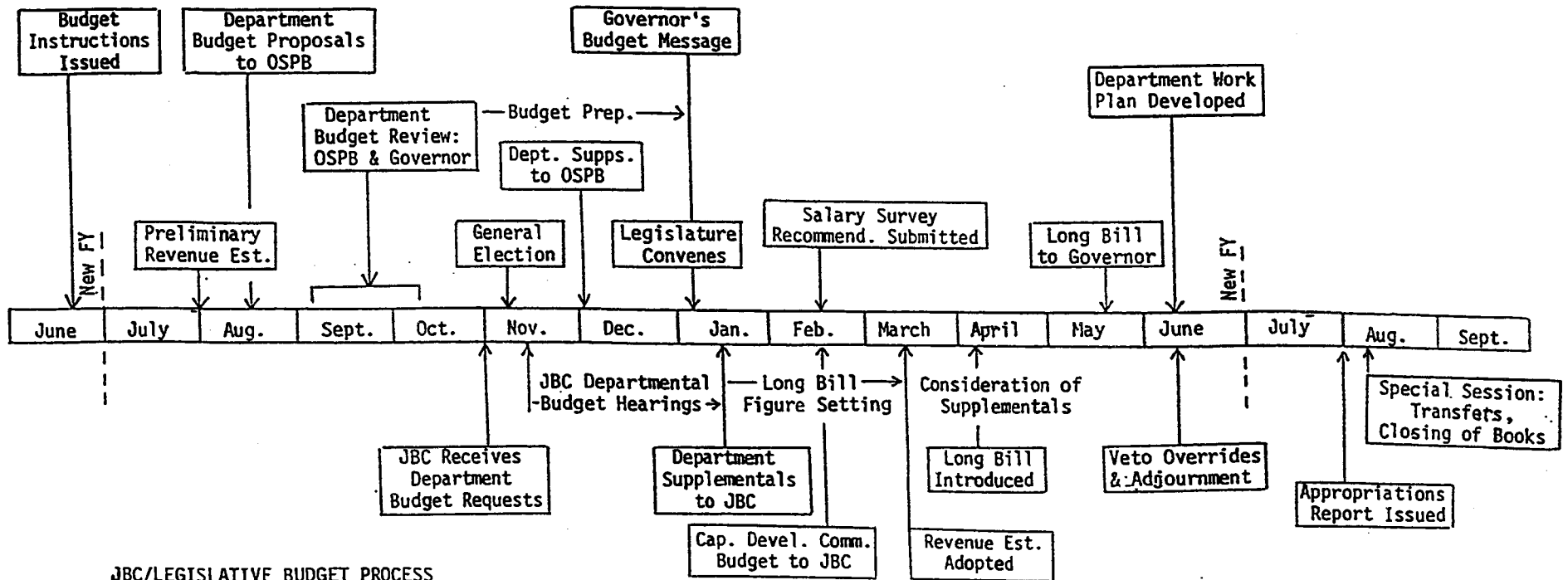
Like the legislative process, executive branch agencies would have their budgeting schedules affected if the General Assembly were to adopt a calendar fiscal year.

Agencies would be required to develop budget requests eighteen months before the fiscal year begins and thirty months before it ends. Lengthening the time prior to implementation may result in a corresponding decrease in accuracy. This may place more pressure on the supplemental process. Compression of the time spent by departments on budget preparation was offered as a partial solution. However, it was reiterated that the level of detail demanded in a line-item budget requires a lengthy preparation process.

Under the calendar fiscal year scenario, agencies would also be preparing budget requests in the middle of a fiscal year. The most recent year-end actual expenditure data available for use in budget preparations would be seven or eight months old, with little current information available. This would especially hamper those agencies

STATE BUDGET CYCLE

OSP/EXECUTIVE BUDGET PROCESS





whose budgets are driven more by caseload projections, such as the departments of Social Services and Institutions. Additionally, these agencies are also dependent on federal funds to a greater degree than other state agencies. The time period for projection of federal grants would also increase from eleven months (from August to the next July) to seventeen or eighteen months (from August to the second January after). Considering the current uncertainties of federal funding, a lengthier period would probably make estimates of federal funds even more questionable.

There are also state agencies whose activities are geared to a specific fiscal year because of the timing of their peak workload periods or the demands of their clientele. Agencies such as Department of Natural Resources and the Division of State Buildings operate more on a seasonal basis and experience peak workloads during the summer months. With a calendar fiscal year, reallocations to provide the necessary funds within these agencies' budgets would occur during the middle of the fiscal year. This is considered an advantage since, under the current system, such departments are at the end of their fiscal years or awaiting the new fiscal year, a time when available funds are normally at a minimum. Planning by such agencies could also take place during off-peak periods (winter months).

Higher education has special concerns because of the national nature of its markets for students and faculty, and the timing of the school year. A calendar fiscal year would effectively cut the academic year in half and require the state to budget for each half academic year. If state funding were to change at that time, changes in tuition, room and board rates, and fees would be required in the middle of the academic year.

Teacher contracts are normally written for the duration of the academic year. Should funding changes require a decrease in staff, complications with regard to these contracts could arise. If contracts were written for the calendar year to solve this problem, current faculty dismissed in December would be at a hiring disadvantage as it would be the middle of the academic year. Such contracting uncertainties may affect Colorado's competitive position when hiring qualified faculty.

#### Effect of Change on School Finance

Many of the complexities resulting from the different budget periods of the state and school districts would be eliminated if the state altered its budget to a calendar year. Local governments, school districts, and the state would then all be on the same cycle which would also coincide with the property tax year.

For school finance, this means that the two major sources of funding -- state equalization payments and property taxes -- would be operating during the same twelve-month period. Presumably such a system would considerably diminish the funding complexities between

the act and the legislative appropriation process, tighten the relationship between funding elements, and decrease the funding rigidities inherent in the present system. Considering the sums involved, this could be an advantage for the state and its school districts. In the aggregate though, simplification in this area is exchanged for increased complications in others.

### Adapting the Local Government Budget Year for the State

The second scenario listed in Senate Bill 112 concerned changing the state fiscal year to conform to the current local government fiscal year. Since all units of local government are required by law to budget on a calendar year, changing the state fiscal year to conform to the school district budget year results in the same considerations as discussed above.

### Transition Budgets

Changing the state fiscal year to the calendar year creates a one-time, six-month period (from July through December) between the old and new budget cycles. An initial decision must therefore be made as to whether to adopt an extra six-month budget or one, 18-month budget for state agencies to account for the transition. Departmental responses to this transition year issue revealed no consensus as to a preference between the two options. Joint Budget Committee staff testified that the simplest method for budgeting for the six-month transition would be to extend the budget assumptions from the prior year's budget for the next six months. Another possibility mentioned was the tandem development of two budgets by each department during their normal budget preparation cycle, one for the six-month transition fiscal year and one for the regular fiscal year. Concerns similar to those mentioned above regarding workload projections may make such budgets inaccurate because of the extended period over which those projections will be used.

One viewpoint stressed by many state agencies was the importance of allowing enough time for an orderly transition to the new budget period. In this regard, recommendations were made to delay the implementation of a change in the state fiscal year one or two years so that the procedures and expertise could be in place prior to the event.

## II. Changing the School District Budget Year

The most complicated change examined by the committee was the proposal to change the school district budget year to conform to the state fiscal year. (Senate Bill 112 as introduced was intended to produce this change.) Complexities result when the school district

budget cycle is moved while the property tax levy and collection process remains the same.

### Impact on the Funding of Public Schools

The concept behind the Public School Finance Act of 1973 is known as a modified power equalization formula. It is intended to compensate for revenue-raising disparities between districts that are a consequence of disparities in assessed valuations (AV) and pupil counts between districts.

The school finance act attempts to equalize differences among districts by guaranteeing that each district is able to raise a specified amount of money per mill per pupil. This feature is known as the state guarantee. In conjunction with a district's ARB, the state guarantee determines the number of mills a district may levy for its general fund (operating expenses). By moving a school district's budget to the state's fiscal year, the district's budget overlaps two property tax years. It is likely in that case that the budget will overlap a different assessed valuation in each year.

The current district funding formula determines the respective contributions by the state and the local district to that district's total program cost. These shares are based on the district's assessed valuation per mill per pupil and the amount of money the state guarantees per mill per pupil. Should the school district budget year change without a corresponding change in the property tax assessment and levy calendar, it may be necessary to calculate two state guarantees within one budget year. School districts would also be required to set a mill levy in November for the calendar year immediately following. However, such a situation would dictate that a mill levy be set for the first six months of the new fiscal year (July through December) before the ARB increase and state funding levels are established. Not knowing the direction or magnitude of these changes would inject a great deal of uncertainty into a district's revenue projections.

Though it is possible to accommodate two AVs per district budget year, such formulas at least double the complexity of the current act and decrease the level of control the General Assembly currently has regarding school district mill levies. This control in the past has been employed by the General Assembly to minimize property tax increases, especially in relation to state appropriations. The overlap of property tax years also affects the processes by which districts apply for additional funds, whether through an increase granted in its ARB or the granting of a local revenue base (LRB). Other aspects of the act that would be affected include provisions dealing with pupil counts, and funding for increasing enrollments and small attendance centers.

Another solution, that of moving away from the equalization of mills, entails a fundamental change in the philosophy behind public school finance in Colorado. Lastly, with any such major changes in the funding of public education, there would be shifts in state aid between districts.

#### Extended Legislative Funding Commitment

One consequence of shifting the school district budget year to the state's fiscal year could be extended legislative commitment for funding levels represented by the ARB. The ARB and other major funding decisions are often left until near the end of the legislative session. If the ARB is not determined in advance but is established as late as May, this leaves too little time for school districts to adequately prepare their budgets for the fiscal year beginning less than two months thereafter.

Considering the size of public school appropriations within the overall budget and the impact ARB increases have on that funding, a commitment of up to one year in advance may not be realistic, especially in light of the number of budget rescissions and shortfalls in recent years. Proponents argued that such a mandate would compel the General Assembly to plan its expenditures farther into the future and, in that way, force it to stabilize its revenues and budgets from year to year. Also, in the situation of budget shortfalls, even if such funding was known in advance, rescissions may be necessary, obviating the usefulness of any long-term funding commitments.

Budgeting periods beginning in July present the need for additional adjustments to accommodate the property tax calendar and State Board of Education grants for increases in district ARBs or the establishment of LRBs. Permission for additional mill levies or ARB increases must be granted by November 5. District special elections to approve additional levies to fund LRBs must be held in early December.

Under the present system, with school district budget years beginning in January, this resulted in a two month delay before the implementation of any mill levy, ARB, or LRB changes. With district budgets commencing in July, this delay increases to nearly eight months. In order to allow the use of these funds at an earlier date and to accommodate the property tax calendar year, districts could be allowed, via a supplementary budget resolution adopted by the district school board in December, to apply any increases beginning in January. This adds to district budget preparation duties.

So, although altering the school district budget year to the current state fiscal year increases the congruence between district budgets and state appropriations, it does so by violating one of the original reasons for instituting such a change -- simplification of the public school finance system. It also decreases existing legislative control of the school finance process.

### III. Conforming with the Federal Fiscal Year

Another scenario investigated by the committee was the feasibility of moving the budget cycles of the state and all units of local government to the federal fiscal year -- October 1 to September 30. However, the committee discovered that such a change had few advantages, would disrupt the operations of the state school districts, and over 1,300 units of local government during the transition, and not solve some of the basic concerns raised by Senate Bill 112. Unless the property tax levy and assessment calendar was also changed to correspond to the federal fiscal year, school district and local government budgeting procedures would be divorced from a major source of revenue. Even for those agencies more dependent on federal funds, the federal fiscal year does not strictly determine when such funds are available or distributed. In total, the confusion and inconvenience created by such a change was considered prohibitive by the committee.

### IV. Altering the Property Tax Cycle

Discussion of moving the property tax year to the state fiscal year to alleviate school finance concerns revealed results similar to those created with a move to the federal fiscal year. Such a change would decouple all units of local government from their primary source of revenue and lead to much initial budgetary confusion and probable long-term complications.

Representatives of the Division of Property Taxation testified that there would be few major problems with adjusting the significant dates of the property tax levy and collection process. Doing so, however, creates conflicts between the November general election and dates set for property valuation protests. Also, State Board of Equalization meetings concerning the abstracts of assessment would be held during the regular legislative session. As the President of the Senate and the Speaker of the House are members of the board, conflicts in meeting schedules may arise.

Another solution -- moving the local units to a new property tax year -- creates many of the problems associated with the move to the federal fiscal year. Having spent time and effort in the past few years attempting to simplify the budget requirements of local governments, representatives from Colorado counties, municipalities and special districts stated their opposition to any change in their budgeting practices.

## Committee Recommendations

### Concerning Conformance of the State Fiscal Year to the Calendar Year -- Bill 14

Once a decision has been made to alter the fiscal year, the choice revolves around which fiscal year(s) to move. As the discussions of the respective changes considered by the committee reveal, changing the state fiscal year presents the fewest complications while also solving most of the complexities and major misunderstandings concerning the relationship between state appropriations for public schools and the means by which school districts fund their local share.

The committee's decision to recommend changing the state fiscal year to conform to the calendar year rested on two factors: the relative importance of public school funds in overall state spending and the need to eliminate the confusion surrounding the funding and administration of the school finance act. State equalization appropriations have comprised between 35 and 40 percent of total General Fund appropriations over the last six years. Continuing misunderstandings surrounding such a large percentage of the budget hinders the efficient allocation of public school funds and, consequently, all other state funds.

Implementation delayed. Bill 14 implements the provisions of Senate Bill 112, as enacted, but delays that implementation for one year (January, 1989). Testimony by agencies affected by such a change support such a delay.

As mentioned previously, one comment expressed by most executive branch agencies was the need for adequate time to prepare for the transition. The January 1, 1988, changeover date in Senate Bill 112 was not considered adequate, especially since this would require a transition budget for July through December, 1987. Department budget preparations are almost complete for FY 1987-88. Joint Budget Committee hearings on the FY 1987-88 budget commenced in November, 1986.

Committee discussion also revealed concerns involving a new, incoming administration for state government. There is normally some confusion during the changeover of administrations. The burden of a fiscal year change would probably add to the confusion and difficulty of such a transition.

It was decided that the January 1, 1988 changeover date in Senate Bill 112 did not allow sufficient time in which to properly consider these issues, their implications, and the mechanics of such a transition. For these reasons, the committee recommended a one-year delay in the implementation date.

BILL 1

A BILL FOR AN ACT

1 CONCERNING "LEVEL OF VALUE" AS APPLIED TO THE VALUATION FOR  
2 ASSESSMENT OF PRODUCING MINES.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Provides that producing mines shall be valued for assessment solely according to the income approach provided in article 6 of title 39, C.R.S., without relating the actual value so determined back to a base year pursuant to article 1 of said title.

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3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. 39-1-104 (12), Colorado Revised Statutes,  
5 1982 Repl. Vol., is RECREATED AND REENACTED, WITH AMENDMENTS,  
6 to read:

7 39-1-104. Valuation for assessment. (12) For the  
8 property tax years commencing on or after January 1, 1987,  
9 producing mines shall be valued for assessment solely pursuant  
10 to article 6 of this title.

11 SECTION 2. 39-1-104 (12.2) (a), Colorado Revised

1 Statutes, 1982 Repl. Vol., as amended, is amended to read:

2 39-1-104. Valuation for assessment. (12.2) (a) EXCEPT  
3 AS PROVIDED IN SUBSECTION (12) OF THIS SECTION, for property  
4 tax years commencing on or after January 1, 1987, the  
5 requirement stated in subsections (9) to (11) of this section  
6 that the actual value of real property be determined according  
7 to a specified year's level of value and manuals and  
8 associated data published by the administrator for said  
9 specified year and approved by the advisory committee to the  
10 administrator shall apply to the assessment of all classes of  
11 real property, including but not limited to the following  
12 classes of real property:

13 (I) ~~Producing-mines;~~

14 (II) Oil and gas leaseholds and lands;

15 (III) Operating property and plants of public utilities;

16 (IV) Agricultural land; and

17 (V) Producing coal mines and other lands producing  
18 nonmetallic minerals.

19 SECTION 3. Safety clause. The general assembly hereby  
20 finds, determines, and declares that this act is necessary  
21 for the immediate preservation of the public peace, health,  
22 and safety.



BILL 2

A BILL FOR AN ACT

1 CONCERNING A TRANSITION OF OIL AND GAS LEASEHOLDS AND LANDS  
2 FROM THE "BASE YEAR" CONCEPT OF VALUE TO CURRENT VALUE  
3 FOR PROPERTY TAX PURPOSES.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Provides that, for the 1987 and 1988 property tax years, the valuation for assessment of oil and gas leaseholds and lands shall be determined for the 1985 base year and compared to the valuation for assessment for the most current year for which data is available; when the base year valuation is higher, one-half of the difference between the two valuations shall be added to the current valuation and the result shall be the valuation for assessment. Beginning with the 1989 property tax year, provides for the valuation for assessment of oil and gas leaseholds and lands to be determined solely by the current value of income pursuant to article 7 of title 39 without relation back to a base year pursuant to article 1 of title 39.

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4 Be it enacted by the General Assembly of the State of Colorado:

5 SECTION 1. 39-1-104 (12), Colorado Revised Statutes,  
6 1982 Repl. Vol., is RECREATED AND REENACTED, WITH AMENDMENTS,  
7 to read:

8 39-1-104. Valuation for assessment. (12) (a) For

1 property tax years commencing on or after January 1, 1987, but  
2 before January 1, 1989, the requirement stated in subsections  
3 (9) to (11) of this section that the actual value of real  
4 property be determined according to a specified year's level  
5 of value and manuals and associated data published by the  
6 administrator for said specified year and approved by the  
7 advisory committee to the administrator shall apply to the  
8 assessment of oil and gas leaseholds and lands for the purpose  
9 of comparing the valuation for assessment according to the  
10 specified year's level of value with the valuation for  
11 assessment as determined solely pursuant to section 39-7-102.  
12 If the valuation for assessment according to the specified  
13 year's level of value is greater than the valuation for  
14 assessment as determined solely pursuant to section 39-7-102,  
15 then one-half of the difference between the valuations shall  
16 be added to the valuation determined solely pursuant to  
17 section 39-7-102, and the resulting valuation shall be the  
18 valuation for assessment.

19 (b) For the property tax years commencing on or after  
20 January 1, 1989, the valuation for assessment of oil and gas  
21 leaseholds and lands shall be determined solely pursuant to  
22 section 39-7-102.

23 SECTION 2. 39-1-104 (12.2) (a), Colorado Revised  
24 Statutes, 1982 Repl. Vol., as amended, is amended to read:

25 39-1-104. Valuation for assessment. (12.2) (a) EXCEPT  
26 AS PROVIDED IN SUBSECTION (12) OF THIS SECTION, for property  
27 tax years commencing on or after January 1, 1987, the

1 requirement stated in subsections (9) to (11) of this section  
2 that the actual value of real property be determined according  
3 to a specified year's level of value and manuals and  
4 associated data published by the administrator for said  
5 specified year and approved by the advisory committee to the  
6 administrator shall apply to the assessment of all classes of  
7 real property, including but not limited to the following  
8 classes of real property:

- 9 (I) Producing mines;
- 10 (II) ~~Oil and gas leaseholds and lands;~~
- 11 (III) Operating property and plants of public utilities;
- 12 (IV) Agricultural land; and
- 13 (V) Producing coal mines and other lands producing  
14 nonmetallic minerals.

15 SECTION 3. 39-7-102, Colorado Revised Statutes, 1982  
16 Repl. Vol., is amended BY THE ADDITION OF A NEW SUBSECTION to  
17 read:

18 39-7-102. Valuation for assessment.

19 (3) Notwithstanding subsections (1) and (2) of this section,  
20 for the property tax years commencing on or after January 1,  
21 1987, but before January 1, 1989, the valuation for assessment  
22 of oil and gas leaseholds and lands shall be determined as  
23 provided in section 39-1-104 (12) (a).

24 SECTION 4. Safety clause. The general assembly hereby  
25 finds, determines, and declares that this act is necessary  
26 for the immediate preservation of the public peace, health,  
27 and safety.

BILL 3

A BILL FOR AN ACT

1 CONCERNING THE REPEAL OF STATUTORY SECTIONS INCONSISTENT WITH  
2 THE PROPERTY TAX PROVISIONS OF SECTION 3 OF ARTICLE X OF  
3 THE CONSTITUTION OF THE STATE OF COLORADO.

---

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Repeals those statutory sections that were enacted prior to the 1982 constitutional amendment to section 3 of article X of the state constitution which conflict with such amendment's requirements on valuation for assessment, either in determination of actual value or assessment rates. Makes a conforming amendment.

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4 Be it enacted by the General Assembly of the State of Colorado:

5 SECTION 1. Repeal. 37-87-116, 37-87-117, 37-87-118,  
6 37-87-119, 37-87-120, and 37-87-121, Colorado Revised  
7 Statutes, as amended, and 39-1-103 (7), 39-1-104 (6), (13),  
8 and (14), 39-5-105 (2) and (3), Colorado Revised Statutes,  
9 1982 Repl. Vol., are repealed.

10 SECTION 2. 37-87-122 (1), Colorado Revised Statutes, is  
11 amended to read:

1           37-87-122. Erosion control dams. (1) The provisions of  
2 sections 37-87-101 to 37-87-108 and ~~37-87-116 to 37-87-121~~  
3 shall not apply to erosion control dams of the character  
4 defined in this section, unless such dams also come within the  
5 specification requirements of said sections.

6           SECTION 3. Safety clause. The general assembly hereby  
7 finds, determines, and declares that this act is necessary  
8 for the immediate preservation of the public peace, health,  
9 and safety.

BILL 4

A BILL FOR AN ACT

1 CONCERNING THE CONFORMING OF STATUTES TO CONSTITUTIONAL  
2 PROVISIONS CONCERNING VALUATION FOR ASSESSMENT.

---

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Amends statutory sections, enacted prior to the 1982 constitutional amendment to section 3 of article X of the state constitution, to make the statutory percentage of actual value the same as the percentage mandated by the constitutional amendment. Further amends the statute concerning federal property used for recreational purposes to provide that the actual value of such property shall be determined pursuant to the three approaches to valuation as prescribed by the constitution.

---

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. 39-1-104 (1), Colorado Revised Statutes, 1982  
5 Repl. Vol., is amended, and the said 39-1-104 is further  
6 amended BY THE ADDITION OF A NEW SUBSECTION, to read:

7 39-1-104. Valuation for assessment. (1) ~~Except when~~  
8 ~~otherwise prescribed in articles 1 to 13 of this title,~~ The  
9 valuation for assessment of all taxable property in the state

1 shall be ~~thirty~~ TWENTY-NINE percent of the actual value  
2 thereof as determined by the assessor and the administrator in  
3 the manner prescribed by law, and such percentage shall be  
4 uniformly applied, without exception, to the actual value, so  
5 determined, of the various classes and subclasses of real and  
6 personal property located within the territorial limits of the  
7 authority levying a property tax, and all property taxes shall  
8 be levied against the aggregate valuation for assessment  
9 resulting from the application of such percentage. THIS  
10 SUBSECTION (1) SHALL NOT APPLY TO RESIDENTIAL REAL PROPERTY,  
11 PRODUCING MINES, AND LANDS OR LEASEHOLDS PRODUCING OIL OR GAS.

12 (1.5) Residential real property shall be valued for  
13 assessment at twenty-one percent of its actual value.

14 SECTION 2. 39-3-112 (6), Colorado Revised Statutes, 1982  
15 Repl. Vol., is amended to read:

16 39-3-112. Taxation of exempt property - taxes not to  
17 become lien. (6) The valuation for assessment of lands owned  
18 by the United States and used for recreational purposes shall  
19 be ~~thirty~~ TWENTY-NINE percent of the ~~fees-paid-by-the-user--of~~  
20 ~~said--lands--to--the--United-States-for-the-use-thereof-in-the~~  
21 ~~previous-calendar-year~~ ACTUAL VALUE THEREOF DETERMINED BY  
22 APPROPRIATE CONSIDERATION OF THE COST APPROACH, THE MARKET  
23 APPROACH, AND THE INCOME APPROACH TO APPRAISAL.

24 SECTION 3. Safety clause. The general assembly hereby  
25 finds, determines, and declares that this act is necessary  
26 for the immediate preservation of the public peace, health,  
27 and safety.

BILL 5

A BILL FOR AN ACT

1 CONCERNING ACCESS BY THE CONTRACTOR PERFORMING THE VALUATION  
2 FOR ASSESSMENT STUDY TO DOCUMENTS IN THE CUSTODY OF THE  
3 ASSESSORS OR THE PROPERTY TAX ADMINISTRATOR.

