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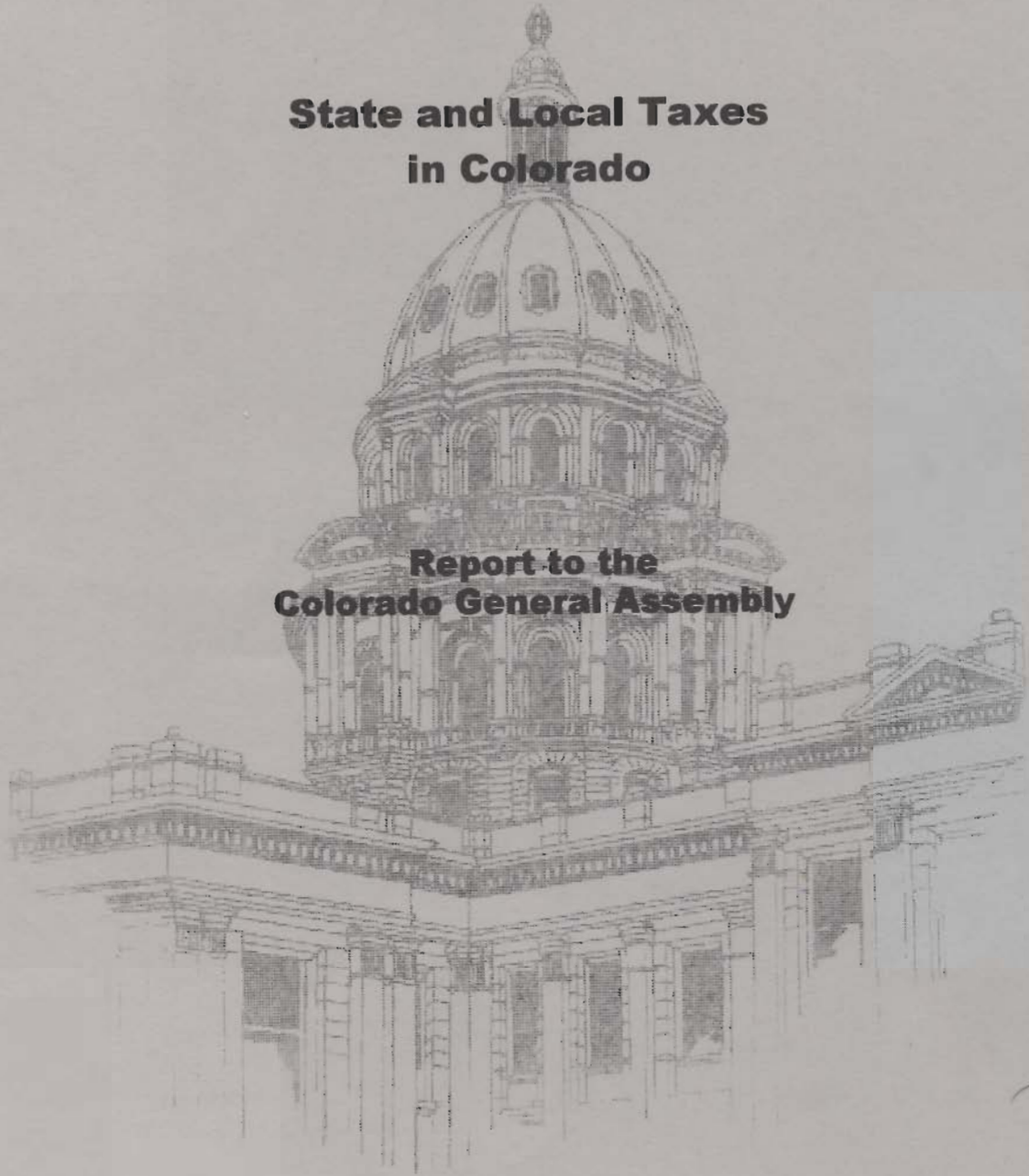
0402 Tax Handbook

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Tax Handbook

State and Local Taxes in Colorado

**Report to the
Colorado General Assembly**



**Colorado Legislative Council
Research Publication No. 402
October 1995**

TAX HANDBOOK

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INTRODUCTION

The following pages present an outline of state and local taxes imposed in Colorado. The Colorado Lottery has also been included as it is a significant source of income for several governmental purposes. Not included in this report are specific license and registration fees, permits, revenues from fines and court costs, and interest earnings.

Constitutional and Statutory Fiscal Requirements

Below are outlined the requirements placed on the state and on local governments under which these governments operate within a balanced budget, a certain level of financial reserves, and limitations on percentage increases on state appropriations and local revenues.

REQUIREMENT	CITATION
State shall have a balanced budget	Article X, Section 16, Colorado Constitution
Taxpayer's Bill of Rights (Amendment No. 1) (approved by electorate November 3, 1992)	Article X, Section 20, Colorado Constitution
Required reserve for state government: Four percent of general fund expenditure for FY 1993-94 and thereafter.	24-75-201.1 (1) (d), C.R.S.
Restriction on state appropriations: Beginning FY 1991-92, the lesser amount of 5 percent of Colorado personal income or 6 percent over the previous year's total state appropriation. This is known as the Arveschoug- Bird amendment.	24-75-201.1 (1) (a), C.R.S.
Restriction on local government revenues: Increased revenue from property taxes may not be in excess of 5½ percent, with certain exceptions such as increased revenue from new construction and annexations.	29-1-301 (1), C.R.S.

Article X, Section 20 was adopted by a vote of the people on November 3, 1992. A brief description of the amendment is provided below.

Voter Approval of Tax Increases, Debt

Voter approval is required for any new tax, tax rate increase, mill levy increase over the prior year, any increase in the assessment ratio for a class of property, any extension of an expiring tax, or any tax policy change that causes a net tax revenue increase. The electorate's approval is also required for the creation of most financial obligations that extend beyond the current fiscal year unless government sets aside enough money to fund the obligation in all years that payments are due. Other changes that would weaken the current limits on government revenue, spending, and debt would require voter approval. Voter approval can be temporarily suspended for tax increases in declared emergencies and when revenue is insufficient to meet payments for general obligation debt, pensions, and final court judgments.

Spending Limits

State. Article X, Section 20 of the Colorado Constitution limits the maximum annual percentage change in state fiscal year spending to inflation plus the percentage change in state population in the prior calendar year, adjusted for revenue changes approved by voters after 1991.

Local. Article X, Section 20 of the Colorado Constitution limits the maximum annual percentage change in each local government's fiscal year spending to inflation in the prior calendar year plus annual local growth, adjusted for property tax revenue changes approved by voters after 1991, any changes to taxation of business personal property taxes, and turnbacks of state mandated programs. Annual local growth is defined as the percentage change in student enrollment for school districts. For non-school districts, annual local growth is defined as the net percentage change in actual value of all real property in a district from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property.

Local Government Revenue Limits

The annual rate of growth in property tax revenue for local governments (except school districts) is limited to the rate of inflation plus the net change in the actual value of local real property due to additions and deletions from the tax rolls and construction and destruction of improvements to real property. Certain funds are excluded from the base figure used for calculating the annual property tax revenue limit such as principal and interest payments on government bonds, voter approved revenue increases,

emergency taxes, taxpayer refunds, and federal funds. Exceptions from this revenue limit can be approved by the voters.

Prohibited Taxes

Any new or increased real estate transfer taxes, any local income tax, and any new state real property tax is prohibited under the amendment. Any future state income tax law change is required to have a single tax rate applicable to individuals and corporations with no added surcharge and any state income tax law change may not take effect until the following tax year.

Total Tax Collections

Table 1 on the following page shows that Colorado state government collected over \$4.6 billion in taxes for FY 1994-95 from 18 tax sources. Of total collections, 70.0 percent were collected from two sources: individual income tax and sales tax. In addition to tax revenues listed in Table 1, the state collected approximately \$20.1 million in court receipts, \$49.5 million from other sources, and \$28.6 million from interest income during fiscal year 1995.

Several tax revenues are earmarked for special purposes. Earmarked taxes include unemployment insurance, motor fuel, and severance taxes as well as net proceeds from the Colorado Lottery and Colorado gaming. Revenues from some other taxes are earmarked, e.g., a portion of collections from liquor and sales taxes goes to the Old Age Pension Fund.

TABLE 1**Total State Tax Collections for FY 1995
Without Regard to Fund Disposition
(\$ in millions)**

Tax	FY 1994-95	Percent of Total
Individual Income (net)	\$2,106.4	46.5%
Sales	1,131.8	25.0%
Motor Fuel	419.5	9.3%
Unemployment Insurance	199.4	4.4%
Corporate Income (net)	191.1	4.2%
Insurance Premiums	105.1	2.3%
Lottery	100.6	2.2%
Use	91.1	2.0%
Cigarette	59.7	1.3%
Estate	27.6	0.6%
Liquor	23.3	0.5%
Severance	10.7	0.2%
Pari-mutuel Racing	8.2	0.2%
Tobacco Products	5.9	0.1%
Other Excise	4.1	0.1%
Controlled Substances	0.0	0.0%
Gaming	43.8	1.0%
Total	\$4,528.3	100.0%

Note: Gaming taxes include all taxes, not the General Fund portion only.
Source: Division of Accounts and Control and Department of Revenue.

I. GENERAL FUND

All moneys not earmarked by the constitution or by statute for special funds are credited to the General Fund. This fund is the state's major operating fund. The major taxes credited to the fund include individual income, sales and use, corporate income, and several excise taxes. Other taxes which are credited to the fund include: cigarette; tobacco; gaming; insurance premiums; liquor; pari-mutuel racing; estate; and hospital providers taxes. State inheritance and gift taxes are no longer levied but some collections continue from previous years' liabilities.

The constitutional provision, and the implementing legislation enacted in 1991, concerning limited gaming in three Colorado cities provides for distribution of funds remaining in the limited gaming fund at the end of each fiscal year. The General Fund receives 49.8 percent and the state tourism promotion fund receives 0.2 percent of such moneys (Article XVIII, Section 9, Colorado Constitution; Senate Bill 91-149).

Fiscal Year 1995 General Fund Tax Receipts

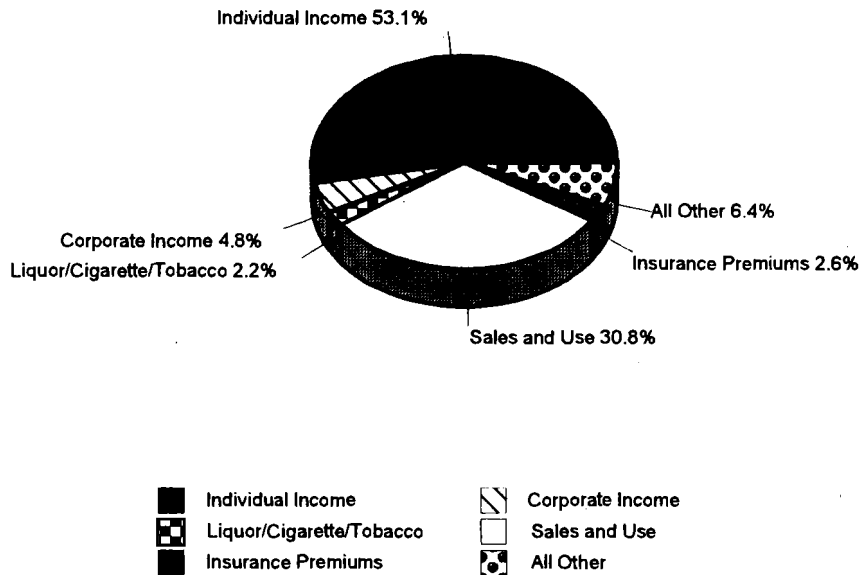


Table 2 compares fiscal years 1984-85 and 1994-95 General Fund (GF) tax receipts by source and depicts the amount and percentage each tax contributed to the GF. The individual income tax and sales and use taxes accounted for approximately 84 percent of general fund tax receipts in fiscal year 1994-95. Individual income taxes still account for the largest portion of GF revenues although its overall share has declined slightly since FY 1991-92. There are three new taxes since FY 1984-85: tobacco products, gaming, and hospital providers.