---

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Allows the contractor performing the annual valuation for assessment study to have access to any document in the custody of an assessor or the administrator and to have the same access to confidential documents that the assessors, the administrator, and other statutorily designated officials have.

---

4 Be it enacted by the General Assembly of the State of Colorado:

5 SECTION 1. 39-1-104 (16), Colorado Revised Statutes,  
6 1982 Repl. Vol., as amended, is amended BY THE ADDITION OF A  
7 NEW PARAGRAPH to read:

8 39-1-104. Valuation for assessment. (16) (c) The  
9 person conducting the valuation for assessment study and his  
10 employees shall, during the term of his contract, have access  
11 to any document in the custody of the administrator or an



1 assessor including, but not limited to, such documents as are  
2 held pursuant to sections 39-4-103 and 39-5-120. The  
3 penalties in section 39-1-116 apply against the divulging at  
4 any time of any confidential information obtained pursuant to  
5 this paragraph (c).

6 SECTION 2. 39-5-120, Colorado Revised Statutes, 1982  
7 Repl. Vol., is amended to read:

8 39-5-120. Tax schedules endorsed and filed -  
9 availability for inspection. All personal property schedules  
10 and exhibits or statements attached thereto returned to or  
11 secured by the assessor shall be endorsed with the name of the  
12 person whose taxable personal property is listed therein and  
13 shall be filed in either alphabetical or numerical order and  
14 retained for a period of six years, after which time they may  
15 be destroyed. Such schedules and accompanying exhibits or  
16 statements shall be considered private documents and shall be  
17 available on a confidential basis only to the assessor and the  
18 employees of his office, the treasurer and the employees of  
19 his office, THE ANNUAL STUDY CONTRACTOR, HIRED PURSUANT TO  
20 SECTION 39-1-104 (16), AND HIS EMPLOYEES, the executive  
21 director of the department of revenue and the employees of his  
22 office, and the administrator and the employees of his office.  
23 Such exhibits or statements shall be available on a  
24 confidential basis to the board and the county board of  
25 equalization when information contained in such documents is  
26 pertinent to an appeal or protest.

27 SECTION 3. Safety clause. The general assembly hereby

1 finds, determines, and declares that this act is necessary  
2 for the immediate preservation of the public peace, health,  
3 and safety.

BILL 6

A BILL FOR AN ACT

1 CONCERNING THE RATIO OF VALUATION FOR ASSESSMENT OF  
2 RESIDENTIAL REAL PROPERTY.

---

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Declares that residential real property shall be valued at twenty-one percent of actual value. Provides, however, that pursuant to the provisions of section 3 of article X of the state constitution, for the property tax years commencing January 1, 1987 but before January 1, 1989, residential real property shall be valued at \_\_\_ percent of actual value in order to maintain the percentage of aggregate statewide valuation for assessment which was attributable to residential real property for the property tax year commencing January 1, 1986.

---

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. 39-1-104, Colorado Revised Statutes, 1982  
5 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW  
6 SUBSECTION to read:

7 39-1-104. Valuation for assessment.

8 (1.5) (a) Residential real property shall be valued for  
9 assessment at twenty-one percent of its actual value, except

1 as otherwise provided in this subsection (1.5).

2 (b) The general assembly, pursuant to the authority  
3 granted in section 3 of article X of the state constitution,  
4 finds and declares that for the property tax years commencing  
5 January 1, 1987, but before January 1, 1989, the percentage of  
6 aggregate statewide valuation for assessment which is  
7 attributable to residential real property fails to remain as  
8 it was in the property tax year commencing January 1, 1986.  
9 Therefore, for the property tax years commencing January 1,  
10 1987, but before January 1, 1989, residential real property  
11 shall be valued for assessment at \_\_\_\_ percent of its actual  
12 value.

13 SECTION 2. Safety clause. The general assembly hereby  
14 finds, determines, and declares that this act is necessary  
15 for the immediate preservation of the public peace, health,  
16 and safety.

BILL 7

A BILL FOR AN ACT

1 CONCERNING PENALTIES FOR FAILURE TO FULLY AND COMPLETELY  
2 DISCLOSE PERSONAL PROPERTY FOR ASSESSMENT PURPOSES.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Allows the assessor, upon discovery that any person has failed to make a full and complete disclosure of his personal property for assessment purposes, to value such person's personal property on the best available information and to impose a limited penalty upon such person.

Exempts a person from a retroactive assessment for omitted property if he fully and completely discloses his personal property on the first personal property schedule he is issued after the penalty provision becomes effective.

Specifies that any person subject to a penalty shall have the right to pursue the taxpayer remedies available in title 39, Colorado Revised Statutes.

Removes from the statute addressing persons who fail to file a personal property tax schedule language regarding filings that fall within the category of failure to fully and completely disclose.

---

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. 39-5-116, Colorado Revised Statutes, 1982

5 Repl. Vol., is amended to read:

6 39-5-116. Failure to file schedule - failure to fully

1 and completely disclose. (1) If any person owning taxable  
2 personal property to whom one or more personal property  
3 schedules have been mailed, or upon whom the assessor or his  
4 deputy has called and left one or more schedules, fails to  
5 complete and return the same to the assessor by the April 15  
6 next following, unless by such date such person has requested  
7 an extension of filing time as provided for in this section,  
8 the assessor shall impose a late filing penalty in the amount  
9 of fifty dollars or, if a lesser amount, fifteen percent of  
10 the amount of tax due on the valuation for assessment  
11 determined for the personal property for which any delinquent  
12 schedule or schedules are required to be filed. Any person  
13 who is unable to properly complete and file one or more of  
14 such schedules by April 15 may request an extension of time  
15 for filing, for a period of either ten or twenty days, which  
16 request shall be in writing and shall be accompanied by  
17 payment of an extension fee in the amount of two dollars per  
18 day of extension requested. A single request for extension  
19 shall be sufficient to extend the filing date for all such  
20 schedules which a person is required to file in a single  
21 county. Any person who fails to file one or more schedules by  
22 the end of the extension time requested shall be subject to a  
23 late filing penalty as though no extension had been requested.  
24 Further, if any person fails to complete and file one or more  
25 schedules by April 15, or, if an extension is requested, by  
26 the end of the requested extension, ~~or includes in a filed~~  
27 ~~schedule any information concerning his property which is~~

1 ~~plainly--false,--erroneous,--or--misleading,--or--fails--to--include~~  
2 ~~in--a--schedule--any--taxable--property--owned--by--him,~~ then the  
3 assessor may determine the actual value of such person's  
4 taxable personal property on the basis of the best information  
5 available to and obtainable by him and shall promptly notify  
6 such person or his agent of such valuation. Extension fees  
7 and late filing penalties shall be fees of the assessor's  
8 office. Penalties, if unpaid, shall be certified to the  
9 treasurer for collection with taxes levied upon the person's  
10 property.

11 (2) (a) IF ANY PERSON OWNING TAXABLE PERSONAL PROPERTY  
12 TO WHOM ONE OR MORE PERSONAL PROPERTY SCHEDULES HAVE BEEN  
13 MAILED, OR UPON WHOM THE ASSESSOR OR HIS DEPUTY HAS CALLED AND  
14 LEFT ONE OR MORE SCHEDULES, FAILS TO MAKE A FULL AND COMPLETE  
15 DISCLOSURE OF HIS PERSONAL PROPERTY FOR ASSESSMENT PURPOSES,  
16 THE ASSESSOR SHALL, UPON DISCOVERY, DETERMINE THE ACTUAL VALUE  
17 OF SUCH PERSON'S TAXABLE PROPERTY ON THE BASIS OF THE BEST  
18 INFORMATION AVAILABLE TO AND OBTAINABLE BY HIM AND SHALL  
19 PROMPTLY NOTIFY SUCH PERSON OR HIS AGENT OF SUCH VALUATION.  
20 THE ASSESSOR SHALL IMPOSE A PENALTY IN AN AMOUNT UP TO  
21 TWENTY-FIVE PERCENT OF THE VALUATION FOR ASSESSMENT DETERMINED  
22 FOR THE PERSONAL PROPERTY. PENALTIES, IF UNPAID, SHALL BE  
23 CERTIFIED TO THE TREASURER FOR COLLECTION WITH TAXES LEVIED  
24 UPON THE PERSON'S PERSONAL PROPERTY. A PERSON FAILS TO MAKE A  
25 FULL AND COMPLETE DISCLOSURE OF HIS PERSONAL PROPERTY PURSUANT  
26 TO THIS PARAGRAPH (a) IF HE INCLUDES IN A FILED SCHEDULE ANY  
27 INFORMATION CONCERNING HIS PROPERTY WHICH IS FALSE, ERRONEOUS,

1 OR MISLEADING, OR FAILS TO INCLUDE IN A SCHEDULE ANY TAXABLE  
2 PROPERTY OWNED BY HIM.

3 (b) ANY PERSON WHO MAKES FULL AND COMPLETE DISCLOSURE ON  
4 THE FIRST PERSONAL PROPERTY SCHEDULES ISSUED TO HIM ON OR  
5 AFTER AUGUST 1, 1987, SHALL NOT BE ASSESSED TAXES, PURSUANT TO  
6 SECTION 39-5-125, FOR PROPERTY PREVIOUSLY OMITTED FROM THE  
7 ASSESSMENT ROLLS.

8 (c) ANY PERSON SUBJECT TO PARAGRAPH (a) OF THIS  
9 SUBSECTION (2) SHALL HAVE THE RIGHT TO PURSUE THE  
10 ADMINISTRATIVE REMEDIES AVAILABLE TO TAXPAYERS UNDER THIS  
11 TITLE, DEPENDENT UPON THE BASIS OF HIS CLAIM.

12 SECTION 2. Effective date - applicability. This act  
13 shall take effect August 1, 1987, and shall apply to personal  
14 property schedules due or filed on or after said date.

15 SECTION 3. Safety clause. The general assembly hereby  
16 finds, determines, and declares that this act is necessary  
17 for the immediate preservation of the public peace, health,  
18 and safety.



BILL 8

A BILL FOR AN ACT

1 CONCERNING IMPLEMENTATION OF HOUSE BILL NO. 1003 OF THE 1986  
2 REGULAR SESSION.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Corrects statutory references to assure that the five and one-half percent limitation in effect for 1988 property tax collections will apply to entities that are subject to the six percent limitation for 1989 and thereafter.

Makes consistent the language addressing the following increases in valuation that are excluded from the total valuation for assessment for purposes of computing the limitation on property tax levies: Annexation or inclusion of additional land, the improvements thereon, and personal property connected therewith within the taxing entity for the preceding year; new construction and personal property connected therewith within the taxing entity for the preceding year; increased volume of production for the preceding year by a producing mine if said mine is wholly or partially within the taxing entity and if such increase in volume of production causes an increase in the level of services provided by the taxing entity; and previously legally exempt federal property which becomes taxable if such property causes an increase in the level of services provided by the taxing entity.

Replaces the term "taxing district" with the term "taxing entity" such that a single term "taxing entity" is used to refer to any body politic subject to the revenue raising limitation of part 3 of article 1 of title 29.

---

1 Be it enacted by the General Assembly of the State of Colorado:

2 SECTION 1. 29-1-301.1 (2), Colorado Revised Statutes,  
3 1986 Repl. Vol., is amended to read:

4 29-1-301.1. Levies reduced - limitation - 1988.  
5 (2) References within this part 3 and in sections 8-44-110  
6 (2), 22-40-102 (4), and 24-10-115 (3), 29-13-101 (3),  
7 30-25-203, 32-7-118 (9), 32-12-114 (8), 39-1-111 (3) AND (5),  
8 39-1.5-106, 39-2-109.5 (6), AND 39-5-121 (2), C.R.S., to  
9 section 29-1-301 (1) shall be construed to refer to the five  
10 and one-half percent limitation established by this section.

11 SECTION 2. 29-1-303 (2) (b), Colorado Revised Statutes,  
12 1986 Repl. Vol., is amended to read:

13 29-1-303. Revenue-raising limitation exemption - public  
14 disclosure of tax levy. (2) (b) No later than October 1 of  
15 the year prior to the budget year under consideration, the  
16 county assessor of the county in which is located a taxing  
17 entity adopting the public disclosure provisions of this  
18 section shall certify the following to such taxing entity: The  
19 mill levy which when applied to such valuation for assessment,  
20 exclusive of the increased valuation for assessment  
21 attributable to annexation or inclusion of additional land,  
22 the improvements thereon, and personal property connected  
23 therewith within the taxing entity for the preceding year, or  
24 attributable to new construction and personal property  
25 connected therewith within the taxing entity for the preceding  
26 year, or attributable to increased volume of production for  
27 the preceding year by a producing mine if said mine is wholly

1 or partially within the taxing entity and if such increase in  
2 volume of production causes an increase in the level of  
3 services provided by the taxing entity, or attributable to  
4 previously legally exempt federal property which becomes  
5 taxable IF SUCH PROPERTY CAUSES AN INCREASE IN THE LEVEL OF  
6 SERVICES PROVIDED BY THE TAXING ENTITY, will raise the same  
7 property tax revenue as was raised the preceding year. For  
8 the purposes of this section, such mill levy shall be known as  
9 the "certified mill levy".

10 SECTION 3. 30-11-406.5 (1), Colorado Revised Statutes,  
11 1986 Repl. Vol., is amended to read:

12 30-11-406.5. Procedure for levying property tax - public  
13 disclosure - county assessor's duties. (1) No later than  
14 September 15 of each year, each county assessor shall certify  
15 to each authority within his county the total valuation for  
16 assessment of all taxable property located within the  
17 territorial limits of the authority and the mill levy which  
18 when applied to such valuation for assessment, exclusive of  
19 the increased valuation for assessment attributable to  
20 annexation or inclusion of additional land, the improvements  
21 thereon, and personal property connected therewith within the  
22 authority for the preceding year, or attributable to new  
23 construction and personal property connected therewith within  
24 the authority for the preceding year, or attributable to  
25 increased volume of production for the preceding year by a  
26 producing mine if said mine is wholly or partially within the  
27 authority and if such increase in volume of production causes

1 a--change--in-services-~~or~~ an increase in the level of services  
2 provided by the authority, or attributable to previously  
3 legally exempt federal property which becomes taxable IF SUCH  
4 PROPERTY CAUSES AN INCREASE IN THE LEVEL OF SERVICES PROVIDED  
5 BY THE AUTHORITY, will raise the same property tax revenue as  
6 was raised the previous year. For the purposes of this  
7 section, such mill levy shall be known as the "certified mill  
8 levy".

9 SECTION 4. 39-5-121 (2), Colorado Revised Statutes, 1982  
10 Repl. Vol., as amended, is amended to read:

11 39-5-121. Notice of increased valuation. (2) The  
12 assessor shall, no later than September 15 of each year,  
13 notify each taxing ~~district~~ ENTITY subject to the provisions  
14 of section 29-1-301, C.R.S., and notify the division of local  
15 government of the total valuation for assessment of land and  
16 improvements within the ~~district~~ ENTITY and shall also report:  
17 The amount of the total valuation for assessment attributable  
18 to annexation or inclusion of additional land, and the  
19 improvements thereon, and personal property connected  
20 therewith within the taxing ~~district~~ ENTITY for the preceding  
21 year; the amount attributable to new construction and personal  
22 property connected therewith within the taxing ~~district~~ ENTITY  
23 for the preceding year; the amount attributable to increased  
24 volume of production for the preceding year by a producing  
25 mine if said mine is wholly or partially within the taxing  
26 ~~district~~ ENTITY and if such increase in volume of production  
27 causes a--change--in--services-~~or~~ an increase in the level of

1 services provided by the taxing district ENTITY; and the  
2 amount attributable to previously legally exempt federal  
3 property which becomes taxable IF SUCH PROPERTY CAUSES AN  
4 INCREASE IN THE LEVEL OF SERVICES PROVIDED BY THE TAXING  
5 ENTITY. With regard to any county, city and county, city, or  
6 town which is exempt from the provisions of section 29-1-301,  
7 C.R.S., due to having adopted the public disclosure provisions  
8 of section 29-1-303, C.R.S., the assessor shall also specify  
9 the mill levy which when applied to such valuation for  
10 assessment, exclusive of the increased valuation for  
11 assessment attributable to annexation or inclusion of  
12 additional land, the improvements thereon, and personal  
13 property connected therewith within such taxing entity for the  
14 preceding year or attributable to new construction and  
15 personal property connected therewith within such taxing  
16 entity for the preceding year or attributable to increased  
17 volume of production for the preceding year by a producing  
18 mine if said mine is wholly or partially within the taxing  
19 entity and if such increase in volume of production causes a  
20 change--in--services--or an increase in the level of services  
21 provided by the taxing entity, OR ATTRIBUTABLE TO PREVIOUSLY  
22 LEGALLY EXEMPT FEDERAL PROPERTY WHICH BECOMES TAXABLE IF SUCH  
23 PROPERTY CAUSES AN INCREASE IN THE LEVEL OF SERVICES PROVIDED  
24 BY THE TAXING ENTITY, will raise the same property tax revenue  
25 as was raised the preceding year.

26 SECTION 5. Safety clause. The general assembly hereby  
27 finds, determines, and declares that this act is necessary

1 for the immediate preservation of the public peace, health,  
2 and safety.

BILL 9

A BILL FOR AN ACT

1 CONCERNING THE CALENDAR FOR CERTIFICATION OF PROPERTY TAX  
2 LEVIES, AND IN CONNECTION THEREWITH, MAKING UNIFORM THE  
3 DATES FOR CERTIFYING NEEDED LEVY AMOUNTS AND FOR LEVYING  
4 AGAINST THE VALUATION FOR ASSESSMENT.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Uniformly applies December 1 as the date by which needed levy amounts shall be certified to the county commissioners by local governments, special districts, and school districts, and December 10 as the date the county commissioners shall levy against the valuation for assessment. However, extends the December 1 deadline to December 15 and continues to allow delay in the levy against the valuation for assessment when an election for an increased property tax levy is held.

---

5 Be it enacted by the General Assembly of the State of Colorado:  
6 SECTION 1. 22-40-102 (1), Colorado Revised Statutes, as  
7 amended, is amended to read:  
8 22-40-102. Certification - tax revenues. (1) ~~No later~~  
9 ~~than the second Tuesday in November~~ IN ACCORDANCE WITH THE  
10 SCHEDULE PRESCRIBED BY SECTION 39-5-128, C.R.S., the board of

1 education of each school district shall certify to the board  
2 of county commissioners of the county wherein said school  
3 district is located the separate amounts necessary, in the  
4 judgment of said board of education, to be raised from levies  
5 against the valuation for assessment of all taxable property  
6 located within the boundaries of said school district for its  
7 general, bond redemption, special building, and capital  
8 reserve funds to defray its expenditures therefrom during its  
9 next ensuing fiscal year; except that any school district  
10 conducting an election to ~~increase the authorized revenue base~~  
11 ESTABLISH A LOCAL REVENUE BASE shall make such certification  
12 no later than December 15.

13 SECTION 2. 23-71-402 (1), Colorado Revised Statutes, as  
14 amended, is amended to read:

15 23-71-402. Certification - tax revenues. (1) ~~No later~~  
16 ~~than the second Tuesday in November~~ IN ACCORDANCE WITH THE  
17 SCHEDULE PRESCRIBED BY SECTION 39-5-128, C.R.S., the district  
18 shall certify to the board of county commissioners of the  
19 county wherein said district is located the separate amounts  
20 necessary, in the judgment of the board of trustees, to be  
21 raised from levies against the valuation for assessment of all  
22 taxable property located within the boundaries of said  
23 district for its general, bond redemption, and capital reserve  
24 funds to defray its expenditures therefrom during its next  
25 ensuing fiscal year.

26 SECTION 3. 31-25-613, Colorado Revised Statutes, 1986  
27 Repl. Vol., is amended to read:



1           31-25-613. Determining and fixing rate of levy. The  
2 board shall determine the amount of money necessary to be  
3 raised by a levy on the taxable property in the district,  
4 taking into consideration other sources of revenue of the  
5 district, and shall fix a rate of levy which, when levied upon  
6 every dollar of the valuation for assessment of taxable  
7 property within the district and with other revenues, shall  
8 raise the amount required by the district during the ensuing  
9 fiscal year to supply funds for paying expenses of  
10 organization and the costs of constructing, installing, and  
11 operating the improvements or works of the district and  
12 promptly to pay in full when due all interest on and principal  
13 of bonds and other obligations of the district. In the event  
14 of accruing defaults or deficiencies, additional levies may be  
15 made as provided in section 31-25-614. ~~No-later-than-October~~  
16 ~~15-in-each-year~~ IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED BY  
17 SECTION 39-5-128, C.R.S., the board shall certify to the board  
18 of county commissioners of each county in which the district  
19 or a portion thereof lies the rate so fixed in order that, at  
20 the time and in the manner required by law for the levying of  
21 taxes, such board of county commissioners shall levy such tax  
22 upon the valuation for assessment of all taxable property  
23 within the district.

24           SECTION 4. 32-9-120 (3), Colorado Revised Statutes, is  
25 amended to read:

26           32-9-120. Levy of taxes - limitations. (3) The board  
27 shall certify to the counties of the district and the city and

1 county of Denver, ~~prior-to-such-date-as-may-be-provided-by-law~~  
2 ~~for-such-counties-and-the-city-and-county-of--Denver--for--the~~  
3 ~~levying-of-taxes~~ IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED BY  
4 SECTION 39-5-128, C.R.S., the rate so fixed in subsection (2)  
5 of this section, with directions to such counties and the city  
6 and county of Denver to levy and collect such taxes upon the  
7 taxable property within their respective counties or the city  
8 and county and to levy and collect such other taxes pursuant  
9 to section 32-9-121.

10 SECTION 5. 32-11-217 (1) (c) (I), Colorado Revised  
11 Statutes, as amended, is amended to read:

12 32-11-217. Financial powers of district.  
13 (1) (c) (I) To levy and cause to be collected taxes on and  
14 against all taxable property within the district; except that  
15 any levy, except as provided in subparagraph (II) of this  
16 paragraph (c), in excess of one mill shall require the  
17 favorable vote of a majority of the electors of the district  
18 voting on the question, subject to the limitations provided in  
19 paragraph (d) of this subsection (1), by certifying, ~~on--or~~  
20 ~~before--October--15~~ IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED  
21 BY SECTION 39-5-128, C.R.S., in each year in which the board  
22 determines to levy taxes, ~~or-by-such-other-date-as-provided-by~~  
23 ~~the--laws--of--the-state,~~ to the body having authority to levy  
24 taxes within each county wherein the district has any  
25 territory, the rate so fixed, with directions that, at the  
26 time and in the manner required by law for levying taxes for  
27 other purposes, such body having authority to levy taxes shall

1 levy such taxes upon the valuation for assessment of all  
2 taxable property within the district, in addition to such  
3 other taxes as may be levied by such body, as provided in this  
4 section. Not more than one-tenth of a mill shall be used for  
5 engineering and operations of the district, not more than  
6 four-tenths of a mill shall be used for capital construction,  
7 and not more than four-tenths of a mill shall be used for  
8 maintenance and preservation of floodways and floodplains.

9 SECTION 6. 35-70-111, Colorado Revised Statutes, 1984  
10 Repl. Vol., is amended to read:

11 35-70-111. Certify assessments or tax. If an assessment  
12 or tax has been voted as provided in section 35-70-109 (2),  
13 the supervisors shall, IN ACCORDANCE WITH THE SCHEDULE  
14 PRESCRIBED BY 39-5-128, C.R.S., certify to the board of county  
15 commissioners of the county in which any tract or parcel of  
16 land within the district may lie the amount of assessment or  
17 tax to be levied against such land as shown by the  
18 distribution of the budget of the district. Such assessment  
19 or tax shall be added to all other taxes levied or assessed  
20 against such land and shall be collected as are other property  
21 taxes. Assessments or taxes against any lands owned by the  
22 United States or the state of Colorado or any agency of either  
23 shall not be certified to the county commissioners as provided  
24 in this section, but such assessments or taxes shall be  
25 collected in accordance with agreements to be entered into by  
26 the supervisors and the public owner or agency controlling  
27 such lands.