Among the tax sources that have a smaller percentage contribution to GF receipts in FY 1994-95 than in FY 1984-85 are cigarette, insurance premiums, sales and use, liquor, and pari-mutuel racing. The liquor tax is the only category with a smaller dollar amount in FY 1994-95 than FY 1984-85.

TABLE 2

**Tax Receipts for State General Fund Comparison of FY 1985 and FY 1995
(\$ in millions)**

Tax	FY 1984-85	Percent of FY 84-85 Total	FY 1994-95	Percent of FY 94-95 Total
Sales	\$673.8	34.2%	\$1,131.8	28.5%
Use	73.0	3.7%	91.1	2.3%
Cigarette	52.3	2.7%	59.7	1.5%
Tobacco Products	0.0	0.0%	5.9	0.1%
Liquor	25.0	1.3%	23.3	0.6%
Other	1.9	0.1%	4.1	0.1%
TOTAL EXCISE	\$826.0	41.9%	\$1,315.9	33.2%
Individual Income	\$921.7	46.7%	\$2,106.4	53.1%
Corporate Income	78.8	4.0%	191.1	4.8%
TOTAL INCOME	\$1,000.5	50.7%	\$2,297.5	57.9%
Estate	\$14.0	0.7%	\$27.6	0.7%
Insurance Premiums	64.7	3.3%	105.1	2.6%
Pari-mutuel	7.7	0.4%	8.2	0.2%
Interest Income	33.4	1.7%	28.6	0.7%
Court Receipts	12.3	0.6%	20.1	0.5%
Gaming	NA	0.0%	17.1	0.4%
Hospital Providers	NA	0.0%	98.7	2.5%
Other	13.6	0.7%	49.5	1.2%
TOTAL OTHER	\$145.7	7.4%	\$354.9	8.9%
GROSS GENERAL FUND	\$1,972.2	100.0%	\$3,968.3	100.0%

NA: Not Applicable.
Source: Division of Accounts and Control.

Tax Collections History

Table 3 provides a historical perspective of collections for each tax source from FY 1985-86 to FY 1994-95. General fund revenues increased at a compound average annual rate of 7.5 percent during the period. By contrast, Colorado population grew at a compound average annual rate of 1.44 percent and the Denver-Boulder consumer price index increased at a rate of 3.17 percent. Colorado employment and personal income increased at compound average annual rates of 2.36 percent and 6.22 percent, respectively.

The individual income tax is the largest state tax and had the largest compound average annual rate of growth among general fund revenue sources at 9.0 percent. Revenue growth during the period has been bolstered by federal income tax law changes which increased the tax base. The individual income tax collections typically increase at a faster rate of growth than does personal income.

The state sales tax is the second largest state tax. Revenues increased at a compound average annual rate of 6.1 percent, slightly less than the rate of growth for personal income. The past four fiscal years have had strong rates of growth with each year's growth rate exceeding 8 percent. This growth is attributable to strong levels of net migration to Colorado, pent-up demand after several years of lackluster growth attributable to the state's weak economy, and higher employment levels attributable to many major public works construction projects. Use tax receipts have increased at a slower rate, 2.0 percent. This tax receipt stream was affected by the liberalization of the exemption given for purchases of machinery and machine tools. The use tax was also affected more severely by the economic downturn in Colorado during 1986 and 1987.

Corporate income taxes increased during the study period at a compound average annual rate of 4.9 percent. These receipts are strongly volatile. Three of the intervening years had revenue declines. Fiscal year 1994-95 receipts increased 30.2 percent. The large increase is attributable to strong local growth combined with a resurgent national economy, productivity gains that are keeping labor costs from escalating, low inflation, and stronger export growth due to the weaker dollar. These factors have contributed to strong corporate profits that surged 19.9 percent and 11.1 percent in 1993 and 1994, respectively.

The excise taxes on cigarette and liquor consumption have actually declined since fiscal year 1985-86. Additionally, the tax base for cigarettes declined over the period. An increase in the cigarette tax rate has increased revenues. The tax base for these items has declined due predominantly to concerns for health and safety.

TABLE 3

General Fund Revenues FY 1985-86 through FY 1994-95
(\$ in millions)

Tax Source	FY 85-86	FY 86-87	FY 87-88	FY 88-89	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95
Sales	\$662.9	\$648.3	\$669.0	\$694.8	\$768.1	\$779.8	\$844.5	\$928.9	\$1,036.6	\$1,131.8
Use	76.1	68.6	55.6	54.7	62.5	66.9	69.1	69.1	82.5	91.1
Cigarette	50.9	66.1	61.9	59.0	56.3	57.5	57.3	56.6	57.0	59.7
Tobacco Products	0.0	2.7	3.1	3.0	3.2	3.9	4.3	4.6	5.5	5.9
Liquor	24.4	23.6	22.6	21.5	21.4	19.1	21.2	23.2	22.6	23.3
Other	1.9	1.9	2.0	2.0	2.0	3.7	3.2	3.6	3.6	4.1
TOTAL EXCISE	\$816.2	\$811.2	\$814.2	\$835.0	\$913.5	\$930.9	\$999.6	\$1,086.0	\$1,207.8	\$1,315.9
Individual Income	\$973.2	\$1,081.9	\$1,195.0	\$1,311.0	\$1,380.7	\$1,462.4	\$1,608.5	\$1,759.8	\$1,919.9	\$2,106.4
Corporate Income	124.4	136.7	112.9	167.0	104.2	115.0	112.2	138.4	146.8	191.1
TOTAL INCOME	\$1,097.6	\$1,218.6	\$1,307.9	\$1,478.0	\$1,484.9	\$1,577.4	\$1,720.6	\$1,898.2	\$2,066.7	\$2,297.5
Estate	\$13.7	\$18.4	\$13.4	\$15.5	\$21.7	\$15.3	\$34.3	\$19.7	\$33.9	\$27.6
Insurance	75.0	84.1	80.7	81.1	82.5	84.7	89.1	92.1	101.9	105.1
Pari-Mutuel	8.5	9.0	8.4	8.4	8.3	8.4	8.3	8.5	8.5	8.2
Interest Income	21.1	10.8	5.9	15.6	15.9	4.0	5.6	8.3	18.5	28.6
Court Receipts	12.9	14.1	19.3	20.5	19.9	11.6	17.5	17.8	19.5	20.1
Severance	0.0	0.0	7.1	10.7	7.5	10.5	8.4	12.0	3.1	0.0
Medicaid Revenues ¹	0.0	0.0	0.0	0.0	0.0	0.0	82.4	258.9	205.6	98.7
Gaming	0.0	0.0	0.0	0.0	0.0	0.0	4.1	13.4	16.6	17.1
Other	17.7	11.7	27.0	20.8	26.4	21.1	25.9	35.2	43.2	49.5
TOTAL OTHER	\$148.9	\$148.1	\$161.8	\$172.6	\$182.0	\$155.6	\$275.6	\$465.9	\$450.6	\$354.9
GROSS GENERAL FUND	\$2,062.7	\$2,177.9	\$2,283.9	\$2,485.6	\$2,580.4	\$2,663.9	\$2,995.8	\$3,450.1	\$3,725.1	\$3,968.3