1 SECTION 7. 37-5-102 (1), Colorado Revised Statutes, as  
2 amended, is amended to read:

3 37-5-102. Preliminary fund. (1) As soon as any  
4 district has been organized under articles 1 to 8 of this  
5 title and a board of directors has been appointed and  
6 qualified, such board has the authority to fix the amount of  
7 an assessment upon the property within the district not to  
8 exceed one mill for every dollar of valuation for assessment  
9 thereof as a level rate to be used for the purpose of paying  
10 the expenses of organization, for surveys and plans, for other  
11 incidental expenses which may have been incurred prior to the  
12 time when money is received from the sale of bonds or  
13 otherwise, and for the general administration of the district.  
14 IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED BY SECTION  
15 39-5-128, C.R.S., the amount of assessment for each dollar of  
16 valuation for assessment shall be certified to the boards of  
17 county commissioners of the various counties in which the  
18 district, or any portion thereof, is located, and by them  
19 included in their next annual levy for state and county  
20 purposes. Said amount shall be collected for the use of such  
21 district in the same manner as are taxes for county purposes,  
22 and the revenue laws of the state for the levy and collection  
23 of taxes on real estate for county purposes, except as  
24 modified in this article, shall be applicable for the levy and  
25 collection of the amount certified by the directors of such  
26 district as aforesaid, including the enforcement of penalties  
27 and forfeiture for delinquent taxes.

1 SECTION 8. 37-31-141, Colorado Revised Statutes, is  
2 amended to read:

3 37-31-141. Certification and levy of tax. ~~On or before~~  
4 ~~the date designated by law for the board of county~~  
5 ~~commissioners of Mesa county to levy the requisite taxes for~~  
6 ~~the then ensuing year,~~ The board of directors of the Grand  
7 Junction drainage district shall, IN ACCORDANCE WITH THE  
8 SCHEDULE PRESCRIBED BY SECTION 39-5-128, C.R.S., certify to  
9 the board of county commissioners a statement showing the  
10 aggregate amount which, in the judgment of said drainage  
11 board, is necessary to raise from the taxable property of said  
12 district to create a fund for any of the purposes of said  
13 district. It is the duty of the board of county commissioners  
14 to levy, at the same time that other taxes are levied, such  
15 rate as will produce the aggregate amount so certified.

16 SECTION 9. 37-45-122 (3), Colorado Revised Statutes, as  
17 amended, is amended to read:

18 37-45-122. Levy and collection under class A. (3) ~~On~~  
19 ~~or before October 16 of each year~~ IN ACCORDANCE WITH THE  
20 SCHEDULE PRESCRIBED BY SECTION 39-5-128, C.R.S., the board  
21 shall certify to the board of county commissioners of each  
22 county within the district, or having a portion of its  
23 territory within the district, the rate so fixed with  
24 directions that, at the time and in the manner required by law  
25 for levying of taxes for county purposes, such board of county  
26 commissioners shall levy such tax upon the valuation for  
27 assessment of all property within the district, in addition to

1 such other taxes as may be levied by such board of county  
2 commissioners at the rate so fixed and determined.

3 SECTION 10. 37-47-109 (1) (b), Colorado Revised  
4 Statutes, is amended to read:

5 37-47-109. Assessment and levy by board. (1) (b) The  
6 amount of assessment on each dollar of valuation for  
7 assessment shall, IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED  
8 BY SECTION 39-5-128, C.R.S., be certified to boards of county  
9 commissioners of the various counties in which the district is  
10 located and by them included in their next annual levy for  
11 state and county purposes. Such amount so certified shall be  
12 collected for the use of such district in the same manner as  
13 are taxes for county purposes, and the revenue laws of the  
14 state for the levy and collection of taxes on real estate for  
15 county purposes, except as modified in this article, shall be  
16 applicable to the levy and collection of the amount certified  
17 by the board of directors of said district as aforesaid,  
18 including the enforcement of penalties, forfeiture, and sale  
19 for delinquent taxes.

20 SECTION 11. 37-48-107 (2), Colorado Revised Statutes, is  
21 amended to read:

22 37-48-107. Assessment and levy by board. (2) The  
23 amount of assessment on each dollar of valuation for  
24 assessment shall, IN ACCORDANCE WITH THE SCHEDULE PRESCRIBED  
25 BY SECTION 39-5-128, C.R.S., be certified to boards of county  
26 commissioners of the various counties in which the district is  
27 located, and by them included in their next annual levy for

1 state and county purposes. Such amount so certified shall be  
2 collected for the use of such district in the same manner as  
3 are taxes for county purposes, and the revenue laws of the  
4 state for the levy and collection of taxes on real estate for  
5 county purposes, except as modified in this article, shall be  
6 applicable to the levy and collection of the amount certified  
7 by the board of directors of said district as aforesaid,  
8 including the enforcement of penalties, forfeiture, and sale  
9 for delinquent taxes.

10 SECTION 12. 37-48-145 (1), Colorado Revised Statutes, as  
11 amended, is amended to read:

12 37-48-145. Preliminary fund. (1) As soon as any  
13 subdistrict has been organized, the board of directors has the  
14 authority to fix the amount of an assessment upon the property  
15 within the subdistrict at a level rate to be used for the  
16 purpose of paying the expenses of organization, for surveys  
17 and plans, and for other incidental expenses which may have  
18 been incurred prior to the time when money is received from  
19 the sale of bonds or otherwise. Such assessment shall not  
20 exceed five mills for every dollar of valuation for assessment  
21 of such property unless the petition for creation of the  
22 subdistrict and the order for the district court thereon shall  
23 provide for a higher rate. IN ACCORDANCE WITH THE SCHEDULE  
24 PRESCRIBED BY SECTION 39-5-128, C.R.S., the amount of  
25 assessment for each dollar of valuation for assessment shall  
26 be certified to the boards of county commissioners of the  
27 various counties in which the district, or any portion

1     thereof, is located and by them included in their next annual  
2     levy for state and county purposes. Said amount shall be  
3     collected for the use of such subdistrict in the same manner  
4     as are taxes for county purposes, and the revenue laws of the  
5     state for the levy and collection of ad valorem taxes on real  
6     estate for county purposes, except as modified in this  
7     article, shall be applicable for the levy and collection of  
8     the amount certified by the directors of such district as  
9     aforesaid, including the enforcement of penalties and  
10    forfeiture for delinquent taxes.

11           SECTION 13. 39-1-111 (1), Colorado Revised Statutes,  
12    1982 Repl. Vol., as amended, is amended to read:

13           39-1-111. Taxes levied by board of county commissioners.

14    (1) No later than ~~November--15~~ DECEMBER 10 in each year,  
15    except when a school district is conducting an election to  
16    ~~increase-the-authorized-revenue-base~~ ESTABLISH A LOCAL REVENUE  
17    BASE and is making certification under the provisions of  
18    section 22-40-102 (1), C.R.S., or when a county, city, town,  
19    or special district is conducting an election for an increased  
20    property tax levy and is making certification under the  
21    provisions of section 39-5-128 (1), the board of county  
22    commissioners in each county of the state, or such other body  
23    in the city and county of Denver as shall be authorized by law  
24    to levy taxes, shall, by an order to be entered in the record  
25    of its proceedings, levy against the valuation for assessment  
26    of all taxable property located in the county on the  
27    assessment date, and in the various towns, cities, school



1 districts, and special districts within such county, the  
2 requisite property taxes for all purposes required by law.

3 SECTION 14. 39-5-128 (1), Colorado Revised Statutes,  
4 1982 Repl. Vol., as amended, is amended to read:

5 39-5-128. Certification of valuation for assessment.

6 (1) No later than September 15 of each year, the assessor  
7 shall certify to the clerk of each town and city, to the  
8 secretary of each school district, and to the secretary of  
9 each special district within his county the total valuation  
10 for assessment of all taxable property located within the  
11 territorial limits of each such town, city, SCHOOL DISTRICT,  
12 or special district and shall notify each such clerk and,  
13 secretary, AND BOARD to officially certify the levy of such  
14 town, city, SCHOOL DISTRICT, or special district to the board  
15 of county commissioners no later than December 15 1; EXCEPT  
16 THAT SUCH CLERK, SECRETARY, OR BOARD SHALL MAKE SUCH  
17 CERTIFICATION NO LATER THAN DECEMBER 15 IF AN ELECTION FOR AN  
18 INCREASED PROPERTY TAX LEVY IS HELD PURSUANT TO SECTION  
19 29-1-302, C.R.S., OR SECTION 22-40-102, C.R.S.

20 SECTION 15. Repeal. 39-5-128 (2), Colorado Revised  
21 Statutes, 1982 Repl. Vol., is repealed.

22 SECTION 16. Safety clause. The general assembly hereby  
23 finds, determines, and declares that this act is necessary  
24 for the immediate preservation of the public peace, health,  
25 and safety.

BILL 10

A BILL FOR AN ACT

1 CONCERNING WHICH NEWSPAPER SHALL BE THE NEWS MEDIUM FOR  
2 PUBLICIZING THE QUESTION OF WHETHER TO GRANT AN INCREASED  
3 PROPERTY TAX LEVY ABOVE THE REVENUE LIMITATION IMPOSED BY  
4 PART 3 OF ARTICLE 1 OF TITLE 29, COLORADO REVISED  
5 STATUTES.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Specifies that the newspaper having the largest paid circulation in the taxing entity which is published in or nearest to the taxing entity shall be the news medium for publicizing the question of whether to grant an increased property tax levy above the revenue limitation imposed on taxing entities by statute.

---

6 Be it enacted by the General Assembly of the State of Colorado:

7 SECTION 1. 29-1-302 (3), Colorado Revised Statutes, 1986  
8 Repl. Vol., is amended to read:

9 29-1-302. Increased levy - submitted to people at  
10 election. (3) Due notice of submission of the question of  
11 whether to grant the increased levy shall be given by the

1 appropriate official designated by law starting at least  
2 thirty days in advance of the date set for the general or  
3 special election by publication in some THE newspaper HAVING  
4 THE LARGEST PAID CIRCULATION IN THE TAXING ENTITY WHICH IS  
5 published in OR NEAREST TO such taxing district ENTITY. The  
6 notice required by this subsection (3) shall appear at least  
7 three times in such newspaper, shall not be less than ten  
8 column inches in size, and shall be placed once in that  
9 portion of the newspaper in which legal notices and classified  
10 advertisements appear and twice in that portion of the  
11 newspaper in which legal notices and classified advertisements  
12 do not appear, but shall otherwise be subject to the rates  
13 established in section 24-70-107, C.R.S. If a majority of the  
14 votes cast at any such election is in favor of the increased  
15 levy as named in said election notice, then the officers  
16 charged with levying taxes may make such increased levy for  
17 the year voted upon.

18 SECTION 2. Safety clause. The general assembly hereby  
19 finds, determines, and declares that this act is necessary  
20 for the immediate preservation of the public peace, health,  
21 and safety.

BILL 11

A BILL FOR AN ACT

1 CONCERNING CONSISTENT APPLICATION OF THE TERM "TAXING ENTITY"  
2 TO ANY BODY POLITIC PRESENTLY REFERENCED AS A "TAXING  
3 AUTHORITY" OR "TAXING DISTRICT" IN PART 3 OF ARTICLE 1 OF  
4 TITLE 29, COLORADO REVISED STATUTES.

---

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Replaces the terms "taxing authority" and "taxing district" with the term "taxing entity" in order that the single term "taxing entity" is used consistently throughout part 3 of article 1 of title 29, Colorado Revised Statutes, to refer to any body politic that might otherwise be labeled as a district or authority.

---

5 Be it enacted by the General Assembly of the State of Colorado:

6 SECTION 1. 29-1-301 (1.2) (a), (1.5), and (4), Colorado  
7 Revised Statutes, 1986 Repl. Vol., are amended to read:

8 29-1-301. Levies reduced - limitation. (1.2) (a) The  
9 limitation provided for in subsection (1) of this section  
10 shall not apply for the purpose of raising revenue to pay for  
11 capital expenditures. Such revenue shall not be included in

1 determining the limitation in following years. For the  
2 purposes of this paragraph (a) "capital expenditure" means an  
3 expenditure made by a taxing authority ENTITY for long-term  
4 additions or betterments, which expenditure, under generally  
5 accepted accounting principles, is not properly chargeable as  
6 an expense of operation and maintenance. This paragraph (a)  
7 shall apply to counties, cities, and towns.

8 (1.5) All property tax revenues, except such revenues as  
9 are exempted in subsection (1) of this section, raised from  
10 any property tax levied by a taxing authority ENTITY which is  
11 subject to this section, shall be combined for the purpose of  
12 determining the total amount of property tax revenue which the  
13 taxing authority ENTITY is allowed to raise subject to the  
14 limitation imposed by this section. The limitation shall be  
15 applied to such aggregate property tax revenues. However,  
16 such aggregate amount shall not include any property tax  
17 revenue which is raised by or on behalf of a district,  
18 authority, or area which is within but is not comprised of the  
19 entire taxing entity and which is raised by a tax upon only  
20 property within such district, authority, or area; such  
21 property tax revenue is subject to a limitation independent of  
22 the limitation which is applied to the taxing authority ENTITY  
23 within which such district, authority, or area is located. No  
24 statute establishing a set mill levy or establishing a maximum  
25 mill levy or authorizing an additional mill levy for a special  
26 purpose shall be construed as authorizing the taxing entity to  
27 exceed the limitation imposed by this section.

1           (4) In the event of a consolidation or merger, in whole  
2 or in part, of two or more political subdivisions or taxing  
3 ~~districts~~ ENTITIES, the surviving entity or the entity  
4 assuming service responsibilities shall use a direct  
5 proportion of the combined entities' prior year property tax  
6 revenues as the base for computing the limitation in the year  
7 first succeeding such consolidation or merger.

8           SECTION 2. 29-1-301.1 (1), Colorado Revised Statutes,  
9 1986 Repl. Vol., is amended to read:

10           29-1-301.1. Levies reduced - limitation - 1988.

11           (1) Notwithstanding the six percent limitation set by section  
12 29-1-301 (1) and references to said section throughout this  
13 part 3, all property taxes levied in 1987 for collection in  
14 1988 when applied to the total valuation for assessment of the  
15 state, each of the counties, cities, and towns not chartered  
16 as home rule except as provided in this subsection (1), each  
17 of the fire, sanitation, irrigation, drainage, conservancy,  
18 and other special districts established by law, and cities and  
19 towns chartered as home rule shall be so reduced as to  
20 prohibit the levying of a greater amount of revenue than was  
21 levied in the preceding year plus five and one-half percent,  
22 except to provide for the payment of bonds and interest  
23 thereon, for the payment of any contractual obligation which  
24 has been approved by a majority of the qualified electors of  
25 the taxing ~~authority~~ ENTITY, or for the payment of capital  
26 expenditures as provided in section 29-1-301 (1.2). In  
27 computing the limit, the following shall be excluded: The

1 increased valuation for assessment attributable to annexation  
2 or inclusion of additional land, the improvements thereon, and  
3 personal property connected therewith within the TAXING entity  
4 for the preceding year; the increased valuation for assessment  
5 attributable to new construction and personal property  
6 connected therewith within the taxing entity for the preceding  
7 year; the increased valuation for assessment attributable to  
8 increased volume of production for the preceding year by a  
9 producing mine if said mine is wholly or partially within the  
10 taxing entity and if said increase in volume of production  
11 causes an increase in the level of services provided by the  
12 taxing entity; and the increased valuation for assessment  
13 attributable to previously legally exempt federal property  
14 which becomes taxable, if such property causes an increase in  
15 the level of services provided by the taxing entity. The base  
16 for computing the limitation on the increase in revenues  
17 raised from property taxes levied in 1987 for collection in  
18 1988 shall be the amount of revenue that was raised from  
19 property taxes levied in 1986 for collection in 1987 plus the  
20 amount levied in 1986 for payment of pension funds by fire  
21 protection districts organized pursuant to article 1 of title  
22 32, C.R.S. The inclusion in this section of cities and towns  
23 chartered as home rule is in furtherance of the compelling and  
24 urgent statewide policy of insuring reasonable property tax  
25 revenues. All provisions of this part 3 which are applicable  
26 to cities and towns not chartered as home rule shall apply to  
27 cities and towns chartered as home rule for property taxes

1 levied in 1987 for collection in 1988.

2 SECTION 3. 29-1-302 (3), Colorado Revised Statutes, 1986  
3 Repl. Vol., is amended to read:

4 29-1-302. Increased levy - submitted to people at  
5 election. (3) Due notice of submission of the question of  
6 whether to grant the increased levy shall be given by the  
7 appropriate official designated by law starting at least  
8 thirty days in advance of the date set for the general or  
9 special election by publication in some newspaper published in  
10 such taxing ~~district~~ ENTITY. The notice required by this  
11 subsection (3) shall appear at least three times in such  
12 newspaper, shall not be less than ten column inches in size,  
13 and shall be placed once in that portion of the newspaper in  
14 which legal notices and classified advertisements appear and  
15 twice in that portion of the newspaper in which legal notices  
16 and classified advertisements do not appear, but shall  
17 otherwise be subject to the rates established in section  
18 24-70-107, C.R.S. If a majority of the votes cast at any such  
19 election is in favor of the increased levy as named in said  
20 election notice, then the officers charged with levying taxes  
21 may make such increased levy for the year voted upon.

22 SECTION 4. Safety clause. The general assembly hereby  
23 finds, determines, and declares that this act is necessary  
24 for the immediate preservation of the public peace, health,  
25 and safety.



BILL 12

A BILL FOR AN ACT

1 CONCERNING A NOTIFICATION DEADLINE ON SPECIAL DISTRICT  
2 BOUNDARY CHANGES FOR PROPERTY TAXATION PURPOSES.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Creates a deadline by which a special district must notify the assessor and county commissioners of any change in the district's boundaries, in order for the special district to levy a tax on property within the district due to the boundary change.

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3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. 39-1-110, Colorado Revised Statutes, 1982  
5 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW  
6 SUBSECTION to read:

7 39-1-110. Notice - formation or boundary change of  
8 special district. (2.5) When any special district changes  
9 its boundaries pursuant to section 32-1-105, C.R.S., the  
10 special district shall not levy a tax for the calendar year  
11 during which the change is effective on property within the

1 district as a result of such change unless, prior to May 1 of  
2 the year in which the boundary change becomes effective, the  
3 governing body of such special district has notified the  
4 assessor and the board of county commissioners of each county  
5 within which a boundary has been altered, of the boundary  
6 change.

7 SECTION 2. Safety clause. The general assembly hereby  
8 finds, determines, and declares that this act is necessary  
9 for the immediate preservation of the public peace, health,  
10 and safety.

BILL 13

A BILL FOR AN ACT

1 CONCERNING SALES AND USE TAXATION, AND IN CONNECTION  
2 THEREWITH, ELIMINATING CERTAIN EXEMPTIONS FROM SALES  
3 TAXATION AND REDUCING THE AUTHORIZED RATE.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Eliminates most exemptions from sale taxation. Exemptions retained include sales to government and charitable organizations, and sales of food and general aviation fuel. Prohibits a sales tax on food purchased with food stamps. Defines food to accord with the federal food stamp definition. Requires home rule entities which tax sales of food to use the federal definition of food. Provides a reduced tax rate in conjunction with the broadened tax base.

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4 Be it enacted by the General Assembly of the State of Colorado:

5 SECTION 1. 29-2-105 (1) (d), Colorado Revised Statutes,  
6 1986 Repl. Vol., is amended, and the said 29-2-105 is further  
7 amended BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS, to  
8 read:

9 29-2-105. Contents of sales tax ordinances and

1 proposals. (d) A provision that the tangible personal  
2 property and services taxable pursuant to this article shall  
3 be the same as the tangible personal property and services  
4 taxable pursuant to section 39-26-104, C.R.S., and subject to  
5 the same exemptions as those specified in section 39-26-114,  
6 C.R.S., except ~~the--exemption--allowed--by--section--39--26--114~~  
7 ~~{11}, G.R.S., for purchases of machinery or machine tools, the~~  
8 ~~exemption of sales and purchases of--these--items--in--section~~  
9 ~~39-26-114--(1)--(a)--(XXI), G.R.S., and the exemption for sales~~  
10 of food specified in section 39-26-114 (1) (a) (XX), C.R.S.  
11 Sales of food, as defined in section 39-26-102 (4.5), C.R.S.,  
12 exempted from the state sales tax pursuant to section  
13 39-26-114 (1) (a) (XX), C.R.S., ~~sales and purchases of--these~~  
14 ~~items exempted from the state sales tax--pursuant--to--section~~  
15 ~~39-26-114--(1)--(a)--(XXI), G.R.S., or purchases of machinery or~~  
16 ~~machine tools as provided in section 39-26-114--(11), G.R.S.,~~  
17 may be exempted from said town, city, or county sales tax only  
18 by the express inclusion of such exemption either at the time  
19 of adoption of the initial sales tax ordinance or resolution  
20 or by amendment thereto. Any such amendment shall be adopted  
21 in the same manner as the initial ordinance or resolution. In  
22 the absence of express provision for the exemption for sales  
23 of food, as defined in section 39-26-102 (4.5), C.R.S., or  
24 ~~purchases of machinery or machine tools as provided in section~~  
25 ~~39-26-114--(11), G.R.S., or exemption of sales and purchases of~~  
26 ~~these--items--in--section--39--26--114--(1)--(a)--(XXI), G.R.S., all~~  
27 sales tax ordinances or resolutions, whether adopted prior to,

1 on, or subsequent to July--1,--1979 OCTOBER 1, 1987, which  
2 provide in substance that the tangible personal property and  
3 services taxed shall be the same as the tangible personal  
4 property and services taxable pursuant to section 39-26-104,  
5 C.R.S., or any predecessor statute, and subject to the same  
6 exemptions as those specified in section 39-26-114, C.R.S., or  
7 any predecessor statute, shall be construed as imposing or  
8 continuing to impose the town, city, or county sales tax on  
9 food, as defined in section 39-26-102 (4.5), C.R.S., purchases  
10 of--machinery--and--machine--tools--as--described--in--section  
11 39-26-114--(11),--G.R.S.,--and--sales--or--purchases--of--these--items  
12 described--in--section--39-26-114--(1)--(a)--(XXI),--G.R.S. The  
13 regional transportation district may,--in--its--discretion,  
14 continue--to--levy--a--sales--tax--on--purchases--of--machinery--or  
15 machine--tools,--as--provided--in--section--39-26-114--(11),--G.R.S.;  
16 except--that--the--district shall not levy a sales tax on  
17 purchases of machinery or machine tools on or after the date  
18 an additional sales tax is levied pursuant to section 32-9-119  
19 (2) (b), C.R.S.

20 (5) No sales tax of any statutory or home rule city,  
21 town, city and county, or county shall apply to the sale of  
22 food purchased with food stamps. For the purposes of this  
23 subsection (5), "food" shall have the same meaning as provided  
24 in 7 U.S.C. section 2012(g), as such section exists on October  
25 1, 1987, or is thereafter amended.

26 (6) Any home rule city, town, or city and county which  
27 exempts sales of food from its sales tax shall use the same

1 definition of "food" for the purposes of such exemption as  
2 provided in 7 U.S.C. section 2012(g), as such section exists  
3 on October 1, 1987.

4 SECTION 2. 29-2-106 (4) (a), Colorado Revised Statutes,  
5 1986 Repl. Vol., is amended to read:

6 29-2-106. Collection, administration, enforcement.

7 (4) (a) The executive director of the department of revenue  
8 shall, at no charge, administer, collect, and distribute the  
9 sales tax of any home rule municipality, upon request of the  
10 governing body of such municipality, if the provisions of the  
11 sales tax ordinance of said municipality, other than those  
12 provisions relating to local procedures followed in adopting  
13 the ordinance and whether or not the ordinance applies the  
14 sales tax to the sale of food, as defined in section 39-26-102  
15 (4.5), C.R.S., ~~or purchases of machinery or machine tools as~~  
16 ~~provided in section 39-26-114 (1), C.R.S., or sales or~~  
17 ~~purchases of electricity, coal, wood, gas, fuel oil, or coke~~  
18 ~~as provided in section 39-26-114 (1) (a) (XXI), C.R.S.,~~  
19 correspond to the requirements of this article for sales taxes  
20 imposed by counties, towns, and cities and if no use tax is to  
21 be collected by the department except as provided in section  
22 39-26-208, C.R.S. At the time of making such request, said  
23 governing body shall certify to the executive director of the  
24 department of revenue a true copy of said sales tax ordinance.

25 SECTION 3. 29-2-108 (1) and (3), Colorado Revised  
26 Statutes, 1986 Repl. Vol., is amended to read:

27 29-2-108. Limitation on amount. (1) In no case shall

1 the total sales tax or total use tax imposed by the state of  
2 Colorado, any county, and any city or town in any locality in  
3 the state of Colorado exceed seven SIX AND EIGHT TENTHS OF ONE  
4 percent; except that this limitation shall not preclude a  
5 county sales tax or use tax at a rate not to exceed one  
6 percent.