1 These revenues include money from voluntary hospital payments and intergovernmental transfers that are partially matched by Federal Funds. The hospitals then receive appropriations from the state based on their disproportionate service to low income patients. These appropriations are greater than their original contributions

Note: Numbers may not add due to rounding.

Source: Controller's Annual Reports, Accounts and Control.

II. OTHER MAJOR STATE FUNDS

In addition to the General Fund, a number of special funds have been created by either the constitution or statute for specific purposes. This section provides a summary of the other major state funds referred to in this report.

Old Age Pension Fund

Constitutional and Statutory Citations. The Old Age Pension Fund (OAPF) was created in 1936 by a vote of the people (Article XXIV, Colorado Constitution). The provisions of this article were amended by the electorate in 1956. Statutory sections relevant to the OAPF are 26-2-111 through 26-2-117, and 39-26-126, C.R.S.

Purpose. The fund provides minimum assistance for needy persons who are 60 years of age and older, who reside in Colorado, and whose income is not sufficient to maintain necessary health services and to allow these persons to retain their independence, self-care, and self-support. Small amounts of the fund are used for burial expenses of clients and for persons hospitalized at non-penal institutions such as the Colorado State Hospital. The majority of the persons receiving OAP benefits are also eligible for some of the low-income benefit payments of the federal government, e.g., SSI and food stamps, so the OAP program acts as a supplement to other programs.

Revenue Sources. The Colorado Constitution requires that the following moneys be credited to the OAPF:

- 85 percent of all sales, use, and excise taxes;
- 85 percent of all retail license fees;
- 85 percent of liquor taxes and license fees connected therewith;
- unexpended moneys in any fund of the state or political subdivision thereof that was allocated to the OAPF before January 1, 1957;
- all federal grants for old age assistance;
- all inheritance taxes, estate taxes, and incorporation fees;
- such moneys as the General Assembly may allocate.

The moneys from the sources listed above greatly exceed the amounts expended by the OAPF. Approximately 5 percent of the revenues from these sources are credited to the OAPF with the remaining 95 percent credited to the General Fund.

Disbursement of Fund. The Department of Health Care Policy and Financing and the Department of Human Services administer the OAPF. Any funds remaining after meeting the basic requirements of the OAPF are transferred to the following:

- Stabilization Fund — maintained at \$5 million; and
- Old Age Pension Health and Medical Care Fund — up to \$10 million annually.

After satisfying the requirements of the OAPF, the Stabilization Fund, and the Medical Care Fund, all remaining moneys are credited to the General Fund. Listed below is the disposition of those moneys expended by the OAPF.

**OAPF Revenue Disposition
FY 1995**

Fund	Amount
Constitutional Requirements:	
OAPF Grants	\$40,978,408 *
Stabilization Fund	5,000,000
Medical Care Fund	10,000,000

* Includes county administrative costs of \$2.8 million.
Source: Department of Social Services.

Highway Users Tax Fund

Constitutional and Statutory Citations. The Highway Users Tax Fund (HUTF) was created pursuant to Article X, Section 18 of the Colorado Constitution. Statutory sections relevant to the HUTF are 43-2-116, 43-2-129, and 43-4-201 through 43-4-216, C.R.S.

Administration. The HUTF is administered by the Department of Transportation. However, most revenues for the fund are collected by the Department of Revenue.

Purpose. The HUTF is to provide a collection and distribution fund adequate for the state's highway construction and maintenance needs. The state's share of the HUTF is deposited into the State Highway Fund.

Highway Users Tax Fund
(\$ in millions)

Revenue Sources and Receipts, FY 1994-95	
Basic Fund:	
7 cent motor and special fuel tax	\$134.1
Gross ton-mile* and passenger-mile tax	0.4
Motor vehicle registrations	80.9
Motor vehicle penalty assessment	3.7
Miscellaneous	21.7
Interest	1.3
Basic Fund Total	\$242.1
Additional fuel taxes (includes bridge and road fund)	\$209.4
Increased fuel taxes, registration and license fees (House Bill 1012, 1989)	111.9
Subtotal	\$321.3
TOTAL	\$563.4
Disbursements, FY 1994-95	
Deductions ("off the top")	\$ 78.4
State share	312.6
County share	105.9
City share	66.5
TOTAL	\$563.4

* Replaced by higher registration fees.
Source: Department of Transportation.

Colorado Water Conservation Board Construction Fund

This fund was created by Section 37-60-121, C.R.S., and is managed by the Colorado Water Conservation Board. The fund is used to make loans to finance construction of raw water resource development project. This includes new reservoirs, rehabilitation of existing reservoirs, water resources infrastructure, and water resources information and management projects. Interest rates are typically between 4 and 5 percent depending on the type of use, and the loans are payable over a 30-year period. Construction Fund loans can be used to finance up to 75 percent of the project. Since its inception in 1971, the revolving loan program has been used to finance over \$83 million for 124 water projects in Colorado.