7 (3) The additional one-tenth of one percent tax imposed  
8 by article 26.1 of title 39, C.R.S., shall be exempt from the  
9 seven SIX AND EIGHT TENTHS OF ONE percent limitation imposed  
10 by subsection (1) of this section. ~~and from the seven and~~  
11 ~~one-half-percent limitation imposed by subsection (2) of this~~  
12 ~~section.~~

13 SECTION 4. 29-2-109, Colorado Revised Statutes, 1986  
14 Repl. Vol., is amended BY THE ADDITION OF THE FOLLOWING NEW  
15 SUBSECTIONS to read:

16 29-2-109. Contents of use tax ordinances and proposals.

17 (8) No use tax of any statutory or home rule city, town, city  
18 and county, or county shall apply to the storage, use, or  
19 consumption of food purchased with food stamps. For the  
20 purposes of this subsection (8), "food" shall have the same  
21 meaning as provided in 7 U.S.C. section 2012(g), as such  
22 section exists on October 1, 1987, or is thereafter amended.

23 (9) Any home rule city, town, or city and county which  
24 exempts the storage, use, or consumption of food shall use the  
25 same definition of "food" for the purposes of such exemption  
26 as provided in 7 U.S.C. section 2012(g), as such section  
27 exists on October 1, 1987.

1 SECTION 5. 39-26-102 (4.5), Colorado Revised Statutes,  
2 1982 Repl. Vol., is REPEALED AND REENACTED WITH AMENDMENTS, to  
3 read:

4 39-26-102. Definitions. (4.5) "Food" shall have the  
5 same meaning as provided in 7 U.S.C. section 2012 (g), as said  
6 section exists on October 1, 1987, or as is thereafter  
7 amended.

8 SECTION 6. 39-26-106 (1) (a), Colorado Revised Statutes,  
9 1982 Repl. Vol., as amended, is amended to read:

10 39-26-106. Schedule of sales tax. (1) (a) There is  
11 imposed upon all sales of commodities and services specified  
12 in section 39-26-104 a tax at the rate of ~~three~~ TWO AND EIGHT  
13 TENTHS OF ONE percent of the amount of the sale, to be  
14 computed in accordance with schedules or systems approved by  
15 the executive director of the department of revenue. Said  
16 schedules or systems shall be designed so that no such tax is  
17 charged on any sale of seventeen cents or less.

18 SECTION 7. 39-26-114, Colorado Revised Statutes, 1982  
19 Repl. Vol., as amended, is amended to read:

20 39-26-114. Exemptions - disputes - credits or refunds.

21 (1) (a) There shall be exempt from taxation under the  
22 provisions of this part 1 the following:

23 (I) All sales to the United States government and to the  
24 state of Colorado, its departments and institutions, and the  
25 political subdivisions thereof in their governmental  
26 capacities only;

27 (II) All sales made to charitable organizations, in the



1 conduct of their regular charitable functions and activities;  
2 (III) All sales which the state of Colorado is  
3 prohibited from taxing under the constitution or laws of the  
4 United States or the state of Colorado and all retail sales  
5 within a distance of twenty miles within the boundaries of  
6 this state to persons resident, excluding corporations, of  
7 adjoining states, which adjoining states do not impose or levy  
8 a retail sales tax on such sales, if such residents of such  
9 adjoining states are in this state for the express purpose of  
10 making purchases and not as tourists;

11 (IV) All sales of cigarettes;

12 (V) (A) All sales of drugs dispensed in accordance with  
13 a prescription; all sales of insulin in all its forms  
14 dispensed pursuant to the direction of a licensed physician;  
15 all sales of glucose useable for treatment of insulin  
16 reactions; all sales of urine and blood testing kits and  
17 materials; all sales of insulin measuring and injecting  
18 devices, including hypodermic syringes and needles; all sales  
19 of prosthetic devices; all sales of wheelchairs and hospital  
20 beds; all sales of drugs or materials when furnished by a  
21 doctor as part of professional services provided to a patient;  
22 and all sales of corrective eyeglasses, contact lenses, or  
23 hearing aids;

24 (B) When sold in accordance with a written  
25 recommendation from a licensed doctor, all sales of  
26 therapeutic devices, appliances, or related accessories, with  
27 a retail value of more than one hundred dollars, which are

1 sold-to-correct--or--treat--a--human--physical--disability--or  
2 surgically-created-abnormality;

3 (C) All--sales--of--therapeutic--devices,--appliances,--or  
4 related-accessories,--with--a--retail--value--of--one--hundred  
5 dollars--or--less,--which-are-sold-to-correct-or-treat-a-human  
6 physical-disability-or-surgically-created-abnormality;

7 (VI) All-sales-and-purchases-of-commodities-and-services  
8 under-the-provisions-of-section-39-26-102-(11)-to-any-occupant  
9 who-is-a-permanent-resident-of--any--hotel,--apartment--hotel,  
10 lodging--house,--motor-hotel,--guesthouse,--guest-ranch,--trailer  
11 coach,--mobile-home,--auto-camp,--or-trailer-court--or--park--and  
12 who--enters--into--or-has-entered-into-a-written-agreement-for  
13 occupancy-of-a-room-or-accommodations-for-a-period-of-at-least  
14 thirty-consecutive-days-during-the-calendar-year-or--preceding  
15 year;

16 (VII) All commodities which are taxed under the  
17 provisions of article 27 of this title, and all commodities  
18 which are taxed under said provisions and the tax is refunded,  
19 and all sales and purchases of aviation fuel upon which no  
20 Colorado sales tax was in fact collected and retained prior to  
21 July 1, 1963. The storage, use, or consumption of such  
22 aviation fuel shall be exempt from taxation under part 2 of  
23 this article.

24 (VIII) All sales made to schools, other than schools  
25 held or conducted for private or corporate profit;

26 (IX) Any--sale--of--a--new-or-used-trailer,--semitrailer,  
27 truck,--truck-tractor,--or--truck-body-manufactured--within--this

1 state--if--such-vehicle-is-purchased-from-the-manufacturer-for  
2 use-exclusively-outside-this-state-or-in--interstate--commerce  
3 and--is--delivered-by-the-manufacturer-to-the-purchaser-within  
4 this-state,-if-the-purchaser-drives-or-moves-such--vehicle--to  
5 any-point-outside-this-state-within-thirty-days-after-the-date  
6 of--delivery,-and--if-the-purchaser-furnishes-an-affidavit-to  
7 the--manufacturer--that--such--vehicle--will--be---permanently  
8 licensed-and-registered-outside-this-state-and-will-be-removed  
9 from-this-state-within-thirty-days-after-the-date-of-delivery;

10 (X) Any--sale--of--a--new--or-used-trailer,-semitrailer,  
11 truck,-truck--tractor,-or--truck--body--if--such--vehicle--is  
12 purchased--for--use--exclusively--outside--this--state--or--in  
13 interstate-commerce-and-is-delivered-by--the--manufacturer--or  
14 licensed--Colorado--dealer-to-the-purchaser-within-this-state,  
15 if-the-purchaser-drives-or-moves-such--vehicle--to--any--point  
16 outside--this--state--within--thirty--days--after--the-date-of  
17 delivery,-and-if-the-purchaser-furnishes-an-affidavit--to--the  
18 seller--that--such--vehicle--will--be-permanently-licensed-and  
19 registered-outside-this-state-and-will-be--removed--from--this  
20 state-within-thirty-days-after-the-date-of-delivery;

21 (XI) All-sales-of-construction-and-building-materials-to  
22 a--common--carrier--by-rail-operating-in-interstate-or-foreign  
23 commerce-for-use-by-such-common-carrier--in--construction--and  
24 maintenance-of-its-railroad-tracks;-however,-any-actual-use-of  
25 such-construction-and-building-materials-shall,-at-the-time-of  
26 such--actual--use,-be-subject-to-the-tax-imposed-by-part-2-of  
27 this-article-and-any-use-tax-imposed-pursuant-to-article-2--of

1 title-29, C.R.S.-1973;

2 (XII) Any--right-to-the-continuous-possession-or-use-for  
3 three-years-or--less--of--any--article--of--tangible--personal  
4 property--under-a-lease-or-contract,--if-the-lessor-has-paid-to  
5 the-state-of-Colorado-a-sales-or--use--tax--on--such--tangible  
6 personal--property--upon--its--acquisition,--The-department-of  
7 revenue-may-permit-a--lessor--of--tangible--personal--property  
8 leased--for--a--period--of--three-years-or-less-to-acquire-such  
9 property-free-of-sales-or-use-tax--if--the--lessor--agrees--to  
10 collect--sales--tax--on--all--lease--payments-received-on-such  
11 property.

12 (XIII) The--transfer--of--tangible--personal--property  
13 without--consideration--(other--than--the--purchase,--sale,--or  
14 promotion-of-the--transferor's--product)--to--an--out-of-state  
15 vendee--for--use--outside--of--this--state-in-selling-products  
16 normally-sold-at-wholesale-by-the-transferor;

17 (XIV) The--sale--of--tangible--personal--property--for  
18 testing,--modification,--inspection,--or--similar--type--of  
19 activities-in-this-state-if-the-ultimate-use-of-such--property  
20 in--manufacturing-or-similar-type-of-activities-occurs-outside  
21 of-this-state-and-if-the--test,--modification,--or--inspection  
22 period-does-not-exceed-ninety-days;

23 (XV) The--sale--of--special--fuel,--as-defined-in-section  
24 39-27-201-(8),--used-for-the-operation-of--farm--vehicles--when  
25 such-vehicles-are-being-used-on-farms-and-ranches;

26 (XVI) Any-sale-of-any-article-to-a-retailer-or-vender-of  
27 food,--meals,--or-beverages,--which-article-is-to-be-furnished-to

1 a--consumer-or-user-for-use-with-articles-of-tangible-personal  
2 property-purchased-at-retail,-if-a-separate-charge-is-not-made  
3 for-the-article-to-the--consumer--or--user,-if--such--article  
4 becomes--the--property--of-the-consumer-or-user,-together-with  
5 the-food,-meals,-or-beverages-purchased,-and-if-a-tax-is--paid  
6 on-the-retail-sale-as-required-by-section-39-26-104-(1)-(a)-or  
7 (1)-(e);

8 (XVII) Any-sale-of-any-container-or-bag-to-a-retailer-or  
9 vendor-of-food,-meals,-or-beverages,-which-container-or-bag-is  
10 to--be--furnished--to--a--consumer--or--user-for-the-purpose-of  
11 packaging-or-bagging-articles-of--tangible--personal--property  
12 purchased--at-retail,-if-a-separate-charge-is-not-made-for-the  
13 container-or-bag-to-the-consumer-or-user,-if-such-container-or  
14 bag-becomes-the-property-of-the--consumer--or--user,-together  
15 with--the-food,-meals,-or-beverages-purchased,-and-if-a-tax-is  
16 paid-on-the-retail-sale-as-required-by-section--39-26-104--(1)  
17 (a)-or-(1)-(e);

18 (XVIII) All--transactions-specified-in-section-39-26-104  
19 (1)-(b)-(I)-in-which-the-fair-market-value--of--the--exchanged  
20 property--is-excluded-from-the-consideration-or-purchase-price  
21 because--such--exchanged--property--is--covered---by---section  
22 39-26-104--(1)--(b)--(I)-(A)-or-(1)-(b)-(I)-(B),-and-in-which,  
23 because-there-is-no-additional-consideration-involved--in--the  
24 transaction,-there-is-no-purchase-price-within-the-meaning-of  
25 section-39-26-102-(7);

26 (XIX) All sales of construction and building materials  
27 to contractors and subcontractors for use in the building,

1 erection, alteration, or repair of structures, highways,  
2 roads, streets, and other public works owned and used by:

3 (A) The United States government, the state of Colorado,  
4 its departments and institutions, the political subdivisions  
5 thereof in their governmental capacities only;

6 (B) Charitable organizations in the conduct of their  
7 regular charitable functions and activities; or

8 (C) Schools, other than schools held or conducted for  
9 private or corporate profit;

10 (XX) Commencing January 1, 1980, all sales of food;

11 (XXI) Effective July 1, 1980, all sales and purchases of  
12 electricity, coal, wood, gas, fuel oil, or coke sold, but not  
13 for resale, to occupants of residences, whether owned, leased,  
14 or rented by said occupants, for the purpose of operating  
15 residential fixtures and appliances which provide light, heat,  
16 and power for such residences. For the purposes of this  
17 subparagraph (XXI), "gas" includes natural, manufactured, and  
18 liquefied petroleum gas.

19 (XXII) Effective July 1, 1984, all sales of aircraft  
20 used or purchased for use in interstate commerce by a  
21 commercial airline.

22 (XXIII) EFFECTIVE OCTOBER 1, 1987, ALL SALES OF FOOD  
23 PURCHASED WITH FOOD STAMPS. FOR THE PURPOSES OF THIS  
24 SUBPARAGRAPH (XIII), "FOOD" SHALL HAVE THE SAME MEANING AS  
25 PROVIDED IN 7 U.S.C. SECTION 2012(G), AS SUCH SECTION EXISTS  
26 ON OCTOBER 1, 1987, OR IS THEREAFTER AMENDED.

27 (b) Should a dispute arise between the purchaser and

1 seller as to whether or not any sale, service, or commodity is  
2 exempt from taxation under this section, nevertheless the  
3 seller shall collect and the purchaser shall pay the tax, and  
4 the seller shall thereupon issue to the purchaser a receipt or  
5 certificate, on forms prescribed by the executive director of  
6 the department of revenue, showing the names of the seller and  
7 the purchaser, the items purchased, the date, price, and  
8 amount of tax paid, and a brief statement of the claim of  
9 exemption. The purchaser thereafter may apply to said  
10 executive director for a refund of such taxes, and it is then  
11 the duty of the executive director to determine the question  
12 of exemption. The purchaser may request a hearing pursuant to  
13 section 39-21-103, and the final determination of the  
14 executive director may be appealed to the district court  
15 pursuant to section 39-21-105.

16 (c) The department of revenue may adopt rules and  
17 regulations for the administration and enforcement of this  
18 subsection (1).

19 (d) On application by a purchaser or seller, the  
20 department of revenue shall issue to a contractor or  
21 subcontractor a certificate or certificates of exemption  
22 indicating that the contractor's or subcontractor's purchase  
23 of construction or building materials is for a purpose stated  
24 in subparagraph (XIX) of paragraph (a) of this subsection (1)  
25 and is, therefore, free from sales tax. Said department shall  
26 provide forms for such application and for such certificate  
27 and shall have the authority to verify that the contractor or

1 subcontractor is, in fact, entitled to the issuance of such  
2 certificate prior to such issuance.

3 (2) (a) A refund shall be made, or a credit allowed, for  
4 the tax so paid under dispute by any purchaser who has an  
5 exemption as provided in this article. Such refund shall be  
6 made by the executive director after compliance with the  
7 following conditions precedent: Applications for refund must  
8 be made within sixty days after the purchase of the goods  
9 whereon an exemption is claimed, and, must be supported by the  
10 affidavit of the purchaser accompanied by the original paid  
11 invoice or sales receipt and certificate issued by the seller,  
12 and be made upon such forms as shall be prescribed and  
13 furnished by the executive director, which forms shall contain  
14 such information as the executive director prescribes.

15 (b) Upon receipt of an application, the executive  
16 director shall examine the same with due speed and shall give  
17 notice to the applicant by order in writing of his decision  
18 thereon. Aggrieved applicants, within thirty days after such  
19 decision is mailed to them, may petition the executive  
20 director for a hearing on the claim in the manner provided in  
21 section 39-21-103 and may appeal to the district courts in the  
22 manner provided in section 39-21-105. The right of any person  
23 to a refund under this article shall not be assignable and,  
24 except as provided in paragraph (d) of this subsection (2),  
25 such application for refund must be made by the same person  
26 who purchased the goods and paid the tax thereon as shown in  
27 the invoice of the sale thereof. Any applicant for refund



1 under the provisions of this section, or any other person who  
2 willfully makes any false statement in connection with an  
3 application for a refund of any taxes shall be punished as  
4 provided by section 39-21-118.

5 (c) A refund shall be made or a credit allowed by the  
6 executive director to any person entitled to an exemption  
7 where such person establishes: That a tax was paid by another  
8 on a purchase made on behalf of such person; or that a tax  
9 was paid by an independent contractor on or before July 1,  
10 1979, on tangible personal property incorporated into realty  
11 for the sole use, benefit, and ownership of any person  
12 entitled to an exemption; and that a refund has not been  
13 granted to the person making the purchase; and that the person  
14 entitled to exemption paid or reimbursed the purchaser for  
15 such tax. No such refund shall be made or credit allowed in  
16 an amount greater than the tax paid less the expense allowance  
17 on such purchase retained by the vendor pursuant to section  
18 39-26-105 (1). No assessment may be made of validly issued  
19 refunds made under the rules and regulations governing this  
20 paragraph (c) in effect on June 7, 1979.

21 (d) Such application for refund under paragraph (c) of  
22 this subsection (2) shall be made within three years after the  
23 date of purchase and shall be made on forms prescribed and  
24 furnished by the executive director of the department of  
25 revenue, which form shall contain, in addition to the  
26 foregoing information, such pertinent data as said executive  
27 director prescribes. Upon receipt of such application and

1 proof of the matters contained therein, the executive director  
2 shall give notice to the applicant by order in writing of his  
3 decision thereon. Aggrieved applicants, within thirty days  
4 after such decision is mailed to them, may petition the  
5 executive director for a hearing on the claim in the manner  
6 provided in section 39-21-103 and may appeal to the district  
7 courts in the manner provided in section 39-21-105. Any  
8 applicant for refund under the provisions of this paragraph  
9 (d), or any other person, who makes any false statement in  
10 connection with an application for refund of any taxes is  
11 guilty of a misdemeanor and, upon conviction thereof, shall be  
12 punished by a fine of not more than five hundred dollars, or  
13 by imprisonment in the county jail for not more than ninety  
14 days, or by both such fine and imprisonment.

15 (e) Claims for tax moneys paid in error or by mistake  
16 may be processed for refund in accordance with departmental  
17 regulations under paragraph (c) of this subsection (2); except  
18 that the proceeds of any such claim for refund shall first be  
19 applied by the department of revenue to any tax deficiencies  
20 or liabilities existing against the claimant before allowance  
21 of such claim by the department; and further except that if  
22 such excess payment of tax moneys in any period is discovered  
23 as a result of audit by the department and deficiencies are  
24 discovered and assessed against the taxpayer as a result of  
25 such audit, such excess moneys shall be first applied against  
26 any deficiencies outstanding to the date of the assessment but  
27 shall not be applied to any future tax liabilities.

1           (3) If any person is convicted under the provisions of  
2 this section, such convictions shall be prima facie evidence  
3 that all refunds received by such person during the current  
4 year were obtained unlawfully and the executive director is  
5 empowered to bring appropriate action for recovery of such  
6 refunds. A brief summary statement of the above mentioned  
7 penalties shall be printed on each form application for  
8 refund.

9           (4) The burden of proving that sales, services, and  
10 commodities on which tax refunds are claimed are exempt from  
11 taxation under this part 1, or were not at retail, shall be on  
12 the one making such claim under such reasonable requirements  
13 of proof as the executive director prescribes. Should the  
14 applicant for refund be aggrieved at the final decision of the  
15 executive director, he may proceed to have the same reviewed  
16 by the district courts in the manner provided for review of  
17 other decisions of the executive director as provided in  
18 section 39-21-105.

19           (5) ~~All sales and purchases of neat cattle, sheep,~~  
20 ~~lambs, poultry, swine, and goats; all sales and purchases of~~  
21 ~~mares and stallions for breeding purposes; all sales and~~  
22 ~~purchases of live fish for stocking purposes; and all farm~~  
23 ~~close-out sales shall be exempt from taxation under this part~~  
24 ~~1, and the storage, use, or consumption of such property shall~~  
25 ~~be exempt from taxation under part 2 of this article.~~

26           (6) ~~All sales and purchases of feed for livestock,~~  
27 ~~including horses, or poultry, all sales and purchases of~~

1 seeds,--and--all--sales--and--purchases--of--orchard--trees--shall--be  
2 exempt--from--taxation--under--this--part--1,--and--the--storage,--use,  
3 or--consumption--of--such--property--shall--be--exempt--from--taxation  
4 under--part--2--of--this--article.

5 (7) (a) Every--vender--vending---individual---items---of  
6 personal--property--through--coin--operated--vending--machines,--and  
7 who--otherwise--complies--with--the--provisions--of--this--subsection  
8 (7),--shall--be--exempt--from--the--provisions--of--sections--39-26-105  
9 and--39-26-106,--but--nevertheless--such--vender--shall--pay--a--sales  
10 or--use--tax--of--three--percent--on--the--personal--property--sold--in  
11 excess--of--fifteen--cents--so--vended--in--the--coin--operated  
12 machines--unless--the--sale--is--otherwise--exempt--under--the  
13 provisions--of--this--article.

14 (b) To--be--eligible--for--the--exemption--provided--for--in  
15 this--subsection--(7),--each--vender--shall:

16 (I) Be--licensed--under--section--39-26-103;

17 (II) Maintain--a--record--of--the--identification--number,  
18 ownership,--location,--and--disposition--of--every--coin--operated  
19 vending--machine--used--by--him--in--his--operation--as--a--vender;

20 (III) Within--sixty--days--after--commencing--business--as  
21 such--vender,--submit--to--the--department--of--revenue--an--accurate  
22 list--containing--the--information--required--under--subparagraph  
23 (II)--of--this--paragraph--(b),--and--submit--such--list--annually  
24 thereafter--on--January--1,--commencing--in--1971;

25 (IV) Make--application--to--the--department--of--revenue--for  
26 identification--numbers---to---be---affixed---to---every--such  
27 coin--operated--vending--machine,--in--accordance--with--rules--and

1 regulations--promulgated--by--the--executive--director--of--the  
2 department--of--revenue;

3 (V) Remit--a--fee--of--ten--cents--per--machine--with--the  
4 application--submitted--under--this--paragraph--(b),--to--defray--the  
5 expenses--of--the--department--of--revenue--in--furnishing--such  
6 identification--numbers.

7 (c) Any--unregistered--coin--operated--vending--machine--found  
8 being--used--for--retail--sales--at--any--place--in--this--state--without  
9 the--prescribed--identification--number--affixed--thereto,--may--be  
10 seized--without--warrant--by--the--department--of--revenue,--its  
11 agents,--or--employees,--or--by--any--peace--officer--when--directed--or  
12 requested--by--the--department--of--revenue.---At--the--time--of  
13 seizure--written--notice--of--seizure--shall--be--given--to--the  
14 proprietor--or--person--in--charge--of--the--business,--or--to--his  
15 agents--or--employees,--where--the--vending--machine--is--seized.---The  
16 department--shall--also--give--notice--by--registered--mail--to--such  
17 person--whose--name--and--mailing--address--appear--on--the--machine.  
18 The--department--shall--not--be--required--to--seize--and--confiscate  
19 any--unregistered--vending--machine--or--assess--a--penalty--when  
20 there--is--reason--to--believe--that--the--owner--thereof--is--not  
21 intentionally--evading--the--tax--imposed--by--this--article.

22 (d) In--addition--to--any--other--penalty--provided--by--law,  
23 the--department--of--revenue--is--authorized--to--assess--and--collect  
24 a--penalty--of--twenty--five--dollars--for--each--unregistered--vending  
25 machine--being--operated--in--this--state.

26 (e) Upon--proof--of--ownership,--the--department--of--revenue  
27 shall--deliver--to--the--owner--thereof--any--vending--machine--seized

1 under--paragraph--(c)--of--this--subsection--(7)--after--payment--of  
2 the--twenty--five--dollar--penalty--and--seizure--costs,--if--the--owner  
3 is--liable--therefor,--and--upon--registration--of--the--machine,---At  
4 the--expiration--of--sixty--days--after--the--date--of--notice,--any  
5 unregistered--vending--machine--and--the--contents--therein--still--in  
6 the--possession--of--the--department--of--revenue--may--be--sold--at  
7 public--sale--to--the--highest--bidder;--but--prior--to--any--such--sale,  
8 ten--days--notice--of--the--sale--shall--be--given--by--registered--mail  
9 to--those--entitled--to--notice--under--paragraph--(c)--of--this  
10 subsection--(7).

11 (8) All--sales--and--purchases--of--straw--and--other--bedding  
12 for--use--in--the--care--of--livestock--or--poultry--shall--be--exempt  
13 from--taxation--under--this--part--1;--and--the--storage,--use,--or  
14 consumption--of--straw--and--other--bedding--for--use--in--the--care--of  
15 livestock--or--poultry--shall--be--exempt--from--taxation--under--part  
16 2--of--this--article.

17 (9) Repealed, L. 79, p. 1431, 15, effective January 1,  
18 1980.

19 (10) Forty--eight--percent--of--the--purchase--price--of  
20 factory--built--housing,--as--such--housing--is--defined--in--section  
21 24-32-703--(3),--G.R.S.--1973,--shall--be--exempt--from--taxation  
22 under--this--part--1;--except--that--the--entire--purchase--price--in  
23 any--subsequent--sale--of--a--mobile--home,--as--such--vehicle--is  
24 defined--in--section--42-1-102--(82)--(b),--G.R.S.--1973,--after--such  
25 mobile--home--has--been--once--subject--to--the--payment--of--sales--tax  
26 by--virtue--of--section--39-26-113,--shall--be--exempt--from--taxation  
27 under--this--part--1.

1 regulations--promulgated--by--the--executive--director--of--the  
2 department--of--revenue;

3 (V) Remit--a--fee--of--ten--cents--per--machine--with--the  
4 application--submitted--under--this--paragraph--(b),--to--defray--the  
5 expenses--of--the--department--of--revenue--in--furnishing--such  
6 identification--numbers.

7 (c) Any--unregistered--coin--operated--vending--machine--found  
8 being--used--for--retail--sales--at--any--place--in--this--state--without  
9 the--prescribed--identification--number--affixed--thereto,--may--be  
10 seized--without--warrant--by--the--department--of--revenue,--its  
11 agents,--or--employees,--or--by--any--peace--officer--when--directed--or  
12 requested--by--the--department--of--revenue,---At--the--time--of  
13 seizure--written--notice--of--seizure--shall--be--given--to--the  
14 proprietor--or--person--in--charge--of--the--business,--or--to--his  
15 agents--or--employees,--where--the--vending--machine--is--seized,--The  
16 department--shall--also--give--notice--by--registered--mail--to--such  
17 person--whose--name--and--mailing--address--appear--on--the--machine.  
18 The--department--shall--not--be--required--to--seize--and--confiscate  
19 any--unregistered--vending--machine--or--assess--a--penalty--when  
20 there--is--reason--to--believe--that--the--owner--thereof--is--not  
21 intentionally--evading--the--tax--imposed--by--this--article.

22 (d) In--addition--to--any--other--penalty--provided--by--law,  
23 the--department--of--revenue--is--authorized--to--assess--and--collect  
24 a--penalty--of--twenty--five--dollars--for--each--unregistered--vending  
25 machine--being--operated--in--this--state.

26 (e) Upon--proof--of--ownership,--the--department--of--revenue  
27 shall--deliver--to--the--owner--thereof--any--vending--machine--seized

1 under--paragraph--(c)--of--this--subsection--(7)--after--payment--of  
2 the--twenty--five--dollar--penalty--and--seizure--costs,--if--the--owner  
3 is--liable--therefor,--and--upon--registration--of--the--machine,---At  
4 the--expiration--of--sixty--days--after--the--date--of--notice,--any  
5 unregistered--vending--machine--and--the--contents--therein--still--in  
6 the--possession--of--the--department--of--revenue--may--be--sold--at  
7 public--sale--to--the--highest--bidder;--but--prior--to--any--such--sale,  
8 ten--days--notice--of--the--sale--shall--be--given--by--registered--mail  
9 to--those--entitled--to--notice--under--paragraph--(c)--of--this  
10 subsection--(7),

11 (8) All--sales--and--purchases--of--straw--and--other--bedding  
12 for--use--in--the--care--of--livestock--or--poultry--shall--be--exempt  
13 from--taxation--under--this--part--1;--and--the--storage,--use,--or  
14 consumption--of--straw--and--other--bedding--for--use--in--the--care--of  
15 livestock--or--poultry--shall--be--exempt--from--taxation--under--part  
16 2--of--this--article.

17 (9) Repealed, L. 79, p. 1431, 15, effective January 1,  
18 1980.

19 (10) Forty--eight--percent--of--the--purchase--price--of  
20 factory--built--housing,--as--such--housing--is--defined--in--section  
21 24-32-703--(3),--G.R.S.,--1973,--shall--be--exempt--from--taxation  
22 under--this--part--1;--except--that--the--entire--purchase--price--in  
23 any--subsequent--sale--of--a--mobile--home,--as--such--vehicle--is  
24 defined--in--section--42-1-102--(82)--(b),--G.R.S.,--1973,--after--such  
25 mobile--home--has--been--once--subject--to--the--payment--of--sales--tax  
26 by--virtue--of--section--39-26-113,--shall--be--exempt--from--taxation  
27 under--this--part--1.



1           (11) (a) Except as allowed in section 39-30-106,  
2 effective July 1, 1979, purchases of machinery or machine  
3 tools in excess of one thousand dollars by a person engaged in  
4 manufacturing to be used in Colorado directly and exclusively  
5 by such person in manufacturing tangible personal property,  
6 for sale or profit, are exempt from taxation under this part 1  
7 to the extent such purchases do not exceed one hundred  
8 thousand dollars in calendar year 1979, two hundred thousand  
9 dollars in calendar year 1980, three hundred thousand dollars  
10 in calendar year 1981, four hundred thousand dollars in  
11 calendar year 1982, or five hundred thousand dollars in  
12 calendar year 1983, and in each calendar year thereafter.

13           (b) A parent corporation and all closely held subsidiary  
14 corporations, as defined in section 39-26-102-(10)-(k), shall  
15 be considered one person for the purposes of this section and,  
16 as a group, shall be subject to the provisions of paragraph  
17 (a) of this subsection (11).

18           (c) As used in this subsection (11), "manufacturing"  
19 means the operation of producing a new product, article,  
20 substance, or commodity different from and having a  
21 distinctive name, character, or use from raw or prepared  
22 materials.

23           (d) In order to qualify for the exemption provided in  
24 this subsection (11), a purchase must also qualify for the  
25 investment tax credit against federal income tax provided by  
26 section 38 of the "Internal Revenue Code of 1954", as amended.

27           (e) An exemption may not be claimed under this

1 subsection--(11)--for-sales-tax-paid-in-another-state-which-is  
2 credited-against-Colorado-sales-tax-or-use-tax-or-both.

3 (f) To-receive-an-exemption-under-this-subsection--(11),  
4 a-declaration--of--entitlement-must-be-filed-by-the-purchaser  
5 with-the-vendor-of-the-machinery-or-machine-tools-and-with-the  
6 executive-director-of-the-department-of-revenue.

7 (12) The--purchase--price--of---electric-powered---motor  
8 vehicles,--including--both--the--original--and--all-subsequent  
9 purchases-of-such-vehicles,--and-the-purchase-of-batteries--and  
10 controls--required--for--the-operation-and-maintenance-of-such  
11 vehicles-shall-be-exempt-from-taxation-under-this-part-1;--and  
12 the--storage,--use,--or--consumption-of-such-vehicles,--batteries,  
13 and-controls-shall-be-exempt-from-taxation--under--part--2--of  
14 this--article.---This--subsection--(12)-is-repealed,--effective  
15 July-1,--1987.

16 (13) In-any-case-in-which-a-sales-tax-has--been--imposed  
17 under--this-part-1-on-lubricating-oil-used-other-than-in-motor  
18 vehicles,--the-purchaser--thereof--shall-be-entitled-to-a--refund  
19 equal--to--the--amount--of--the--state--sales-tax-paid-on-that  
20 portion-of-the-sale-price--thereof--which-is-attributable-to-the  
21 federal-excise-tax-imposed-on-the--sale--of--such--lubricating  
22 oil.---In--any--case-in-which-a-use-tax-has-been-imposed-under  
23 part-2-of-this-article-on-lubricating-oil-used-other--than--in  
24 motor--vehicles,--the-payer-of-such-tax-is-entitled-to-a-refund  
25 equal-to-the-amount-of-such-use-tax-paid-on--that--portion--of  
26 the--amount--upon--which--the--use--tax--was--imposed--which-is  
27 attributable--to--the--federal--excise--tax---paid---on---such

1   lubricating--oil,---The--refund--allowed--under--this--subsection  
2   (13)--shall--be--paid--by--the--executive--director--upon--receiving  
3   evidence--that--the--purchaser--has--received--under--section--6424--of  
4   the--federal--"Internal--Revenue--Code--of--1954"--as--from--time--to  
5   time--amended,--a--refund--of--the--federal--excise--tax--paid--on--the  
6   sale--of--such--lubricating--oil,---The--claim--for--a--refund--shall--be  
7   made--upon--such--forms--as--shall--be--prescribed--and--furnished--by  
8   the--executive--director,--which--forms--shall--contain---such  
9   information--as--the--executive--director--may--prescribe.

10         (14) All--sales--and--purchases--of--refractory--materials--and  
11   carbon--electrodes--used--by--a--person--manufacturing--iron--and  
12   steel--for--sale--or--profit--and--all--sales--and--purchases--of  
13   inorganic--chemicals--used--in--the--processing--of--vanadium--uranium  
14   ores--shall--be--exempt--from--taxation--under--this--part--1,--and--the  
15   storage,--use,--or--consumption--of--such--property--shall--be--exempt  
16   from--taxation--under--part--2--of--this--article.

17         SECTION 8. 39-26-202 (1), Colorado Revised Statutes,  
18   1982 Repl. Vol., as amended, is amended to read:

19         39-26-202. Authorization of tax. (1) There is imposed  
20   and shall be collected from every person in this state a tax  
21   or excise at the rate of three TWO AND EIGHT TENTHS OF ONE  
22   percent of storage or acquisition charges or costs for the  
23   privilege of storing, using, or consuming in this state any  
24   articles of tangible personal property purchased at retail.  
25   Such tax shall be payable to and shall be collected by the  
26   executive director of the department of revenue and shall be  
27   computed in accordance with schedules or systems approved by

1 said executive director.

2 SECTION 9. 39-26-203 (1), Colorado Revised Statutes,  
3 1982 Repl. Vol., as amended, is amended to read:

4 39-26-203. Exemptions. (1) This part 2 is declared to  
5 be supplementary to the "Emergency Retail Sales Tax Law of  
6 1935", part 1 of this article, and shall not apply:

7 (a) To the storage, use, or consumption of any tangible  
8 personal property the sale of which is subject to the retail  
9 sales tax imposed by the "Emergency Retail Sales Tax Law of  
10 1935" and any amendments thereto; ~~including transactions which~~  
11 ~~are exempt from taxation under section 39-26-114(1)(a)~~  
12 ~~(XVIII);~~

13 (b) ~~To the storage, use, or consumption of any tangible~~  
14 ~~personal property purchased for resale in this state, either~~  
15 ~~in its original form or as an ingredient of a manufactured or~~  
16 ~~compounded product, in the regular course of a business;~~

17 (c) To the storage, use, or consumption of gasoline  
18 which is taxed under the provisions of part 1 of article 27 of  
19 this title and to all gasoline which is taxed under said  
20 provisions and the tax on which is refunded; ~~and to special~~  
21 ~~fuel, as defined in section 39-27-201(8), used for the~~  
22 ~~operation of farm vehicles when the same are being used on~~  
23 ~~farms or ranches;~~

24 (d) To the storage, use, or consumption of tangible  
25 personal property brought into this state by a nonresident  
26 thereof for his own storage, use, or consumption while  
27 temporarily within this state;

1 (e) To the storage, use, consumption, or loan of  
2 tangible personal property by or to the United States  
3 government, the state of Colorado, or its institutions, or its  
4 political subdivisions in their governmental capacities only,  
5 or any charitable organization in the conduct of its regular  
6 charitable functions and activities;

7 (f) (I) ~~To the storage, use, or consumption of tangible~~  
8 ~~personal property by a person engaged in the business of~~  
9 ~~manufacturing, compounding for sale, profit, or use, any~~  
10 ~~article, substance, or commodity, which tangible personal~~  
11 ~~property enters into the processing of or becomes an~~  
12 ~~ingredient or component part of the product or service which~~  
13 ~~is manufactured, compounded, or furnished, and the container,~~  
14 ~~label, or the furnished shipping case;~~

15 (II) ~~As used in subparagraph (I) of this paragraph (f)~~  
16 ~~with regard to food products, tangible personal property~~  
17 ~~enters into the processing of such products and is therefore~~  
18 ~~exempt from taxation when:~~

19 (A) ~~It is intended that such property become an integral~~  
20 ~~or constituent part of a food product which is intended to be~~  
21 ~~sold ultimately at retail for human consumption; or~~

22 (B) ~~Such property, whether or not it becomes an integral~~  
23 ~~or constituent part of a food product, is a chemical, solvent,~~  
24 ~~agent, mold, skin casing, or other material; is used for the~~  
25 ~~purpose of producing or inducing a chemical or physical change~~  
26 ~~in a food product or is used for the purpose of placing a food~~  
27 ~~product in a more marketable condition; and is directly~~

1 utilized-and-consumed, dissipated, or destroyed, to the extent  
2 it is rendered unfit for further use, in the processing of a  
3 food product which is intended to be sold ultimately at retail  
4 for human consumption;

5 (g) To the storage, use, or consumption of electricity,  
6 coal, coke, fuel oil, nuclear fuel, or gas for use in  
7 processing, manufacturing, mining, refining, irrigation,  
8 building construction, telegraph, telephone, and radio  
9 communication, street and railroad transportation services,  
10 and all industrial uses;

11 (h) To the storage and use of neat cattle, sheep, lambs,  
12 swine, and goats within this state; or to the storage and use  
13 within this state of mares and stallions kept, held, and used  
14 for breeding purposes only;

15 (i) To the storage, use, or consumption of printers ink  
16 and newsprint;

17 (j) To the storage, use, or consumption of cigarettes;

18 (k) To the storage, use, or consumption of any article  
19 of tangible personal property the sale or use of which has  
20 already been subjected to a tax equal to or in excess of that  
21 imposed by this part 2. A credit shall be granted against the  
22 use tax imposed by this part 2 with respect to a person's  
23 storage, use, or consumption in this state of tangible  
24 personal property purchased by him in another state. The  
25 amount of the credit shall be equal to the tax paid by him to  
26 another state by reason of the imposition of a similar tax on  
27 his purchase or use of the property. The amount of the credit

1 shall not exceed the tax imposed by this part 2.

2 (l) To the storage, use, or consumption of tangible  
3 personal property and household effects acquired outside of  
4 this state and brought into it by a nonresident acquiring  
5 residency;

6 (m) To the storage or use of a motor vehicle if the  
7 owner is or was, at the time of purchase, a nonresident of  
8 Colorado and he purchased the vehicle outside of this state  
9 for use outside this state and actually so used it for a  
10 substantial and primary purpose for which it was acquired and  
11 he registered, titled, and licensed said motor vehicle outside  
12 of Colorado;

13 (n) To the storage, use, or consumption of tangible  
14 personal property purchased by a resident of Colorado while  
15 outside the state in amounts of one hundred dollars or less;

16 (o) ~~To the storage, use, or consumption of a mobile~~  
17 ~~home, as such vehicle is defined in section 42-1-102-(82)-(b),~~  
18 ~~C.R.S., 1973, after such mobile home has been once subject to~~  
19 ~~the payment of use tax by virtue of section 39-26-208;~~

20 (p) ~~To the storage or use of a new or used trailer,~~  
21 ~~semitrailer, truck, truck tractor, or truck body manufactured~~  
22 ~~within this state if such vehicle is purchased from the~~  
23 ~~manufacturer for use exclusively outside this state or in~~  
24 ~~interstate commerce and is delivered by the manufacturer to~~  
25 ~~the purchaser within this state, if the purchaser drives or~~  
26 ~~moves such vehicle to any point outside this state within~~  
27 ~~thirty days after the date of delivery, and if the purchaser~~

1 furnishes--an--affidavit--to--the--manufacturer--that--such--vehicle  
2 will--be--permanently--licensed--and--registered--outside--this--state  
3 and--will--be--removed--from--this--state--within--thirty--days--after  
4 the--date--of--delivery;

5 (q) To--the--storage--or--use--of--a--new--or--used--trailer,  
6 semitrailer,--truck,--truck--tractor,--or--truck--body--if--such  
7 vehicle--is--purchased--for--use--exclusively--outside--this--state--or  
8 in--interstate--commerce--and--is--delivered--by--the--manufacturer--or  
9 licensed--Colorado--dealer--to--the--purchaser--within--this--state,  
10 if--the--purchaser--drives--or--moves--such--vehicle--to--any--point  
11 outside--this--state--within--thirty--days--after--the--date--of  
12 delivery,--and--if--the--purchaser--furnishes--an--affidavit--to--the  
13 seller--that--such--vehicle--will--be--permanently--licensed--and  
14 registered--outside--this--state--and--will--be--removed--from--this  
15 state--within--thirty--days--after--the--date--of--delivery;

16 (r) To the storage, use, or consumption of tangible  
17 personal property which is thereafter transferred to an  
18 out-of-state vendee without consideration (other than the  
19 purchase, sale, or promotion of the transferor's product) for  
20 use outside of this state in selling products normally sold at  
21 wholesale by the corporation or person storing, using, or  
22 consuming said property;

23 (s) To the testing, modification, inspection, or similar  
24 type activities of tangible personal property acquired for  
25 ultimate use outside of this state in manufacturing or similar  
26 type of activities if the test, modification, or inspection  
27 period does not exceed ninety days;



1 (t) To the storage, use, or consumption of any article  
2 by a retailer or vendor of food, meats, or beverages, which  
3 article is to be furnished to a consumer or user for use with  
4 articles of tangible personal property purchased at retail, if  
5 a separate charge is not made for the article to the consumer  
6 or user, if such article becomes the property of the consumer  
7 or user, together with the food, meals, or beverages  
8 purchased, and if a tax is paid on the retail sale as required  
9 by section 39-26-104-(1)-(a)-(1)-(e);

10 (u) To the storage, use, or consumption of any container  
11 or bag by a retailer or vendor of food, meals, or beverages,  
12 which container or bag is to be furnished to a consumer or  
13 user for the purpose of packaging or bagging articles of  
14 tangible personal property purchased at retail, if a separate  
15 charge is not made for the container or bag to the consumer or  
16 user, if such container or bag becomes the property of the  
17 consumer or user, together with the food, meals, or beverages  
18 purchased, and if a tax is paid on the retail sale as required  
19 by section 39-26-104-(1)-(a)-(1)-(e);

20 (v) Repealed, L. 79, p. 1428, 11, effective January 1,  
21 1980.

22 (v.1) Effective January 1, 1980, to the storage, use, or  
23 consumption of food or meals which are provided to employees  
24 of the places described in section 39-26-104 (1) (e) if such  
25 are provided to such employees at no charge or at a reduced  
26 charge and are considered as part of their salary, wages, or  
27 income;

1 (w) To the storage, use, or consumption by a contractor  
2 or subcontractor of construction and building materials for  
3 use in the building, erection, alteration, or repair of  
4 structures, highways, roads, streets, and other public works  
5 owned and used by:

6 (I) The United States government, the state of Colorado,  
7 its departments and institutions, the political subdivisions  
8 thereof in their governmental capacities only;

9 (II) Charitable organizations in the conduct of their  
10 regular charitable functions and activities; or

11 (III) Schools, other than schools held or conducted for  
12 private or corporate profit;

13 (x) Effective January 1, 1980, to the storage, use, or  
14 consumption of food as defined in section 39-26-102 (4.5);

15 (y) ~~Effective--July--1,--1979,--to--the--storage,--use,--or~~  
16 ~~consumption--of--machinery--or--machine--tools--exempt--from--sales~~  
17 ~~tax--by--section--39-26-114--(11);~~

18 (z) ~~Effective--July--1,--1980,--to--the--storage,--use,--or~~  
19 ~~consumption--of--electricity,--coal,--wood,--gas,--fuel--oil,--or--coke~~  
20 ~~sold,--but--not--for--resale,--to--any--occupant--of--a--residence,~~  
21 ~~whether--owned,--leased,--or--rented--by--the--occupant,--for--the~~  
22 ~~purpose--of--operating--fixtures--or--appliances--which--provide~~  
23 ~~light,--heat,--or--power--for--the--residence,--For--the--purposes--of~~  
24 ~~this--paragraph--(z),--"gas"--includes--natural,--manufactured,--and~~  
25 ~~liquefied--petroleum--gas.~~

26 (aa) Effective July 1, 1984, to the storage, use, or  
27 consumption of aircraft used or purchased for use in

1 interstate commerce by a commercial airline.

2 (bb) TO THE STORAGE, USE, OR CONSUMPTION OF FOOD  
3 PURCHASED WITH FOOD STAMPS ON OR AFTER OCTOBER 1, 1987. FOR  
4 THE PURPOSES OF THIS PARAGRAPH (BB), "FOOD" SHALL HAVE THE  
5 SAME MEANING AS PROVIDED IN 7 U.S.C. SECTION 2012(G), AS SUCH  
6 SECTION EXISTS ON OCTOBER 1, 1987, OR IS THEREAFTER AMENDED.

7 SECTION 10. 32-9-119 (2) (b) (II) (B), Colorado Revised  
8 Statutes, as amended, is amended to read:

9 32-9-119. Additional powers of district.

10 (2) (b) (II) (B) Thirteen percent of all revenue from a sales  
11 tax levied pursuant to this paragraph (b) shall be added to  
12 the revenue from the sales tax levied pursuant to paragraph  
13 (a) of this subsection (2) to compensate for the elimination  
14 of the authority of the district to levy a sales tax on  
15 purchases of machinery or machine tools, as provided in  
16 section ~~39-26-114-(11)~~ 29-2-105 (1) (d), C.R.S., and shall be  
17 applied in the same manner and for the same purposes,  
18 including, but not limited to, pledged revenue for bonds, as  
19 the revenue from the sales tax levied pursuant to paragraph  
20 (a) of this subsection (2); except that the district shall not  
21 pledge or apply said thirteen percent of all revenues from a  
22 sales tax levied pursuant to this paragraph (b) to new money  
23 bonds issued on or after May 1, 1980. If, at the time an  
24 additional sales tax is levied pursuant to this paragraph (b),  
25 additional sources of revenue have already been established to  
26 compensate for the elimination of the sales tax on purchases  
27 of machinery or machine tools, as provided in section

1    ~~39-26-114-(11)~~ 29-2-105 (1) (d), C.R.S., then the district  
2 shall spend at its discretion that portion of the revenues  
3 derived from such additional sales tax no longer needed for  
4 the original compensatory purpose.

5           SECTION 11. 39-26-102 (1) and (23), Colorado Revised  
6 Statutes, 1982 Repl. Vol., are amended to read:

7           39-26-102. Definitions. (1) "Auction sale" means any  
8 sale conducted or transacted at a permanent place of business  
9 operated by an auctioneer or a sale conducted and transacted  
10 at any location where tangible personal property is sold by an  
11 auctioneer when such auctioneer is acting either as agent for  
12 the owner of such personal property or is in fact the owner  
13 thereof. The auctioneer at any sale defined in subsection (11)  
14 of this section, except when acting as an agent for a duly  
15 licensed retailer or vendor ~~or when selling only tangible~~  
16 ~~personal property which is exempt under the provisions of~~  
17 ~~section 39-26-114-(5) and (6)~~, is a retailer or vendor as  
18 defined in subsection (8) of this section and the sale made by  
19 him is a retail sale as defined in subsection (9) of this  
20 section, and the business conducted by said auctioneer in  
21 accomplishing such sale is the transaction of a business as  
22 defined by subsection (2) of this section.

23           ~~(23) Except as provided in section 39-26-114-(1)-(a)~~  
24 ~~(XII)~~, When right to continuous possession or use for more  
25 than three years of any article of tangible personal property  
26 is granted under a lease or contract and such transfer of  
27 possession would be taxable if outright sale were made, such

1 lease or contract shall be considered the sale of such  
2 article, and the tax shall be computed and paid by the vendor  
3 upon the rentals paid.

4 SECTION 12. 39-26-126, Colorado Revised Statutes, 1982  
5 Repl. Vol., is amended to read:

6 39-26-126. Legislative finding as to revenues for old  
7 age pension fund. The general assembly finds that sections  
8 39-23-107 (1), 39-26-105 (1), 39-26-106 (2) (a), 39-26-109,  
9 AND 39-26-112 and ~~39-26-114-(1)-(a)-(v)-and-(7)~~ repeal no law  
10 which provides revenue for the old age pension fund and amend  
11 no law so as to reduce the revenue provided for the old age  
12 pension fund, except as is allowed by article XXIV of the  
13 state constitution.

14 SECTION 13. Effective date. This act shall take effect  
15 October 1, 1987.

16 SECTION 14. Safety clause. The general assembly hereby  
17 finds, determines, and declares that this act is necessary  
18 for the immediate preservation of the public peace, health,  
19 and safety.