Sources of income to the fund, which averages about \$12 million per year, is from the return of principal and interest on outstanding loans by the water users, interest on cash reserves invested by the state treasurer, and federal mineral lease fund distributions. Cash balances do not revert to the General Fund at the end of the state's fiscal year. The Board recommends projects to the General Assembly which considers them in an annual Construction Fund bill. The most recent bill, House Bill 95-1155, includes authorization for loans to finance 21 new projects totalling \$13.1 million.

Capital Construction Fund

The Capital Construction Fund (CCF) was created by Section 24-75-302, C.R.S., to finance the state's capital construction needs. The moneys for the fund are appropriated by the General Assembly from the General Fund and, until 1998, the CCF will automatically receive a share of the net lottery proceeds. After 1998, the General Fund will receive whatever lottery proceeds are in excess of \$35 million as adjusted for inflation. Senate Bill 93-7 increased the amount of the statutory transfer to \$50.0 million for FYs 1994 through 1998. Through additional General Fund transfers, a total of \$130.8 million was appropriated for FY 1994; \$120.3 million for FY 1995; and \$125.0 million, of which \$75.0 million was for highways, for FY 1996. At present, statute requires a minimum transfer of \$50.0 million for FYs 1997 through 1999.

Amendment 8 to the Colorado Constitution. The amendment permanently dedicates a portion of the net proceeds of every state-supervised lottery game to the Great Outdoors Colorado Trust Fund beginning July 1, 1993. Lottery funds are being transferred over a five-year period in order to fulfill most of the state's current outstanding obligations for capital construction. The existing lottery distributions to local governments through the Conservation Trust Fund will continue as will the current allocations to the Division of Parks and Outdoor Recreation. Existing distributions to capital construction began to decrease in 1993 by \$7 million to \$11 million annually. Funds up to \$35 million per year in 1998 will be used for the Great Outdoors Colorado Trust Fund.

Severance Tax Funds and the Mineral Lease Fund

Fifty percent of the severance taxes are credited to the State Severance Tax Trust Fund and 50 percent are credited to the Local Government Severance Tax Fund. Beginning in FY 1995-96 and through FY 1998-99, House Bill 95-1108 provides that the split may be modified by a "safety net" provision in statute which protects the Local Severance Tax Fund from unusual declines in revenue. Income from investment of the state fund is credited to the state General Fund.

State Severance Tax Trust Fund. The state Severance Tax Trust Fund is a permanent fund held in trust as a replacement for depleted natural resources and for the development and conservation of the state's water resources (Section 39-29-109, C.R.S.).

From FY 1987-88 to FY 1993-94, annual legislation transferred funds from the Severance Tax Trust Fund to the General Fund. As a result, there was no fund balance in the trust fund at the end of FY 1993-94. Because of the current healthy status of the General Fund, subsequent transfers have not been initiated. House Bill 93-173 provides for a schedule of transfers from the Severance Tax Trust Fund to the Uranium Mill Tailings Remedial Action Program (UMTRAP) fund which will run through FY 1996-97. These transfers are less than the actual and projects revenue to the trust fund. As a result, the trust fund balance was \$5.2 million at the end of FY 1994-95.

Local Severance Tax Fund. The Local Government Severance Tax Fund was created by Section 39-29-110, C.R.S. Of this local share, 15 percent is distributed to counties or municipalities based on the portion of employees of natural resource industries residing in cities and unincorporated county areas. The Department of Local Affairs distributes the remaining 85 percent of the local fund to local governments impacted by development of natural resources through the impact grant and loan program. The Department of Local Affairs administers the severance and mineral lease grant distribution programs together in the impact program. The department reported that \$4.7 million of the local severance tax fund was awarded in FY 1993-94 as grants for various public projects through the impact program.

Mineral Lease Fund. The mineral lease fund is established in Article 63 of Title 34, C.R.S. The fund is the depository of moneys received by the state from the federal government for Colorado's share of sales, bonuses, royalties, and rentals of public lands within the state. Public schools and political subdivisions impacted by energy development have priority use of the fund. The amount distributed for calendar year 1994 totaled \$37.1 million. The distribution formula provides moneys to counties, cities or towns, and school districts from which the funds were derived. Other recipients of mineral lease fund moneys include the State School Fund, the Local Government Mineral Impact Fund, and the Colorado Water Conservation Board Construction Fund.

Mineral Lease Fund Distribution
CY 1988 through 1994
(\$ in millions)

	CY 1988	CY 1989	CY 1990	CY 1991	CY 1992	CY 1993	CY 1994
Counties	\$ 3.1	\$ 3.5	\$ 3.6	\$ 3.5	\$ 3.4	\$ 3.1	\$ 3.0
School Districts	1.2	1.4	1.5	1.5	1.5	1.3	1.3
Towns	0.5	0.7	1.0	1.0	1.0	1.3	1.3
CWCBCF	3.0	3.5	4.6	5.5	4.2	3.4	3.7
State School Fund	17.8	19.6	24.8	29.4	23.1	19.7	20.9
Dept. of Local Affairs Grants	4.6	5.8	9.3	12.4	8.1	5.9	6.7
Dept. of Local Affairs Direct Distribution	0.03	0.2	0.8	1.4	0.6	0.2	0.4
TOTAL	\$30.3	\$34.6	\$45.7	\$54.7	\$42.0	\$34.5	\$37.1

• Portion combined with local severance tax funds for impact program.

Conservation Trust Fund

The Conservation Trust Fund is established in Section 29-21-101, C.R.S. The fund receives 40 percent of net lottery proceeds. Moneys credited to the fund are disbursed by the Division of Local Government to eligible counties, cities, and special districts based on population. The disbursed moneys may be expended only for the acquisition, development, and maintenance of new conservation sites or for capital improvements or maintenance for recreational purposes.

Public School Fund

The state Public School Fund is created in Section 3 of Article IX of the Colorado Constitution. The statutory provisions relating to the investment and use of the fund are contained in Article 41 of Title 22, C.R.S. The school fund consists of the proceeds of such lands granted to the state by the federal government for educational purposes, all estates that may revert (escheat) to the state, 25 percent of mineral lease moneys, and grants, gifts, or other devises made to the state for educational purposes. No part of the fund may be transferred to any other fund. The fund itself is inviolate; only the interest from the fund (FY 1994, \$15.8 million; FY 1995, \$16.3 million) may be expended and only for the maintenance of the state's schools.

Fire and Police Members' Benefit Fund

The General Assembly established the Fire and Police Members' Benefit Fund in 1979 to create an actuarially sound statewide retirement system for all firemen and policemen hired after April 8, 1978, and to provide for the actuarial funding of all the existing pension systems (Section 31-30-1012, C.R.S.). Contributions to the fund are made by local governments, employers, employees, and the state. In FY 1995, the state made an annual contribution of roughly \$28.4 million to assist local governments. State contributions are to terminate when the fund is determined to be actuarially sound.

The FY 1995 contributions were distributed as follows:

- approximately \$18.7 million to fund the unfunded liabilities of the "old" funds;
- approximately \$7.5 million to fund the statewide death and disability account; and
- approximately \$2.2 million to match the local levy of up to ½ mill for volunteer firemen's pensions.

Water Pollution Control Revolving Fund

The Water Pollution Control Revolving Fund is established under Section 37-95-107.6, C.R.S. The fund is administered by the Colorado Water Resources and Power Development Authority and is designed to provide assistance loans to governmental agencies for the construction of publicly owned wastewater treatment plants. The fund receives Environmental Protection Agency grant dollars and must match those funds with 20 percent state dollars. The authority is able to obtain matching EPA dollars and leverage the amount available. The following table displays the amount of assistance loans granted by the fund.

**Water Pollution Control Revolving Fund Loans
1989 through 1995**

Year	Direct Loan Program	Leveraged Loan Program	Total Loans
1989	\$1,721,489	\$6,905,000	\$8,626,489
1990	575,000	4,319,911	4,894,911
1991	500,000	47,410,694	47,910,694
1992	1,306,919	44,109,420	45,416,339
1993	0	0	0
1994	950,000	23,934,063	24,884,063
1995	724,000	26,036,722	26,760,722
Total	\$5,777,408	\$152,715,810	\$158,493,218

Aviation Fund

Constitutional and Statutory Citations. The Aviation Fund was created in 1988 and was amended in the first special session of 1991 (House Bill 91S-1009). The Colorado Constitution, Article X, Section 18, states that any taxes imposed upon aviation fuel are to be used exclusively for aviation purposes and the statutes provide for the distribution of funds collected from aviation fuel. References to the statutory provisions are 39-27-102 (1) (a) (IV), C.R.S. (tax imposed) and 43-10-109, C.R.S. (Aviation Fund created).

Purpose. The fund is to assist the development of aviation in this state and may be used for aviation purposes as defined in Section 28-6-102 (3), C.R.S.

Aviation Fund — Revenue Sources and Distributions

Revenue Sources	
Non-turbo prop and non-jet fuel	Motor fuel tax, 6 cents per gallon (No sales tax)
Turbo-prop and jet fuel, not including regularly scheduled carriers	Motor fuel tax, 4 cents per gallon (Sales tax is applied)
Interstate, intrastate, and foreign air transportation	State sales tax of 3 percent, plus any local sales tax (No motor fuel tax)
Distribution	
A. Administration	Five percent of total collections may be used for administrative purposes.
Of the remainder:	
B. Motor fuel taxes	Four cents are returned to the airport of origin. Two cents of the 6 cent motor fuel tax on non-turbo and non-jet fuel tax is credited to the Aviation fund.
C. Sales and use taxes	75 percent is distributed to the airport of origin. 25 percent is distributed through the Aviation Fund grant program for local airport improvements.

Business Incentive Fund

The Colorado Business Incentive Fund was created in 1991 consisting of moneys transferred from the Aviation Fund to be expended for economic development purposes (Title 24, Article 46.5). The legislation provides that three-fourths of the sales tax collections from aviation fuel sales at Stapleton International Airport and the new Denver International Airport would be transferred to the fund. These moneys would be used by Denver, working under an intergovernmental agreement with either the state or the Colorado Housing and Finance Authority, for payment of bonds issued to provide moneys for economic development purposes. The total incentives financed for any person or entity under intergovernmental agreements are not to exceed \$115 million.

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III. STATE TAXES

The following information is presented in this section for each state levied tax:

- *Date of Enactment*
- *Constitutional and Statutory Citations*
- *Tax Base*
- *Present Rate*
- *Administration and Collection*
- *Disposition of Revenue*
- *Net Collections*
- *Similar Taxes in Neighboring States and in Other States*
- *Similar Federal Taxes Levied*

The descriptions for each tax are summarized to provide a basic understanding of each tax. Technical details may have been omitted.

This information was obtained from the Colorado Revised Statutes and the Session Laws of Colorado, 1877 through 1995. The revenue collection figures are from the annual reports of the Department of Revenue and the Division of Accounts and Control, Department of Administration, unless otherwise noted. Information on taxes in other states and federal taxes was obtained from the Commerce Clearing House *State Tax Guide* and *Federal Tax Guide*.

Cigarette Tax

Enacted: 1964.

Citations: Article XXIV, Colorado Constitution; Title 39, Article 28, C.R.S., and Section 39-22-623, C.R.S.

Tax Base: Cigarettes, imposed at the wholesale level.

Present Rate: 20 cents per package of twenty cigarettes or ten mills (1 cent) per cigarette. Cigarettes are not subject to state sales or use taxes.

Administration and Collection: The Department of Revenue is responsible for administering the cigarette tax. The tax is imposed on wholesalers, and payment of the tax is evidenced by stamps affixed to cigarette packages or by a metered imprint. Metering machines are inspected, read, and set once a month. At the time of inspection the metering machine is set to a number requested by the wholesaler. The amount of tax is determined based on the setting, less a discount of 4 percent of the face value of the stamps. Payment is due on or before the tenth day of the month following the month of purchase. Wholesalers purchasing stamps must pay the tax on or before the due date to receive the 4 percent discount.

History of Tax Rate: Cigarettes were subject to the state sales and use tax prior to their exemption from the sales and use tax base in 1959. From 1959 to 1964, there were no state-imposed taxes on cigarettes in Colorado.