BILL 14

A BILL FOR AN ACT

1 CONCERNING THE CONFORMATION OF THE STATE FISCAL YEAR TO THE  
2 CALENDAR YEAR.

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Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Changes the fiscal year of the state from the period beginning on July 1 of each year and ending on the June 30 next following to the calendar year as of January 1, 1989. Provides for transition to the new fiscal year by means of a six month transitional budget year beginning July 1, 1988, and ending December 31, 1988. Conforms requirements of agencies, departments, and other state instrumentalities to the new fiscal year.

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3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. The introductory portion to 11-40-106 (1) and  
5 11-40-106 (1) (a), (1) (b), and (1) (c), Colorado Revised  
6 Statutes, as amended, are amended to read:

7 11-40-106. Annual fees and assessments. (1) Every  
8 savings and loan association organized under the laws of this  
9 state shall pay annually to the division of savings and loan  
10 such fees for administration, supervision, and examination as

1 the commissioner may determine sufficient to meet the budget  
2 requirements of the division of savings and loan for the  
3 fiscal year commencing July 1, 1987, COMMENCING JULY 1, 1988,  
4 AND COMMENCING EACH JANUARY 1 THEREAFTER. The fees shall be  
5 determined as follows:

6 (a) As of June 30, 1988, DECEMBER 31, 1988, AND DECEMBER  
7 31 of each year THEREAFTER, the commissioner shall assess each  
8 association, based on its gross assets, to meet the  
9 administrative costs of supervision by the division for that  
10 fiscal year. Such assessments shall be calculated in terms of  
11 cents per thousand dollars of gross assets but shall in no  
12 case exceed ten cents per thousand dollars. The assessment  
13 calculation, or ratio of the assessment charged to gross  
14 assets, shall be alike in all cases, within the specified  
15 limits. On or before ~~September-30~~ MARCH 31 of the succeeding  
16 fiscal year, each association shall pay its assessment; EXCEPT  
17 THAT SUCH ASSESSMENT FOR THE FISCAL YEAR BEGINNING JULY 1,  
18 1987, SHALL BE PAID ON OR BEFORE SEPTEMBER 30, 1988.

19 (b) As of July 1, 1987, JULY 1, 1988, AND JANUARY 1, of  
20 each year THEREAFTER, the commissioner shall estimate a per  
21 diem rate to be charged for the examination of each  
22 association during the fiscal year. At the conclusion of its  
23 examination, each association shall pay the actual cost of the  
24 examination, as determined by the commissioner.

25 (c) As of June 30, 1988, DECEMBER 31, 1988, AND DECEMBER  
26 31 of each year THEREAFTER, the commissioner shall assess each  
27 state and federal savings and loan association which has been

1 designated as an eligible public depository, as defined in  
2 section 11-47-103 (6), based on its total public deposits  
3 held, to meet its share of the division's supervisory costs of  
4 monitoring compliance with the provisions of the "Savings and  
5 Loan Association Public Deposit Protection Act", article 47 of  
6 this title, for that fiscal year. Such assessments shall be  
7 calculated in terms of cents per thousand dollars of total  
8 public deposits held with a minimum annual assessment of one  
9 hundred dollars. If the division does not choose to charge  
10 the amount of the fee as prescribed by this paragraph (c),  
11 then the assessment calculation, or ratio of the assessment  
12 charged to total public deposits held, shall be alike in all  
13 cases, within the specified limits. On or before September-30  
14 MARCH 31 of the succeeding fiscal year, each association shall  
15 pay its assessment; EXCEPT THAT SUCH ASSESSMENT FOR THE FISCAL  
16 YEAR BEGINNING JULY 1, 1987, SHALL BE PAID ON OR BEFORE  
17 SEPTEMBER 30, 1988.

18 SECTION 2. 11-51-129 (2) (c), Colorado Revised Statutes,  
19 as amended, is amended to read:

20 11-51-129. Collection and determination of fees.  
21 (2) (c) Beginning ~~July 1, 1987~~ JANUARY 1, 1989, and each ~~July~~  
22 JANUARY 1 thereafter, whenever moneys appropriated to the  
23 division for its activities for the prior fiscal year are  
24 unexpended, said moneys shall be made a part of the  
25 appropriation to the division for the next fiscal year, and  
26 such amount shall not be raised from fees collected by the  
27 division. If a supplemental appropriation is made to the



1 division for its activities, its fees, when adjusted for the  
2 fiscal year next following that in which the supplemental  
3 appropriation was made, shall be adjusted by an additional  
4 amount which is sufficient to compensate for such supplemental  
5 appropriation. Funds appropriated to the division in the  
6 annual ~~long-appropriations~~ GENERAL APPROPRIATION bill shall be  
7 designated as a cash fund and shall not exceed the amount  
8 anticipated to be raised from fees collected by the division.

9 SECTION 3. 12-6-110 (5) (c), Colorado Revised Statutes,  
10 1985 Repl. Vol., is amended to read:

11 12-6-110. Fees - disposition - expenses - expiration of  
12 licenses. (5) (c) Beginning ~~July--1,-1981~~ JANUARY 1, 1989,  
13 and on each ~~July~~ JANUARY 1 thereafter, whenever moneys  
14 appropriated to the board for its activities for the prior  
15 fiscal year are unexpended, said moneys shall be made a part  
16 of the appropriation to the board for the next fiscal year,  
17 and such amount shall not be raised from fees collected by the  
18 board. If a supplemental appropriation is made to the board  
19 for its activities, the fees of the board, when adjusted for  
20 the fiscal year next following that in which the supplemental  
21 appropriation was made, shall be adjusted by an additional  
22 amount which is sufficient to compensate for such supplemental  
23 appropriation. Moneys appropriated to the board in the annual  
24 general appropriation bill shall be from the fund provided in  
25 section 12-6-123.

26 SECTION 4. 12-44-213, Colorado Revised Statutes, 1985  
27 Repl. Vol., is amended to read:

1           12-44-213. Appropriations. For each fiscal year  
2 commencing ~~July--1;--1961~~ JANUARY 1, 1989, and EACH JANUARY 1  
3 thereafter, the general assembly shall appropriate moneys  
4 required for the administration of this part 2 from the  
5 general fund.

6           SECTION 5. 12-60-109.5 (2) (c), Colorado Revised  
7 Statutes, 1985 Repl. Vol., is amended to read:

8           12-60-109.5. Fee adjustments - racing commission cash  
9 fund created. (2) (c) Beginning ~~July--1;--1985~~ JANUARY 1,  
10 1989, and each ~~July~~ JANUARY 1 thereafter, whenever cash fund  
11 moneys appropriated to the commission for its direct costs of  
12 regulating cash-funded activities for the prior fiscal year  
13 are unexpended, said moneys shall be made a part of the cash  
14 fund appropriation to the commission for said direct costs in  
15 the next fiscal year, and such amount shall not be raised from  
16 fees collected by the commission. If a supplemental  
17 appropriation is made to the commission for its direct costs  
18 of regulating cash-funded activities, the fees of the  
19 commission, when adjusted for the fiscal year next following  
20 that in which the supplemental appropriation was made, shall  
21 be adjusted by an additional amount which is sufficient to  
22 compensate for such supplemental appropriation. Funds  
23 appropriated to the commission in the annual general  
24 appropriation bill for its direct costs of regulating  
25 cash-funded activities shall be designated as cash funds and  
26 shall not exceed the amount anticipated to be raised from fees  
27 collected by the commission.

1 SECTION 6. 12-61-111.5 (2) (c), Colorado Revised  
2 Statutes, 1985 Repl. Vol., is amended to read:

3 12-61-111.5. Fee adjustments. (2) (c) Beginning July  
4 1, 1979 JANUARY 1, 1989, and each July JANUARY 1 thereafter,  
5 whenever moneys appropriated to the commission for its  
6 activities for the prior fiscal year are unexpended, said  
7 moneys shall be made a part of the appropriation to the  
8 commission for the next fiscal year, and such amount shall not  
9 be raised from fees collected by the commission. If a  
10 supplemental appropriation is made to the commission for its  
11 activities, its fees, when adjusted for the fiscal year next  
12 following that in which the supplemental appropriation was  
13 made, shall be adjusted by an additional amount which is  
14 sufficient to compensate for such supplemental appropriation.  
15 Funds appropriated to the commission in the annual long  
16 appropriations GENERAL APPROPRIATION bill shall be designated  
17 as a cash fund and shall not exceed the amount anticipated to  
18 be raised from fees collected by the commission.

19 SECTION 7. The introductory portion to 17-24-113 (7),  
20 Colorado Revised Statutes, 1986 Repl. Vol., is amended to  
21 read:

22 17-24-113. Business operations and budget. (7) On  
23 January 1 of each year, the division shall submit a proposed  
24 annual budget as a part of the total budget of the department  
25 of corrections for the following fiscal year beginning July  
26 JANUARY 1; EXCEPT THAT SUCH PROPOSED BUDGET REQUIRED TO BE  
27 SUBMITTED ON JANUARY 1, 1988, SHALL INCLUDE THE FISCAL YEARS

1 BEGINNING JULY 1, 1988, AND JANUARY 1, 1989. The budget of the  
2 division shall be reviewed by the advisory committee. This  
3 proposed budget shall contain at least the following:

4 SECTION 8. 22-41-107 (2), Colorado Revised Statutes, as  
5 amended, is amended to read:

6 22-41-107. Reports. (2) On or before January 10 of  
7 each year, the state treasurer shall transmit to the governor,  
8 to the general assembly, to each member of the state board of  
9 education, and to each member of the state board of land  
10 commissioners a report showing the investments of the public  
11 school fund at the end of the preceding fiscal year and the  
12 amount of income realized from such investments during said  
13 fiscal year. The market value of each investment of the  
14 public school fund shall be compared to the book value as of  
15 the close of said fiscal year and individual and aggregate  
16 potential gains and losses reported in the report required by  
17 this subsection (2). Such report may be made in the form of  
18 an appendix to the annual report of the state treasurer  
19 required by the provisions of section 24-22-107 (3), C.R.S.  
20 SUCH REPORT REQUIRED TO BE TRANSMITTED ON OR BEFORE JANUARY  
21 10, 1989, SHALL INCLUDE BOTH THE FISCAL YEAR BEGINNING JULY 1,  
22 1987, AND THE TRANSITIONAL FISCAL YEAR BEGINNING JULY 1, 1988.

23 SECTION 9. 22-51-102 (2), Colorado Revised Statutes, as  
24 amended, is amended to read:

25 22-51-102. Definitions. (2) "Entitlement period"  
26 means: ~~the--twelve-month-period-ending-June-30-next-preceding~~  
27 ~~application--for--and--determination--of--a--reimbursement~~

1 entitlement:

2 (a) PRIOR TO JULY 1, 1988, THE TWELVE-MONTH PERIOD  
3 ENDING JUNE 30 NEXT PRECEDING APPLICATION FOR AND  
4 DETERMINATION OF A REIMBURSEMENT ENTITLEMENT;

5 (b) THE SIX-MONTH PERIOD ENDING DECEMBER 31, 1988, NEXT  
6 PRECEDING APPLICATION FOR AND DETERMINATION OF A REIMBURSEMENT  
7 ENTITLEMENT;

8 (c) THE TWELVE-MONTH PERIOD ENDING DECEMBER 31, 1989,  
9 AND EACH TWELVE-MONTH PERIOD ENDING DECEMBER 31 THEREAFTER  
10 WHICH IS NEXT PRECEDING APPLICATION AND DETERMINATION OF A  
11 REIMBURSEMENT ENTITLEMENT.

12 SECTION 10. The introductory portion to 22-51-104 (1),  
13 Colorado Revised Statutes, as amended, is amended to read:

14 22-51-104. Methods of determining reimbursement  
15 entitlement. (1) For financial aid in providing pupil  
16 transportation for entitlement periods, ~~ending--on--June--30;~~  
17 ~~1988;--and--thereafter~~ each school district shall have a  
18 reimbursement entitlement, to be determined as follows:

19 SECTION 11. The introductory portion to 22-51-105 (1),  
20 Colorado Revised Statutes, as amended, is amended to read:

21 22-51-105. Certifications by school boards. (1) On or  
22 before August 15, ~~of each year;~~ 1987, AUGUST 15, 1988, AND  
23 EACH FEBRUARY 15 THEREAFTER, the school board of each school  
24 district entitled to and desiring reimbursement under this  
25 article for the preceding entitlement period shall certify to  
26 the state board of education, on forms to be provided by the  
27 commissioner of education, the following information:

1 SECTION 12. 22-51-106 (1), Colorado Revised Statutes, as  
2 amended, is amended to read:

3 22-51-106. Certification to and payment by state  
4 treasurer - deficiency in fund. (1) On or before October 15,  
5 ~~of each year~~; 1987, OCTOBER 15, 1988, AND EACH APRIL 15  
6 THEREAFTER, the commissioner of education shall certify to the  
7 state treasurer the amount of the reimbursement entitlement of  
8 each school district for the entitlement period next  
9 preceding. The state treasurer shall thereupon pay from the  
10 public school transportation fund directly to the treasurer of  
11 each school district which has elected under the law to  
12 withdraw its funds from the custody of the county treasurer  
13 the amount certified as the reimbursement entitlement of the  
14 school district; and, for all other school districts, he shall  
15 pay to the county treasurer of the county in which each school  
16 district has its headquarters the amount certified as the  
17 reimbursement entitlement of each district, and the county  
18 treasurer shall forthwith credit to the general fund of each  
19 district in his county the amount certified therefor.

20 SECTION 13. 23-3.1-109, Colorado Revised Statutes, as  
21 amended, is amended to read:

22 23-3.1-109. Subject to audit. The student loan program  
23 shall be audited annually by the state auditor. The division  
24 shall report annually on its condition to the governor and the  
25 general assembly, and such report shall include the most  
26 recent report of the state auditor. The report shall be made  
27 on or before ~~January~~ JULY 1 and shall reflect the condition of

1 the program as of ~~June-30~~ DECEMBER 31 of the preceding fiscal  
2 year.

3 SECTION 14. 23-71-301 (1) (b), (2), and (3), Colorado  
4 Revised Statutes, as amended, are amended to read:

5 23-71-301. Direct grants to junior college districts -  
6 occupational courses. (1) (b) The direct grant for each  
7 Colorado resident student carrying a full-time load as  
8 provided in paragraph (a) of this subsection (1) shall be  
9 seven hundred dollars, but such amount may be increased by the  
10 general assembly by an amount not exceeding seven percent of  
11 the prior year's direct grant; EXCEPT THAT THE DIRECT GRANT  
12 FOR THE TRANSITIONAL FISCAL YEAR BEGINNING JULY 1, 1988, SHALL  
13 NOT EXCEED ONE-HALF OF THE DIRECT GRANT FOR THE 1987-88 FISCAL  
14 YEAR PLUS SEVEN PERCENT, AND THE DIRECT GRANT FOR THE FISCAL  
15 YEAR BEGINNING JANUARY 1, 1989, SHALL NOT EXCEED TWO TIMES THE  
16 DIRECT GRANT FOR THE TRANSITIONAL FISCAL YEAR PLUS THREE AND  
17 ONE-HALF PERCENT. Direct grants for other Colorado resident  
18 students, made on a full-time equivalent basis, shall be  
19 adjusted in a similar manner.

20 (2) Utilizing the same methods and procedures described  
21 in subsection (1) of this section, the board shall determine  
22 an additional amount of four hundred seventy-five dollars for  
23 each full-time equivalent Colorado resident student enrolled  
24 in occupational courses, but such amount may be increased by  
25 the general assembly by an amount not exceeding seven percent  
26 of the prior year's grant; EXCEPT THAT THE ADDITIONAL AMOUNT  
27 FOR THE TRANSITIONAL FISCAL YEAR BEGINNING JULY 1, 1988, SHALL

1 NOT EXCEED ONE-HALF THE AMOUNT FOR THE 1987-88 FISCAL YEAR  
2 PLUS SEVEN PERCENT, AND THE ADDITIONAL AMOUNT FOR THE FISCAL  
3 YEAR BEGINNING JANUARY 1, 1989, SHALL NOT EXCEED TWO TIMES THE  
4 AMOUNT FOR THE TRANSITIONAL FISCAL YEAR PLUS THREE AND  
5 ONE-HALF PERCENT. Grants for other Colorado resident  
6 students, made on a full-time equivalent basis, shall be  
7 adjusted in a similar manner. The occupational courses  
8 eligible shall be designated by the board according to  
9 criteria established by the board.

10 (3) No later than ~~July 1, 1981~~ JANUARY 1, 1989, and each  
11 year thereafter, the board shall submit a copy of the approved  
12 budget for the fiscal year beginning on ~~July 1~~ JANUARY 1 for  
13 each district college.

14 SECTION 15. 24-2-102 (2), Colorado Revised Statutes,  
15 1982 Repl. Vol., is amended to read:

16 24-2-102. Appointment of officers, assistants, and  
17 employees. (2) Thirty days prior to the commencement of each  
18 fiscal year, the head of each principal department shall  
19 certify to the governor the number of employees needed or  
20 required for the operation of his department for the ensuing  
21 twelve-month period OR, FOR THE TRANSITIONAL FISCAL YEAR  
22 BEGINNING JULY 1, 1988, FOR THE ENSUING SIX-MONTH PERIOD. The  
23 governor, within said thirty-day period, in his discretion,  
24 shall approve or disapprove said certified list and, if he  
25 disapproves the same, shall certify in writing the number of  
26 employees deemed by him to be necessary or advisable for the  
27 efficient operation of the department, and no employees in



1 excess of the number so certified by the governor shall be  
2 appointed or so employed.

3 SECTION 16. 24-4.1-122, Colorado Revised Statutes, 1982  
4 Repl. Vol., as amended, is amended to read:

5 24-4.1-122. Reports. On or before ~~October-1;~~ 1985 APRIL  
6 1, 1989, and on or before each ~~October~~ APRIL 1 thereafter, the  
7 court administrator of each judicial district shall report to  
8 the state court administrator the amount of moneys collected  
9 by the judicial district in the prior fiscal year and the  
10 amount of moneys distributed to crime victims in the prior  
11 fiscal year by the board.

12 SECTION 17. 24-4.1-123, Colorado Revised Statutes, 1982  
13 Repl. Vol., as amended, is amended to read:

14 24-4.1-123. When redistribution of moneys required. On  
15 or before ~~November-1;~~ 1985 MAY 1, 1989, and on or before every  
16 ~~November~~ MAY 1 thereafter, the state court administrator,  
17 based on the reports submitted pursuant to section 24-4.1-122,  
18 shall determine the amount of moneys collected in each fund by  
19 each judicial district for the previous fiscal year and the  
20 percentage of said moneys in each fund that was distributed in  
21 that fiscal year. On ~~November-1;~~ 1985 MAY 1, 1989, and on  
22 every ~~November~~ MAY 1 thereafter, the state court administrator  
23 shall notify the court administrator of any judicial district  
24 that has distributed to victims less than sixty percent of the  
25 total moneys collected in the previous fiscal year that an  
26 amount equal to the difference between sixty percent of the  
27 total moneys collected in the fund in the previous fiscal year

1 and the amount actually distributed to victims for such fiscal  
2 year shall be transmitted to the state treasurer and credited  
3 to the state crime victim compensation fund created in section  
4 24-4.1-124. Such notification shall state that the board  
5 shall make such transmittal on or before ~~December 1, 1985~~ JUNE  
6 1, 1989, ~~for moneys in the fiscal year 1984-85~~; and on or  
7 before ~~December~~ JUNE 1 for every fiscal year thereafter. If  
8 the board has distributed sixty percent or more of the total  
9 moneys in its fund to victims in the previous fiscal year, no  
10 moneys shall be transmitted to the state treasurer.

11 SECTION 18. 24-4.1-124 (2), Colorado Revised Statutes,  
12 1986 Repl. Vol., as amended, is amended to read:

13 24-4.1-124. State crime victim compensation fund -  
14 creation - allocation of moneys. (2) On ~~January 1, 1986~~ JULY  
15 1, 1989, and on every ~~January~~ JULY 1 thereafter, the state  
16 court administrator shall allocate the moneys in the fund  
17 equally among the judicial districts which have distributed  
18 seventy-five percent or more of the total moneys collected in  
19 the previous fiscal year to crime victims and shall notify in  
20 writing the state treasurer to transmit those allocated  
21 amounts out of the state crime victim compensation fund to the  
22 funds of those specified judicial districts. Upon such  
23 written authorization, the state treasurer shall transmit the  
24 amount of each allocation to the court administrator of the  
25 judicial district for credit to the fund of that district.

26 SECTION 19. 24-16-103 (5) and (6), Colorado Revised  
27 Statutes, 1982 Repl. Vol., are amended to read:

1           24-16-103. Definitions. (5) "Project" means any public  
2 ~~work~~ WORKS for which appropriation or expenditure of funds may  
3 be reasonably expected to exceed twenty-five thousand dollars  
4 in the aggregate for any fiscal year, EXCEPT FOR THE FISCAL  
5 YEAR BEGINNING JULY 1, 1988, AND ENDING DECEMBER 31, 1988,  
6 WHERE SUCH SUM MAY BE REASONABLY EXPECTED TO EXCEED TWELVE  
7 THOUSAND FIVE HUNDRED DOLLARS.

8           (6) "Public ~~work~~ WORKS" means any construction,  
9 alteration, repair, or improvement of any land, building,  
10 structure, facility, road, highway, or other public  
11 improvement suitable for and intended for use in the promotion  
12 of the public health, welfare, or safety or maintenance  
13 programs for the upkeep of public roads, highways, or bridge  
14 structures; except that "public works" does not include  
15 routine maintenance that is not definable by a stop or start  
16 time or by geographical limits.

17           SECTION 20. 24-21-104 (3) (c), Colorado Revised  
18 Statutes, 1982 Repl. Vol., as amended, is amended to read:

19           24-21-104. Fees of secretary of state.

20           (3) (c) Beginning ~~July 1, 1984~~ JANUARY 1, 1989, and each ~~July~~  
21 JANUARY 1 thereafter, whenever moneys appropriated to the  
22 department of state during the prior fiscal year are  
23 unexpended, said moneys shall be made a part of the  
24 appropriation to the department of state for the next fiscal  
25 year, and such amount shall not be raised from fees collected  
26 by the department of state. If a supplemental appropriation  
27 is made to the department of state for its activities, the

1 fees of the department of state shall be adjusted by an  
2 additional amount which is sufficient to compensate for such  
3 supplemental appropriation. Funds appropriated to the  
4 department of state in the general appropriation bill shall be  
5 designated as cash funds and shall not exceed the amount  
6 anticipated to be raised from fees collected by the department  
7 of state.

8 SECTION 21. 24-22-107 (3), Colorado Revised Statutes,  
9 1982 Repl. Vol., as amended, is amended to read:

10 24-22-107. Duties of state treasurer. (3) On or before  
11 ~~January~~ JUNE 10 of each year, he shall prepare and transmit to  
12 the governor and each member of the general assembly, in the  
13 manner prescribed by the heads of the principal departments  
14 pursuant to the provisions of section 24-1-136, a report  
15 accounting for the condition of the state treasury at the end  
16 of the preceding fiscal year and for the discharge of all  
17 responsibilities assigned by law to himself or the treasury  
18 department.

19 SECTION 22. 24-30-202 (9) (a), Colorado Revised  
20 Statutes, 1982 Repl. Vol., is amended to read:

21 24-30-202. Procedures - vouchers and warrants - rules -  
22 penalties. (9) (a) During the month of ~~May~~ NOVEMBER of each  
23 year, a list of all warrants drawn and issued during the last  
24 completed fiscal year which have not then been presented to  
25 the state treasurer for payment shall be posted in a  
26 conspicuous place in the offices of the controller and the  
27 state treasurer. Such list shall recite the number, date of

1 issue, name of payee, and amount of each such warrant. Every  
2 warrant so listed which shall remain unpaid on the last  
3 working day in the month of ~~June~~ DECEMBER of each year shall  
4 be scheduled for cancellation as of said date and expunged  
5 from the records of the controller and the state treasurer,  
6 and the amount thereof shall be credited to the general fund  
7 or, if practicable, to the account to which originally  
8 charged.