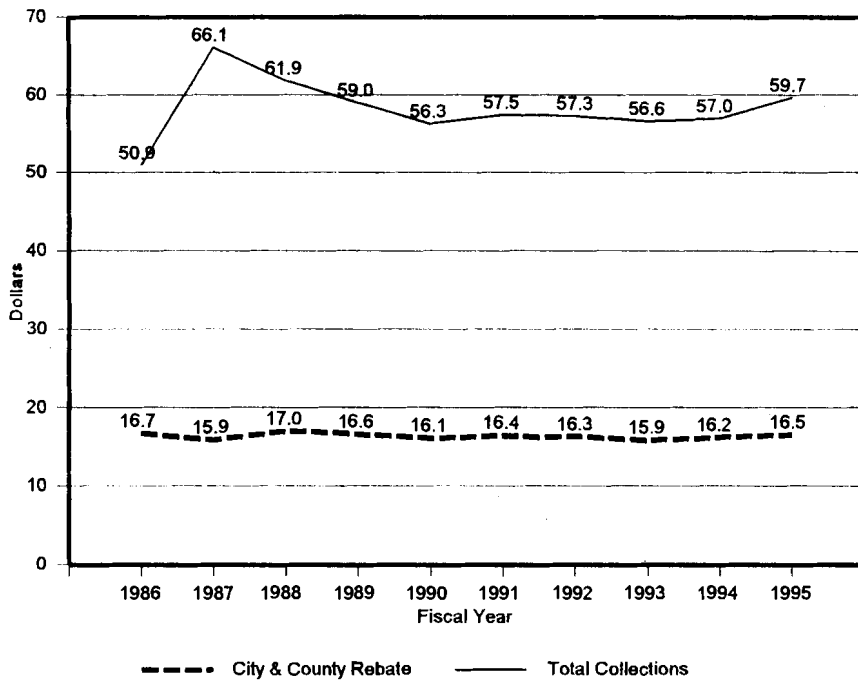
Effective Date	Tax Rate Per Cigarette	Tax Per Package of 20 Cigarettes
July 1, 1964	1.5 mills	3 cents
July 1, 1965	2.5 mills	5 cents
July 1, 1973	5.0 mills	10 cents
July 1, 1977	7.5 mills	15 cents
July 1, 1978	5.0 mills	10 cents
November 1, 1983	7.5 mills	15 cents
July 1, 1986	10.0 mills	20 cents

Disposition of Revenue: Article XXIV of the Colorado Constitution creates the Old Age Pension Fund (OAPF) and provides for the funding of its basic requirements from excise taxes, retail business license fees, alcoholic beverage taxes, inheritance tax fees, incorporation fees, and other money the General Assembly may allocate. Funds remaining after meeting the basic requirements of the OAPF are then credited to the General Fund.

Since July 1, 1973, local governments have been entitled to a share in the proceeds of the state cigarette tax. To qualify for these moneys, local governments are prohibited from imposing fees, licenses, or taxes on any person as a condition for engaging in the sale of cigarettes, and they are prohibited from taxing cigarettes. Since July 1, 1987, local governments have been apportioned an amount equal to 27 percent of the proceeds from the entire 20 cent tax. The funds are distributed to cities and towns in proportion to the amount of state sales tax collected in a jurisdiction relative to all state sales taxes collected. Funds are distributed to counties based on the percentage that state sales tax collections in the unincorporated area of the county bear to sales tax revenues statewide. Distributions to local governments are made monthly.

Collections:

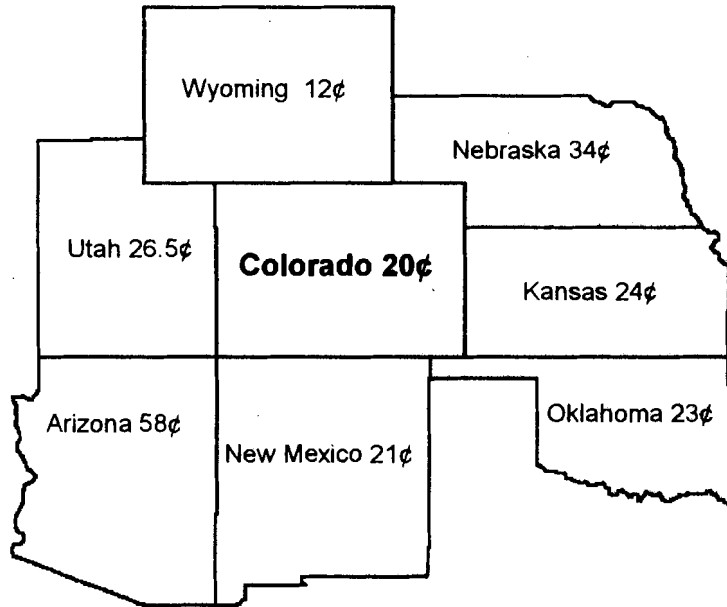
**Cigarette Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Other States: Cigarette taxes are imposed in all 50 states. The tax ranges from 2.5 cents per pack in Virginia to 81.5 cents per pack in Washington. The national average is approximately 32.3 cents per pack. Tax rates for neighboring states are as follows.

**Cigarette Tax Rates Per Pack
of 20 Cigarettes for Neighboring States
(Rates as of June 1995)**



Federal Tax:

Effective January 1, 1993:	
Small cigarettes (weighing no more than 3 pounds per thousand)	\$12.00 per thousand (24 cents per pack)
Large cigarettes (weighing more than 3 pounds per thousand)	\$25.20 per thousand (50.4 cents per pack)

Controlled Substances Tax

Enacted: 1988.

Statutory Citation: Title 39, Article 28.7, C.R.S.

Tax Base: This tax is imposed on the possession of marijuana and other controlled substances.

Present Rate:

Marijuana	\$100 per ounce (and a proportionate rate for a greater or lesser amount)
Controlled Substances	\$1,000 per ounce (and a proportionate rate for greater or lesser amounts)

A penalty assessment of ten times the tax is imposed for failure to pay the tax.

Administration and Collection: House Bill 1167, 1988 session, provides that any individual possessing controlled substances or marijuana without stamps sold by the Department of Revenue affixed to the package are subject to the tax. No other provisions are made for tax collection.