9 SECTION 23. 24-30-204, Colorado Revised Statutes, 1982  
10 Repl. Vol., is amended to read:

11 24-30-204. Fiscal year. EXCEPT AS PROVIDED IN PART 17  
12 OF THIS ARTICLE 30, the fiscal year of the state government  
13 shall commence on ~~July~~ JANUARY 1 and end on ~~June-30~~ DECEMBER  
14 31 of each year. This fiscal year shall be followed in making  
15 appropriations and in financial reporting and shall be  
16 uniformly adopted by all departments, institutions, and  
17 agencies in the state government except the state department  
18 of highways, which shall prepare and submit its budget as  
19 required by law. Financial statements for the fiscal year  
20 shall be submitted by each department, institution, or agency  
21 to the controller no later than ~~August--31~~ THE LAST DAY OF  
22 FEBRUARY. The controller shall submit financial statements to  
23 the governor and the general assembly no later than ~~September~~  
24 30 MARCH 31. The controller may grant an extension, not to  
25 exceed twenty days, to any department, institution, or agency  
26 because of administrative hardship in complying with this  
27 section.

1 SECTION 24. 24-30-206 (1), Colorado Revised Statutes,  
2 1982 Repl. Vol., is amended to read:  
3 24-30-206. Work program - revision - reserve. (1) Not  
4 later than ~~June--first~~ DECEMBER 1 of each year the governor  
5 shall require the head of each department, institution, and  
6 agency of the state government to submit to him through the  
7 controller a work program for the ensuing fiscal year. Such  
8 program shall include all appropriations or other funds from  
9 any source made available to said department, institution, or  
10 agency for its operation and maintenance and for the  
11 acquisition of property, and it shall show the requested  
12 allotments of said appropriations or other funds by quarters  
13 for the entire fiscal year. The governor, with the assistance  
14 of the controller, shall review the requested allotments with  
15 respect to the work program of each department, institution,  
16 or agency, and the governor shall, if he deems it necessary,  
17 revise, alter, or change such allotments before approving the  
18 same. The aggregate of such allotments shall not exceed the  
19 total appropriations or other funds from any source made  
20 available to said department, institution, or agency for the  
21 fiscal year in question. The controller shall transmit a copy  
22 of the allotments as approved by the governor to the head of  
23 the department, institution, or agency concerned, to the state  
24 treasurer, and to the state auditor. All expenditures to be  
25 made from the appropriations or other funds from any source  
26 shall be made on the basis of such allotments and not  
27 otherwise and shall be broken down into such classifications

1 as the controller may require.

2 SECTION 25. Article 30 of title 24, Colorado Revised  
3 Statutes, 1982 Repl. Vol., as amended, is amended BY THE  
4 ADDITION OF A NEW PART to read:

5 PART 17

6 TRANSITIONAL FISCAL YEAR

7 24-30-1701. Transitional fiscal year - special  
8 provisions - applicability. (1) For purposes of providing a  
9 transition period to a state fiscal year which coincides with  
10 the calendar year, there shall be a transitional fiscal year  
11 which shall begin on July 1, 1988, and end on December 31,  
12 1988. All agency budget requests for the transitional fiscal  
13 year and for the fiscal year beginning January 1, 1989, shall  
14 be submitted to the joint budget committee of the general  
15 assembly by November 1, 1987.

16 (2) If the provisions of this part 17 conflict with any  
17 other provision of law which refers to the fiscal year of the  
18 state, this part 17 shall prevail.

19 (3) The postaudit of financial transactions and accounts  
20 and the annual report thereof, required to be performed by the  
21 state auditor, shall be conducted for the transitional fiscal  
22 year. Any statute, other than section 24-50-104 (5) (e),  
23 which requires an annual audit shall be construed to require  
24 an audit for the transitional fiscal year.

25 (4) (a) Any statute which requires any department,  
26 agency, or institution, including any institution of higher  
27 education, to make or file an annual report shall be construed

1 to require such report for the transitional fiscal year;  
2 except that a separate annual report for the transitional  
3 fiscal year need not be made or filed if the required  
4 information is included in an annual report covering a  
5 twelve-month period made or filed in accordance with the  
6 applicable statutes. If such report is required to be made or  
7 filed within a specified period following the close of a  
8 fiscal year, it shall be made or filed within the same period  
9 following the close of the transitional fiscal year as is  
10 required for the making or filing of such report following a  
11 full fiscal year.

12 (b) Any statute which requires any department, agency,  
13 or institution, including any institution of higher education,  
14 to make or file a quarterly report shall be construed to  
15 require such report on a three-month basis during the  
16 transitional fiscal year.

17 (5) Whenever any general and permanent statute makes a  
18 continuing appropriation of a specified sum of money for each  
19 fiscal year, such statute shall be construed to appropriate  
20 one-half of said sum for the transitional fiscal year.

21 24-30-1702. Repeal of part. This part 17 is repealed,  
22 effective January 1, 1989.

23 SECTION 26. 24-34-105 (2) (c), Colorado Revised  
24 Statutes, 1982 Repl. Vol., is amended to read:

25 24-34-105. Fee adjustments - division of registrations  
26 cash fund - created. (2) (c) Beginning ~~July 1, 1979~~ JANUARY  
27 1, 1989, and each ~~July~~ JANUARY 1 thereafter, whenever moneys



1 appropriated to a board or commission for its activities for  
2 the prior fiscal year are unexpended, said moneys shall be  
3 made a part of the appropriation to such board or commission  
4 for the next fiscal year, and such amount shall not be raised  
5 from fees collected by such board or commission. If a  
6 supplemental appropriation is made to a board or commission  
7 for its activities, the fees of such board or commission, when  
8 adjusted for the fiscal year next following that in which the  
9 supplemental appropriation was made, shall be adjusted by an  
10 additional amount which is sufficient to compensate for such  
11 supplemental appropriation. Funds appropriated to a board or  
12 commission in the annual long appropriation bill shall be  
13 designated as cash funds and shall not exceed the amount  
14 anticipated to be raised from fees collected by such board or  
15 commission.

16 SECTION 27. 24-35-115 (4) (a), Colorado Revised  
17 Statutes, 1982 Repl. Vol., as amended, is amended to read:

18 24-35-115. Mineral audit program. (4) (a) The  
19 department of revenue shall file a report with the legislative  
20 audit committee no later than ~~October-31~~ APRIL 30 of each year  
21 on the results of this program. The report shall, as a  
22 minimum, identify the total dollars audited by source, the  
23 audit recoveries identified and collected, and the time and  
24 cost expended for each of the applicable agencies.

25 SECTION 28. 24-35-204 (3) (1), Colorado Revised  
26 Statutes, 1982 Repl. Vol., is amended to read:

27 24-35-204. Director - qualifications - powers and

1 duties. (3) (1) To annually prepare and submit to the  
2 commission, for its approval, a proposed budget for the  
3 ensuing fiscal year, which budget shall present a complete  
4 financial plan setting forth all proposed expenditures and  
5 anticipated revenues of the division. EXCEPT AS PROVIDED IN  
6 PART 17 OF ARTICLE 30 OF THIS TITLE, the fiscal year of the  
7 division shall commence on ~~July~~ JANUARY 1 and end on ~~June-30~~  
8 DECEMBER 31 of each year. For the fiscal year commencing July  
9 1, 1982, the director shall prepare a proposed budget and  
10 shall submit it to the commission for approval by the  
11 commission at the earliest feasible time.

12 SECTION 29. 24-35-210 (4) (a), Colorado Revised  
13 Statutes, 1982 Repl. Vol., is amended to read:

14 24-35-210. Lottery fund. (4) (a) Prior to ~~August~~  
15 FEBRUARY 15 of each year, the commission shall notify the  
16 state treasurer of the amount of money to be transferred from  
17 the lottery fund to the conservation trust fund. The amount  
18 to be transferred shall be forty percent of the net proceeds  
19 of the lottery for the preceding fiscal year after payment of  
20 the expenses of the division and any prizes for the lottery  
21 and after reserving sufficient moneys to ensure the operation  
22 of the lottery for the ensuing year.

23 SECTION 30. 24-40-103 (3), Colorado Revised Statutes,  
24 1982 Repl. Vol., is amended to read:

25 24-40-103. Population advisory council. (3) The  
26 members shall receive no compensation for their services on  
27 the population advisory council, but they shall be reimbursed

1 for their actual and necessary expenses incurred in the  
2 performance of their duties not to exceed twelve hundred  
3 dollars in any one fiscal year EXCEPT IN THE FISCAL YEAR  
4 BEGINNING JULY 1, 1988, WHERE SUCH REIMBURSEMENT SHALL NOT  
5 EXCEED SIX HUNDRED DOLLARS.

6 SECTION 31. 24-50-104 (4) (d) (II) and (5) (f), Colorado  
7 Revised Statutes, 1982 Repl. Vol., as amended, are amended,  
8 and the said 24-50-104 (5) is further amended BY THE ADDITION  
9 OF A NEW PARAGRAPH, to read:

10 24-50-104. Classification and compensation.

11 (4) Revision and maintenance of the classification

12 system. (d) (II) Any assignments or reassignments of classes  
13 to pay grades, salary rates, salary ranges, or classification  
14 relationships required by the creation of new positions or any  
15 duly authorized reorganization or change in work method which  
16 have a fiscal impact shall be made effective, with the  
17 approval of the governor, on the ensuing ~~July 1;--except--that;~~  
18 ~~for--the-fiscal-year-beginning-July 1;--1983;--such-action-shall~~  
19 ~~take-place-on-February 1;--1984~~ JANUARY 1. In order for the

20 fiscal impact of any such classification study to be included  
21 in the annual general appropriation bill, the results of such  
22 study shall be submitted to the general assembly no later than  
23 February 15 of each year. Each study shall contain a detailed  
24 fiscal impact calculation by agency and department. Other  
25 than as provided in section 24-50-109.5 or in paragraph (g) of  
26 subsection (5) of this section, the only exception to the ~~July~~  
27 ~~1~~ JANUARY 1 date regarding any assignment or reassignment of

1 classes to pay grades, salary rates, or salary ranges,  
2 including those resulting from special salary surveys, shall  
3 be made in those urgent situations where personnel shortages  
4 will endanger the health, safety, or welfare of citizens of  
5 the state of Colorado and where special salary surveys  
6 conducted as a part of that classification study indicate that  
7 such assignment or reassignment of classes is necessary to  
8 provide salaries comparable to those prevailing in comparable  
9 kinds of employment. In such urgent situations, upon approval  
10 of the governor and the state personnel director, such changes  
11 shall be effective on the first day of the month following  
12 such approval.

13 (5) Salary and fringe benefits surveys. (f) The salary  
14 survey data shall be presented on the basis of recommended  
15 grades for all classes effective on the ensuing July-1 JANUARY  
16 1.

17 (g.1) Notwithstanding the provisions of subparagraph (I)  
18 of paragraph (g) of this subsection (5), the salary  
19 adjustments of proposed reassignments of classes to pay  
20 grades, salary rates, or salary ranges, proposed by the report  
21 of salary and fringe benefit recommendations transmitted to  
22 the general assembly no later than February 15, 1988, shall  
23 not take effect on July 1, 1988, for the transitional fiscal  
24 year. Such salary adjustments shall take effect January 1,  
25 1989. A separate salary survey and fringe benefits survey  
26 shall not be required for the transitional fiscal year.

27 SECTION 32. 24-51-132 (1) (a), Colorado Revised

1 Statutes, 1982 Repl. Vol., is amended to read:

2       24-51-132. State employees' emeritus retirement fund -  
3 limitation on pension. (1) (a) There is hereby created a  
4 state employees' emeritus retirement fund, from which the  
5 controller shall authorize payments from such appropriations  
6 as may be made to such fund. Persons qualifying for emeritus  
7 retirement benefits in this part 1 shall receive a monthly  
8 payment of two hundred dollars per month, less the primary  
9 benefit under option 1 provided in section 24-51-112 (1) (a)  
10 and less any pension or retirement or pension funds supported  
11 in whole or in part by the state or any of its political  
12 subdivisions, and, effective July 1, 1976, and FOR each FISCAL  
13 year thereafter, said amount shall be increased by three  
14 percent, EXCEPT FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1989,  
15 WHEN SUCH AMOUNT SHALL BE INCREASED BY ONE AND ONE-HALF  
16 PERCENT. All payments under this section shall be prorated on  
17 an equal monthly basis within the limits of the appropriations  
18 made, and no monthly payment shall exceed two hundred dollars,  
19 and, effective July 1, 1976, and FOR each FISCAL year  
20 thereafter, said amount shall be increased by three percent,  
21 EXCEPT FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1989, WHEN  
22 SUCH AMOUNT SHALL BE INCREASED BY ONE AND ONE-HALF PERCENT.

23       SECTION 33. 24-75-201.1, Colorado Revised Statutes, 1982  
24 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW  
25 SUBSECTION to read:

26       24-75-201.1. Restriction on state appropriations.  
27 (4) (a) Notwithstanding the provisions of subsection (1) of

1 this section, for the transitional fiscal year beginning on  
2 July 1, 1988, the base for the calculation of the limitation  
3 on the increase in general fund appropriations shall be  
4 one-half of state general fund appropriations for the fiscal  
5 year 1987-88.

6 (b) Notwithstanding the provisions of subsection (1) of  
7 this section, for the fiscal year 1989, state general fund  
8 appropriations shall be limited to three and one-half percent  
9 over two times state general fund appropriations for the  
10 transitional fiscal year, plus such moneys as are necessary  
11 for reappraisals of any class or classes of taxable property  
12 for property tax purposes as required by section 39-1-105.5,  
13 C.R.S.

14 (c) For the transitional fiscal year, unrestricted  
15 general fund year-end balances shall be retained as a reserve  
16 in the amount of five percent of the amount appropriated for  
17 expenditure from the general fund for the transitional fiscal  
18 year.

19 SECTION 34. 24-75-302 (2), Colorado Revised Statutes,  
20 1982 Repl. Vol., as amended, is amended to read:

21 24-75-302. Capital construction fund. (2) As of July  
22 1, 1988, and July-1 AS OF THE BEGINNING of each FISCAL year  
23 thereafter through July JANUARY 1, 1991, a sum as specified in  
24 this subsection (2) shall accrue to the capital construction  
25 fund. The state treasurer and the controller shall transfer  
26 such sum out of the general fund and into the capital  
27 construction fund as moneys become available in the general

1 fund during the fiscal year. ~~beginning--on--said--July--1-~~  
2 Transfers between funds pursuant to this subsection (2) shall  
3 not be deemed to be appropriations subject to the limitations  
4 of section 24-75-201.1. The amount which shall accrue  
5 pursuant to this subsection (2) shall be as follows:

6 (a) On July 1, 1988, ~~fifteen~~ SEVEN AND ONE-HALF million  
7 dollars;

8 (b) On ~~July~~ JANUARY 1, 1989, fifteen million dollars;

9 (c) On ~~July~~ JANUARY 1, 1990, ~~twenty-five~~ TWENTY million  
10 dollars;

11 (d) ON JANUARY 1, 1991, TWELVE AND ONE-HALF MILLION  
12 DOLLARS.

13 SECTION 35. 24-75-802 (3), Colorado Revised Statutes,  
14 1982 Repl. Vol., as amended, is amended to read:

15 24-75-802. Management incentive fund. (3) The head of  
16 the department of administration and the head of the  
17 department of natural resources shall allocate the funds  
18 available under subsection (2) of this section to the agencies  
19 within their respective departments to be expended on  
20 controlled maintenance or on a productivity-increasing  
21 mechanism, including, but not limited to, training programs or  
22 equipment for word processing or data processing. Each agency  
23 spending moneys under this subsection (3) shall make a report  
24 thereof to the governor and the general assembly not later  
25 than ~~January~~ JULY 1 of the fiscal year following the fiscal  
26 year in which the moneys were spent.

27 SECTION 36. 24-92-102 (8), Colorado Revised Statutes,

1 1982 Repl. Vol., is amended to read:

2 24-92-102. Definitions. (8) "Public project" means any  
3 construction, alteration, repair, demolition, or improvement  
4 of any land, building, structure, facility, road, highway,  
5 bridge, or other public improvement suitable for and intended  
6 for use in the promotion of the public health, welfare, or  
7 safety and any maintenance programs for the upkeep of such  
8 projects; except that "public project" does not include any  
9 project for which appropriation or expenditure of funds may be  
10 reasonably expected not to exceed fifty thousand dollars in  
11 the aggregate for any fiscal year, EXCEPT FOR THE FISCAL YEAR  
12 BEGINNING JULY 1, 1988, WHEN "PUBLIC PROJECT" DOES NOT INCLUDE  
13 ANY PROJECT FOR WHICH APPROPRIATION OR EXPENDITURE OF FUNDS  
14 MAY BE REASONABLY EXPECTED NOT TO EXCEED TWENTY-FIVE THOUSAND  
15 DOLLARS IN THE AGGREGATE.

16 SECTION 37. 25-2-121 (2) (c), Colorado Revised Statutes,  
17 1982 Repl. Vol., as amended, is amended to read:

18 25-2-121. Fee adjustments - vital statistics records  
19 cash fund created. (2) (c) Beginning ON July 1, 1985, JULY  
20 1, 1986, JULY 1, 1987, JULY 1, 1988, JANUARY 1, 1989, and each  
21 ~~July~~ JANUARY 1 thereafter, whenever moneys appropriated to the  
22 office of the state registrar for its activities for the prior  
23 fiscal year are unexpended, said moneys shall be made a part  
24 of the appropriation to the office of the state registrar for  
25 the next fiscal year, and such amount shall not be raised from  
26 fees collected by the office of the state registrar. If a  
27 supplemental appropriation is made to the office of the state



1 registrar for its activities, the fees of the office of the  
2 state registrar, when adjusted for the fiscal year next  
3 following that in which the supplemental appropriation was  
4 made, shall be adjusted by an additional amount which is  
5 sufficient to compensate for such supplemental appropriation.  
6 Moneys appropriated to the office of the state registrar in  
7 the annual general appropriation act BILL shall be designated  
8 as cash funds and shall not exceed the amount anticipated to  
9 be raised from fees collected by the office of the state  
10 registrar.

11 SECTION 38. 25-4-1202 (3) (c), Colorado Revised  
12 Statutes, 1982 Repl. Vol., as amended, is amended to read:

13 25-4-1202. Streptococcus cash fund. (3) (c) Beginning  
14 ON July 1, 1984, JULY 1, 1985, JULY 1, 1986, JULY 1, 1987,  
15 JULY 1, 1988, JANUARY 1, 1989, and each July JANUARY 1  
16 thereafter, whenever moneys appropriated to the department of  
17 health for its activities pursuant to this part 12 for the  
18 prior fiscal year are unexpended, said moneys shall be made a  
19 part of the appropriation to the department for the next  
20 fiscal year, and such amount shall not be raised from fees  
21 collected by such department. If a supplemental appropriation  
22 is made to the department for such activities, the  
23 streptococcus fee of the department, when adjusted for the  
24 fiscal year next following the year in which the supplemental  
25 appropriation was made, shall be adjusted by an additional  
26 amount which is sufficient to compensate for such supplemental  
27 appropriation. Moneys to be appropriated annually to the

1 department in the general appropriation bill for the purposes  
2 of this part 12 shall be designated as cash funds and shall  
3 not exceed the amount anticipated to be raised from such fee  
4 collected by the department.

5 SECTION 39. 25-21-105 (6), Colorado Revised Statutes,  
6 1982 Repl. Vol., is amended to read:

7 25-21-105. Copayment schedule - committee - eligibility  
8 - maximum payments. (6) (a) (I) The maximum fee for each  
9 dental service listed in subsection (5) of this section shall  
10 be automatically increased or decreased on July 1 OF each year  
11 beginning July 1, 1980, to an amount which bears the same  
12 relationship to the maximum fee so listed as the Denver area  
13 consumer price index produced by the bureau of labor  
14 statistics of the United States department of labor for the  
15 month of January of a particular year bears to the said Denver  
16 area consumer price index for the month of January, 1979.  
17 Unless a recomputed maximum fee is an even dollar amount, the  
18 maximum fee shall be the next lowest even dollar figure.

19 (II) THIS PARAGRAPH (a) IS REPEALED, EFFECTIVE JANUARY  
20 1, 1989.

21 (b) EFFECTIVE JANUARY 1, 1989, THE MAXIMUM FEE FOR EACH  
22 DENTAL SERVICE LISTED IN SUBSECTION (5) OF THIS SECTION SHALL  
23 BE AUTOMATICALLY INCREASED OR DECREASED ON JANUARY 1 OF EACH  
24 YEAR TO AN AMOUNT WHICH BEARS THE SAME RELATIONSHIP TO THE  
25 MAXIMUM FEE SO LISTED AS THE DENVER AREA CONSUMER PRICE INDEX  
26 PRODUCED BY THE BUREAU OF LABOR STATISTICS OF THE UNITED  
27 STATES DEPARTMENT OF LABOR FOR THE MONTH OF JULY OF A

1 PARTICULAR YEAR BEARS TO THE SAID DENVER AREA CONSUMER PRICE  
2 INDEX FOR THE MONTH OF JULY, 1988. UNLESS A RECOMPUTED  
3 MAXIMUM FEE IS AN EVEN DOLLAR AMOUNT, THE MAXIMUM FEE SHALL BE  
4 THE NEXT LOWEST EVEN DOLLAR FIGURE.

5 SECTION 40. 34-1-105 (2) (c), Colorado Revised Statutes,  
6 1984 Repl. Vol., is amended to read:

7 34-1-105. Fees - fee adjustments - geological survey  
8 cash fund - created. (2) (c) Beginning ~~July 1, 1984~~ JANUARY  
9 1, 1989, and each ~~July~~ JANUARY 1 thereafter, whenever moneys  
10 appropriated to the Colorado geological survey during the  
11 prior fiscal year are unexpended, said moneys shall be made a  
12 part of the appropriation to the Colorado geological survey  
13 for the next fiscal year, and such amount shall not be raised  
14 from fees collected by the Colorado geological survey. If a  
15 supplemental appropriation is made to the Colorado geological  
16 survey for its activities, the fees of the Colorado geological  
17 survey, when adjusted for the fiscal year next following that  
18 in which the supplemental appropriation was made, shall be  
19 adjusted by an additional amount which is sufficient to  
20 compensate for such supplemental appropriation. Funds  
21 appropriated to the Colorado geological survey in the general  
22 appropriation bill for the services specified in this section  
23 shall be designated as cash funds and shall not exceed the  
24 amount anticipated to be raised from fees collected pursuant  
25 to this section.

26 SECTION 41. 34-60-122 (5), Colorado Revised Statutes,  
27 1984 Repl. Vol., as amended, is amended to read:

1           34-60-122. Expenses - fund created. (5) It is the duty  
2 of the oil and gas conservation commission to collect all  
3 charges and penalties under this article and to remit them to  
4 the state treasurer for deposit in the special fund known as  
5 the oil and gas conservation fund. Moneys credited to said  
6 fund shall be expended for the purposes of administering the  
7 provisions of this article and for paying expenses in  
8 connection with the interstate oil compact commission. Of the  
9 moneys remaining in the oil and gas conservation fund at the  
10 end of ~~each fiscal year; beginning with the fiscal year ending~~  
11 ~~June 30; 1986; and ending with the fiscal year ending June 30;~~  
12 1989; THE 1985-86 AND THE 1986-87 FISCAL YEARS, an amount  
13 equal to ten percent of the funds appropriated for the  
14 following fiscal year, beginning with the fiscal year 1986-87  
15 and ending with the fiscal year ~~1989-90~~ 1987-88, shall remain  
16 in the fund and shall not revert to the general fund. OF THE  
17 MONEYS REMAINING IN SAID FUND AT THE END OF THE 1987-88 FISCAL  
18 YEAR, AN AMOUNT EQUAL TO TWENTY PERCENT OF THE FUNDS  
19 APPROPRIATED FOR THE TRANSITIONAL FISCAL YEAR BEGINNING JULY  
20 1, 1988, SHALL NOT REVERT TO THE GENERAL FUND. OF THE MONEYS  
21 REMAINING IN SAID FUND AT THE END OF THE TRANSITIONAL FISCAL  
22 YEAR BEGINNING JULY 1, 1988, AND AT THE END OF THE 1989 FISCAL  
23 YEAR, AN AMOUNT EQUAL TO TEN PERCENT OF THE FUNDS APPROPRIATED  
24 FOR THE FOLLOWING FISCAL YEAR, BEGINNING WITH THE 1989 FISCAL  
25 YEAR AND ENDING WITH THE 1990 FISCAL YEAR, SHALL NOT REVERT TO  
26 THE GENERAL FUND. Any additional moneys shall revert to the  
27 general fund at the end of any fiscal period. The general

1 assembly shall annually make appropriations for said purposes,  
2 and warrants shall be drawn against said appropriations as  
3 provided by law.

4 SECTION 42. 36-1-148 (2), Colorado Revised Statutes, as  
5 amended, is amended to read:

6 36-1-148. Land and water management fund. (2) The  
7 state treasurer shall establish such fund from fees submitted  
8 pursuant to section 36-1-112. All such fees submitted shall  
9 be credited to such fund. Expenditures from such fund shall  
10 not exceed seventy-five thousand dollars in any fiscal year;  
11 EXCEPT THAT, FOR THE FISCAL YEAR BEGINNING JULY 1, 1988, SUCH  
12 EXPENDITURES SHALL NOT EXCEED THIRTY-SEVEN THOUSAND FIVE  
13 HUNDRED DOLLARS. Any amount in the fund in excess of  
14 seventy-five thousand dollars at the close of a fiscal year  
15 shall be forthwith transferred by the state treasurer to the  
16 state general fund; EXCEPT THAT, AT THE CLOSE OF THE FISCAL  
17 YEAR BEGINNING JULY 1, 1987, ANY AMOUNT IN EXCESS OF  
18 THIRTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS SHALL BE SO  
19 TRANSFERRED. Any balance in said fund at the close of a  
20 fiscal year not in excess of seventy-five thousand dollars  
21 shall remain in the fund and shall constitute the fund for the  
22 beginning of the next fiscal year; EXCEPT THAT, AT THE CLOSE  
23 OF THE FISCAL YEAR BEGINNING JULY 1, 1987, ANY BALANCE IN SAID  
24 FUND NOT IN EXCESS OF THIRTY-SEVEN THOUSAND FIVE HUNDRED  
25 DOLLARS SHALL CONSTITUTE THE FUND FOR THE BEGINNING OF THE  
26 NEXT FISCAL YEAR.

27 SECTION 43. 37-60-121 (6), Colorado Revised Statutes, as

1 amended, is amended to read:

2 37-60-121. Colorado water conservation board  
3 construction fund - creation of - nature of fund - funds for  
4 investigations - contributions - use for augmenting the  
5 general fund. (6) As of July 1, 1988, and ~~July-1~~ AS OF THE  
6 BEGINNING of each FISCAL year thereafter through ~~July~~ JANUARY  
7 1, ~~1990~~ 1991, fifty percent of the sum specified in this  
8 subsection (6) shall accrue to the Colorado water conservation  
9 board construction fund, and fifty percent of such sum shall  
10 accrue to the Colorado water resources and power development  
11 authority. The state treasurer and the controller shall  
12 transfer such sum out of the general fund and into said  
13 construction fund and said authority as moneys become  
14 available in the general fund during the fiscal year.  
15 ~~beginning-on-said-July-1:~~ Transfers between funds pursuant to  
16 this subsection (6) shall not be deemed to be appropriations  
17 subject to the limitations of section 24-75-201.1, C.R.S. The  
18 amount which shall accrue pursuant to this subsection (6)  
19 shall be as follows:

20 (a) On July 1, 1988, ~~fifteen~~ SEVEN million FIVE HUNDRED  
21 THOUSAND dollars;

22 (b) On ~~July~~ JANUARY 1, 1989, fifteen million dollars;

23 (c) On ~~July~~ JANUARY 1, 1990, ~~twenty-five~~ TWENTY million  
24 dollars.

25 (d) ON JANUARY 1, 1991, TWELVE MILLION FIVE HUNDRED  
26 THOUSAND DOLLARS.

27 SECTION 44. 39-26-123 (2) (c) (I) (G), Colorado Revised

1 Statutes, 1982 Repl. Vol., as amended, is amended to read:  
2 39-26-123. Receipts - disposition. (2) (c) (I) (G) For  
3 the fiscal year beginning July 1, 1985, and each fiscal year  
4 thereafter, seven percent of net revenue from sales and use  
5 taxes shall be allocated and credited to the highway users tax  
6 fund, and eight percent of such net revenue shall be allocated  
7 and credited to the general fund; except that such moneys  
8 credited to the highway users tax fund during the fiscal year  
9 1986-87 shall not exceed forty million dollars and any excess  
10 shall be credited to the general fund; and except that such  
11 moneys credited to the highway users tax fund during the  
12 fiscal year 1987-88 or any fiscal year COMMENCING JANUARY 1,  
13 1989, AND thereafter shall not exceed fifty million dollars  
14 and any excess shall be credited to the general fund; AND  
15 EXCEPT THAT SUCH MONEYS CREDITED TO THE HIGHWAY USERS TAX FUND  
16 DURING THE TRANSITIONAL FISCAL YEAR BEGINNING JULY 1, 1988,  
17 SHALL NOT EXCEED TWENTY-FIVE MILLION DOLLARS AND ANY EXCESS  
18 SHALL BE CREDITED TO THE GENERAL FUND.

19 SECTION 45. 39-27-102 (1) (a) (II), Colorado Revised  
20 Statutes, 1982 Repl. Vol., as amended, is amended to read:

21 39-27-102. Tax imposed - special licenses - deposits -  
22 penalties. (1) (a) (II) The excise tax imposed by  
23 subparagraph (I) of this paragraph (a) shall be eighteen cents  
24 per gallon or fraction thereof for the fiscal years beginning  
25 on July 1, 1986, AND July 1, 1987; ~~and July 1, 1988~~; EIGHTEEN  
26 CENTS PER GALLON OR FRACTION THEREOF FOR THE PERIOD BEGINNING  
27 JULY 1, 1988, AND ENDING JUNE 30, 1989; TWELVE CENTS PER

1 GALLON OR FRACTION THEREOF FOR THE PERIOD BEGINNING JULY 1,  
2 1989, AND ENDING DECEMBER 31, 1989; and twelve cents per  
3 gallon or fraction thereof for THE fiscal years beginning on  
4 or after ~~July 1, 1989~~ JANUARY 1, 1990. By providing for the  
5 expiration of the tax rate increase in effect between July 1,  
6 1986, and July 1, 1989, the general assembly does not intend  
7 that such increase will expire as scheduled on July 1, 1989;  
8 rather, it is the intent of the general assembly to ensure  
9 that there will be legislative consideration of extending or  
10 modifying such increase after the general assembly has  
11 received the results of the study provided for in section  
12 43-1-113, C.R.S., relating to allocating the costs of highway  
13 repair, maintenance, and improvements to UPON various types of  
14 vehicles and their use of the highways and after the highway  
15 legislation review committee has had an opportunity to make  
16 recommendations to the general assembly concerning the  
17 financing of streets, roads, and mass transit pursuant to  
18 section 43-2-145, C.R.S.

19 SECTION 46. 39-27-202 (1) (c), Colorado Revised  
20 Statutes, 1982 Repl. Vol., as amended, is amended to read:

21 39-27-202. Tax imposed - exemptions - ex-tax purchases.  
22 (1) (c) The excise tax imposed by paragraph (a) of this  
23 subsection (1) shall be twenty and one-half cents per gallon  
24 or fraction thereof for the fiscal years beginning on July 1,  
25 1986, AND July 1, 1987; ~~and July 1, 1988~~; TWENTY AND ONE-HALF  
26 CENTS PER GALLON OR FRACTION THEREOF FOR THE PERIOD BEGINNING  
27 JULY 1, 1988, AND ENDING JUNE 30, 1989; THIRTEEN CENTS PER



1 GALLON OR FRACTION THEREOF FOR THE PERIOD BEGINNING JULY 1,  
2 1989 AND ENDING DECEMBER 31, 1989; and thirteen cents per  
3 gallon or fraction thereof for THE fiscal years beginning on  
4 or after ~~July 1, 1989~~ JANUARY 1, 1990. By providing for the  
5 expiration of the tax rate increase in effect between July 1,  
6 1986, and July 1, 1989, the general assembly does not intend  
7 that such increase will expire as scheduled on July 1, 1989;  
8 rather, it is the intent of the general assembly to ensure  
9 that there will be legislative consideration of extending or  
10 modifying such increase after the general assembly has  
11 received the results of the study provided for in section  
12 43-1-113, C.R.S., relating to allocating the costs of highway  
13 repair, maintenance, and improvements. to UPON various types  
14 of vehicles and their use of the highways and after the  
15 highway legislation review committee has had an opportunity to  
16 make recommendations to the general assembly concerning the  
17 financing of streets, roads, and mass transit pursuant to  
18 section 43-2-145, C.R.S.

19 SECTION 47. 39-29-110 (1) (d) (I) and (1) (d) (II) (A),  
20 Colorado Revised Statutes, 1982 Repl. Vol., are amended to  
21 read:

22 39-29-110. Local government severance tax fund -  
23 creation - administration - energy impact assistance advisory  
24 committee created - sunset review. (1) (d) (I) Ninety days  
25 prior to the end of each fiscal year, the executive director  
26 of the department of revenue shall send every producer who is  
27 subject to the severance tax and whose payment is subject to

1 the distribution formula provided in this subsection (1) a  
2 form on which such producer shall submit a report to the  
3 department of revenue indicating the following: The name and  
4 address of the producer, the name of the mine, related  
5 facility, or operation, the names of the municipalities or  
6 counties in which its employees maintain their actual  
7 residences as given by the employees, giving the number of  
8 employees for each such municipality or unincorporated area of  
9 each such county, and the total number of employees of the  
10 mine or related facility or crude oil, natural gas, or oil and  
11 gas operation. Said producer may use and submit any other  
12 report form in lieu of the state form sent by the executive  
13 director of the department of revenue which contains the same  
14 information as prescribed in said state form. The report  
15 shall be due ~~April-30~~ OCTOBER 31 of each year. The executive  
16 director of the department of revenue shall submit a copy of  
17 the report required by this paragraph (d) to the executive  
18 director of the department of local affairs. In the case of  
19 failure of any producer to submit the report on or before the  
20 date required by this paragraph (d) to the department of  
21 revenue, a written notice shall be sent to the producer by the  
22 department of revenue by certified mail stating that the  
23 producer has failed to submit a copy of the report required by  
24 this paragraph (d) and informing the producer of the penalty  
25 provision contained in this paragraph (d). If the producer  
26 fails within forty-five days after receipt of said certified  
27 letter to submit the required report, there shall be levied

1 and collected a penalty for such failure in the amount of  
2 fifty dollars for each day, or portion thereof, during which  
3 such failure continues. Any moneys and interest collected  
4 under this paragraph (d) shall be added to the fifteen percent  
5 of gross receipts from the local government severance tax fund  
6 and distributed to counties or municipalities in the manner  
7 prescribed by paragraph (c) of this subsection (1). Moneys  
8 distributed from the local government severance tax fund  
9 pursuant to paragraph (c) of this subsection (1) shall be  
10 distributed no later than ~~August-31~~ THE LAST DAY OF FEBRUARY  
11 of each year. Any producer not liable for severance tax under  
12 this section shall not be required to submit a report under  
13 this subsection (1).

14 (II) (A) For THE purposes of this subsection (1), a  
15 "producer of crude oil, natural gas, or oil and gas" means any  
16 person who files a crude oil, natural gas, or oil and gas  
17 production report with the oil and gas conservation commission  
18 pursuant to article 60 of title 34, C.R.S. 1973: A producer  
19 shall include a producer-operator or a unit operator. A list  
20 of such producers, together with their addresses, who operated  
21 in the state during the previous calendar year shall be  
22 furnished to the department of revenue by said oil and gas  
23 conservation commission no later than ~~January~~ JULY 31 of each  
24 year.

25 SECTION 48. 39-29-112 (3), Colorado Revised Statutes,  
26 1982 Repl. Vol., is amended to read:

27 39-29-112. Procedures and reports. (3) All unexpended

1 balances in any oil shale and oil and gas severance tax  
2 withholding fund established to carry out the purposes of this  
3 article as of ~~June-30,-1978~~ DECEMBER 31, 1988, and on each  
4 ~~June--30~~ DECEMBER 31 thereafter or at any time determined by  
5 the controller with the approval of the state treasurer shall  
6 be credited to the general fund of the state. Such unexpended  
7 balances shall include all moneys which for any reason cannot  
8 be refunded. All warrants covering refunds from said  
9 severance tax withholding fund which cannot for any reason be  
10 delivered to the taxpayer to whom due and which are not  
11 presented for payment within six months after the date of  
12 issuance thereof shall be void, and the moneys represented  
13 thereby shall be included in the unexpended balance in said  
14 fund at the expiration of any fiscal year. Persons entitled  
15 to the refunds of moneys represented by warrants which cannot  
16 be delivered to the taxpayer and which are not presented for  
17 payment within six months after the date of issuance thereof  
18 may file claims for refund at any time within four years after  
19 the date the tax return which establishes the right to the  
20 refund was required to be filed. Claims for refund not filed  
21 within the prescribed four-year period shall not be allowed or  
22 paid.

23 SECTION 49. 40-2-111, Colorado Revised Statutes, 1984  
24 Repl. Vol., is amended to read:

25 40-2-111. Report of utilities to department of revenue.  
26 Each public utility required to pay such fees shall, on or  
27 before May 15, ~~of each year;~~ 1988, NOVEMBER 15, 1988, AND EACH

1 NOVEMBER 15 THEREAFTER, file a return with the department of  
2 revenue on such forms as shall be prescribed by the executive  
3 director of the department of revenue and the public utilities  
4 commission setting forth the gross operating revenues of such  
5 public utility from intrastate utility business only  
6 transacted in the state of Colorado. ~~during-the-preceding~~  
7 ~~calendar-year~~: THE RETURN REQUIRED TO BE FILED MAY 15, 1988,  
8 SHALL SET FORTH REVENUES DURING THE PRECEDING CALENDAR YEAR.  
9 THE RETURN REQUIRED TO BE FILED NOVEMBER 15, 1988, AND EACH  
10 NOVEMBER 15 THEREAFTER, SHALL SET FORTH REVENUES DURING THE  
11 TWELVE-MONTH PERIOD BEGINNING ON JULY 1 AND ENDING ON THE NEXT  
12 PRECEDING JUNE 30. Such return shall be executed and verified  
13 by two of the executive officers of the utility making the  
14 return and shall contain or be verified by a written  
15 declaration that it is made under the penalties of perjury in  
16 the second degree, and any officer who knowingly and willfully  
17 makes and signs a false return ~~is-guilty-of~~ COMMITS perjury in  
18 the second degree, AS DEFINED IN SECTION 18-8-503, C.R.S.

19 SECTION 50. 40-2-112, Colorado Revised Statutes, 1984  
20 Repl. Vol., is amended to read:

21 40-2-112. Computation of fees. On or before June 1, of  
22 ~~each-year~~; 1988, DECEMBER 1, 1988, AND EACH DECEMBER 1  
23 THEREAFTER, the executive director of the department of  
24 revenue shall ascertain the aggregate amount of gross  
25 operating revenues of all public utilities filing returns as  
26 provided in section 40-2-111. He shall then compute the  
27 percentage which the full amount determined by the general

1 assembly for administrative expenses of the public utilities  
2 commission for the supervision and regulation of such public  
3 utilities is of the aggregate amount of gross operating  
4 revenues of such public utilities derived from intrastate  
5 utility business transacted during the preceding-calendar-year  
6 REPORTING PERIOD, and the percentage so computed shall be the  
7 basis upon which fees for the ensuing year shall be fixed.

8 SECTION 51. 40-2-113, Colorado Revised Statutes, 1984  
9 Repl. Vol., is amended to read:

10 40-2-113. Collection of fees, limitation. (1) On or  
11 before June 15, ~~of--each-year;~~ 1988, DECEMBER 15, 1988, AND  
12 EACH DECEMBER 15 THEREAFTER, the department of revenue shall  
13 notify each public utility subject to the provisions of this  
14 article of the amount of its fee for the ensuing fiscal year.  
15 ~~beginning-july-1;-computed-by-multiplying-its-gross-intrastate~~  
16 ~~utility-operating-revenues-for-the-preceding-calendar-year;-as~~  
17 ~~set--forth--in--its--return--filed--for--such--purpose;-by-the~~  
18 ~~percentage-determined-in-accordance-with-section-40-2-112;-but~~

19 (2) SUCH FEE SHALL BE COMPUTED:

20 (a) FOR THE TRANSITIONAL FISCAL YEAR BEGINNING JULY 1,  
21 1988, BY MULTIPLYING ONE-HALF ITS GROSS INTRASTATE UTILITY  
22 OPERATING REVENUES FOR THE REPORTING PERIOD, AS SET FORTH IN  
23 ITS RETURN FILED FOR SUCH PURPOSE, BY THE PERCENTAGE  
24 DETERMINED IN ACCORDANCE WITH SECTION 40-2-112;

25 (b) FOR THE FISCAL YEAR BEGINNING JANUARY 1, 1989, AND  
26 EACH JANUARY 1 THEREAFTER, BY MULTIPLYING ITS GROSS INTRASTATE  
27 UTILITY OPERATING REVENUES FOR THE REPORTING PERIOD, AS SET

1 FORTH IN ITS RETURN FILED FOR SUCH PURPOSE, BY THE PERCENTAGE  
2 DETERMINED IN ACCORDANCE WITH SECTION 40-2-112.

3 (3) No public utility shall be required to pay a fee in  
4 excess of one-fifth of one percent of its gross intrastate  
5 utility operating revenues for the ~~preceding-calendar-year~~  
6 REPORTING PERIOD; EXCEPT THAT, FOR THE TRANSITIONAL FISCAL  
7 YEAR BEGINNING JULY 1, 1988, NO PUBLIC UTILITY SHALL BE  
8 REQUIRED TO PAY A FEE IN EXCESS OF ONE-TENTH OF ONE PERCENT OF  
9 ITS GROSS INTRASTATE UTILITY OPERATING REVENUES FOR THE  
10 REPORTING PERIOD.

11 (4) Such fee shall be paid to the department of revenue  
12 in equal quarterly installments on or before ~~July 15;--October~~  
13 ~~15;~~ January 15, ~~and~~ April 15, JULY 15, AND OCTOBER 15 in each  
14 fiscal year; EXCEPT THAT, FOR THE TRANSITIONAL FISCAL YEAR  
15 BEGINNING JULY 1, 1988, SUCH FEE SHALL BE PAID IN TWO EQUAL  
16 INSTALLMENTS ON OR BEFORE JULY 15 AND OCTOBER 15. If payment  
17 is not made on or before said dates, there shall be added as  
18 a penalty ten percent of the installment due, together with  
19 interest at the rate of one percent per month on the amount of  
20 the unpaid installment until such time as the full amount of  
21 the installment, penalty, and interest has been paid. Upon  
22 failure, refusal, or neglect of any public utility to pay such  
23 fee, or any penalty or interest, the attorney general shall  
24 bring suit in the name of the state to collect the same.

25 SECTION 52. The introductory portion to 43-1-111 (2) and  
26 43-1-111 (7) and (8), Colorado Revised Statutes, 1984 Repl.  
27 Vol., as amended, are amended to read:

1           43-1-111. Funds - budgets - fiscal year - reports and  
2 publications. (2) Annually on or before January 15, the  
3 commission shall adopt and the state department of highways  
4 shall submit to the joint budget committee, the house  
5 transportation and energy committee, the senate transportation  
6 committee, and the governor a proposed budget allocation plan  
7 for moneys subject to its jurisdiction for the fiscal year  
8 beginning on ~~July--1--of--such-year~~ THE FOLLOWING JANUARY 1;  
9 EXCEPT THAT SUCH PLAN REQUIRED TO BE ADOPTED AND SUBMITTED ON  
10 OR BEFORE JANUARY 15, 1988, SHALL INCLUDE THE TRANSITIONAL  
11 FISCAL YEAR BEGINNING ON JULY 1, 1988, AND THE FISCAL YEAR  
12 BEGINNING ON JANUARY 1, 1989. The plan shall be submitted in  
13 a format determined by the joint budget committee and shall  
14 include, but not be limited to, the following information:

15           (7) The fiscal year of the state department of highways  
16 shall commence on ~~July~~ JANUARY 1 and end on ~~June--30~~ DECEMBER  
17 31 of each year, EXCEPT AS PROVIDED BY SECTION 24-30-1701,  
18 C.R.S. The annual final budget allocation plan is to be  
19 adopted by the state highway commission on or before May 15  
20 of each year for the ensuing fiscal year, except for that  
21 portion of the budget for construction projects which shall be  
22 prepared as soon as practicable but not later than sixty days  
23 after receipt of notification of federal highway fund  
24 apportionments for the ensuing federal fiscal year.

25           (8) In any highway construction project involving an  
26 expenditure not exceeding five million dollars of state funds  
27 in any one fiscal year, the state department of highways,



1 under the supervision and direction of the state highway  
2 commission, is authorized to enter into a single contract or  
3 agreement for such project and to finance THE same by revenue  
4 from more than one fiscal period; EXCEPT THAT, FOR THE  
5 TRANSITIONAL FISCAL YEAR BEGINNING JULY 1, 1988, SUCH  
6 EXPENDITURE MAY NOT EXCEED TWO AND ONE-HALF MILLION DOLLARS IN  
7 STATE FUNDS. Any such project shall be budgeted by providing  
8 the required funds from future as well as current fiscal  
9 periods, and the anticipated revenues from future fiscal  
10 periods shall be shown in the final budget allocation plan for  
11 the first fiscal period in which the project appears, together  
12 with the anticipated necessary expenditures for future fiscal  
13 periods. Commitment on any such contract shall have priority  
14 for payment in the future fiscal periods after payment of such  
15 commitments as are now provided by law and after the payment  
16 of fixed expenditures for maintenance, administration, and  
17 other nonconstruction items.

18 SECTION 53. 43-4-201, Colorado Revised Statutes, 1984  
19 Rep1. Vol., is amended BY THE ADDITION OF A NEW SUBSECTION to  
20 read:

21 43-4-201. Funds created. (4) Notwithstanding the  
22 provisions of subsection (3) of this section, the general  
23 assembly shall not make any appropriation for the transitional  
24 fiscal year beginning July 1, 1988, (whether by regular,  
25 special, or supplementary appropriation) or any statutory  
26 distribution from the highway users tax fund for any purpose  
27 or purposes in a total amount which is:

1 (I) More than twenty-three percent of one-half the net  
2 revenue of said fund for the 1987-88 fiscal year; or

3 (II) More than a seven percent increase over one-half  
4 such appropriation for the 1987-88 fiscal year.

5 (b) Notwithstanding the provisions of subsection (3) of  
6 this section, the general assembly shall not make any  
7 appropriation for the 1989 fiscal year (whether by regular,  
8 special, or supplementary appropriation) or any statutory  
9 distribution from the highway users tax fund for any purpose  
10 or purposes in a total amount which is:

11 (I) More than eleven and one-half percent of two times  
12 the net revenue of said fund for the transitional fiscal year  
13 beginning July 1, 1988; or

14 (II) More than a three and one-half percent increase  
15 over two times such appropriation for said transitional fiscal  
16 year.

17 SECTION 54. 43-4-207 (2) (d), Colorado Revised Statutes,  
18 1984 Repl. Vol., is amended to read:

19 43-4-207. County allocation. (2) (d) The state  
20 department of highways, prior to July 1 of each year, shall  
21 certify to the state treasurer the mileage figures, as of  
22 December 31 of the preceding year, of the several counties,  
23 and the state treasurer shall use such mileage figures for the  
24 ~~current--fiscal--year~~ TWELVE-MONTH PERIOD BEGINNING ON JULY 1,  
25 OF EACH YEAR as the basis for the allocation mentioned in this  
26 subsection (2).

27 SECTION 55. 43-4-208 (3), Colorado Revised Statutes,

1 1986 Repl. Vol., is amended to read:

2 43-4-208. Municipal allocation. (3) The state  
3 department of highways, prior to July 1 of each year shall  
4 certify to the state treasurer the mileage figures as of  
5 December 31 of the preceding year of the several cities and  
6 incorporated towns within the state, and the state treasurer  
7 shall use such mileage figures for the ~~current--fiscal--year~~  
8 TWELVE-MONTH PERIOD BEGINNING ON JULY 1, OF EACH YEAR as the  
9 basis for the allocation mentioned.

10 SECTION 56. Repeal. 22-50-119, Colorado Revised  
11 Statutes, is repealed.

12 SECTION 57. Effective date. This act shall take effect  
13 July 1, 1987; except that sections 31 and 52 shall take effect  
14 January 1, 1988; sections 14, 23, 24, 28, 30, 53, 54, and 55  
15 shall take effect July 1, 1988; sections 2, 3, 4, 5, 6, 8, 13,  
16 16, 17, 18, 20, 21, 26, 27, 29, 35, 39, 40, 47, and 48 shall  
17 take effect January 1, 1989; and section 22 shall take effect  
18 July 1, 1989.

19 SECTION 58. Safety clause. The general assembly hereby  
20 finds, determines, and declares that this act is necessary  
21 for the immediate preservation of the public peace, health,  
22 and safety.