Exemptions: Persons lawfully in possession of these substances pursuant to provisions set out in statute.

Disposition of Revenue: Credited to the General Fund.

Collections: Tax revenues were \$100 in FY 1994-95. Collections from assessments for failure to pay the tax totalled \$36,745 in FY 1994-95. Actual collections from the penalty assessment are a fraction of the total amount assessed.

Other States: The rates in adjacent states are as follows:

Arizona	Cannabis (Marijuana)	\$ 10 per ounce
	Controlled substance	\$125 per ounce
Kansas	Marijuana	\$3.50/gram, or portion of a gram, of marijuana 40 cents/gram of wet domestic plant 90 cents/gram of dry domestic plant
	Controlled substance	\$200/gram, or portion of a gram
Nebraska	Marijuana	\$100/ounce, or portion of an ounce
	Controlled substance	\$150/gram, or portion of a gram, of substance sold by weight \$500/50 dosage units, or portion thereof, not sold by weight
New Mexico	Schedule includes tax rates of varying amounts for unlawful possession, sales or use of 8 different controlled substances or illegal drugs.	
Oklahoma	Marijuana	\$3.50/gram, or portion thereof
	Controlled substance	\$200/gram, or portion thereof \$1,000/50 units of substance not sold by weight
Utah	Marijuana	\$3.50/gram
	Controlled substance	\$200/gram \$2,000/50 units of substance not sold by weight

Other states with this tax are Alabama, Connecticut, Georgia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Montana, Nevada, North Carolina, North Dakota, Rhode Island, South Carolina, Texas, and Wisconsin. Twenty-seven states, including Colorado, have a controlled substances tax.

If The Adjusted Taxable Estate is	The Maximum Tax Credit Shall Be	Plus % Applied To Excess Over
Over \$2,040,000 to \$2,540,000	\$106,800	8.0% over \$2,040,000
Over \$2,540,000 to \$3,040,000	\$146,800	8.8% over \$2,540,000
Over \$3,040,000 to \$3,540,000	\$190,800	9.6% over \$3,040,000
Over \$3,540,000 to \$4,040,000	\$238,000	10.4% over \$3,540,000
Over \$4,040,000 to \$5,040,000	\$290,800	11.2% over \$4,040,000
Over \$5,040,000 to \$6,040,000	\$402,800	12.0% over \$5,040,000
Over \$6,040,000 to \$7,040,000	\$522,800	12.8% over \$6,040,000
Over \$7,040,000 to \$8,040,000	\$650,800	13.6% over \$7,040,000
Over \$8,040,000 to \$9,040,000	\$786,800	14.4% over \$8,040,000
Over \$9,040,000 to \$10,040,000	\$930,800	15.2% over \$9,040,000
Over \$10,040,000	\$1,082,800	16.0% over \$10,040,000

If the property of a Colorado domiciliary is subject to an estate tax by another state, the amount of Colorado tax due may be reduced by the lesser of the following two amounts:

- (1) the amount of tax paid in the other state that is a credit against the federal tax; or
- (2) an amount determined by multiplying the federal credit by a fraction, the numerator being the value of the domiciliary's gross estate minus the value of the property of a domiciliary as defined by Colorado statute included in the gross estate and the denominator being the domiciliary's gross estate.

Colorado also taxes the transfer of the gross estate of a nondomiciliary who has property within the state. The amount of the tax is determined by multiplying the federal credit by a fraction, the numerator of which is the property value located in Colorado that is included in the gross estate and the denominator is the value of the gross estate.

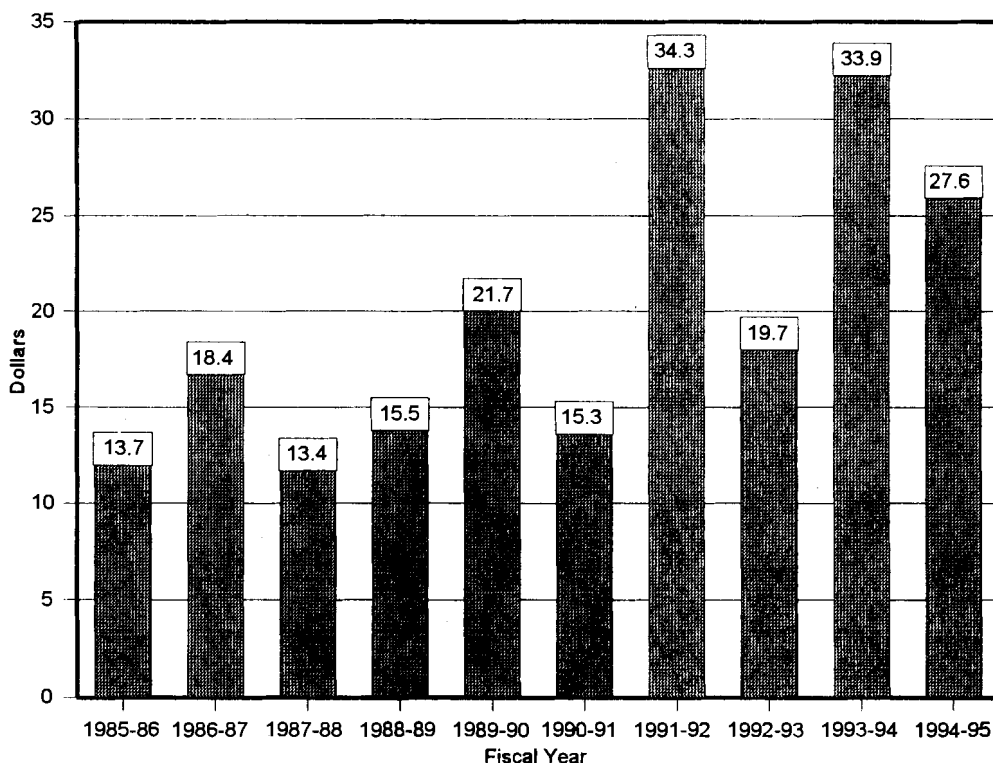
Administration and Collection: Department of Revenue. Taxes are due on or before the date the federal return is required to be filed. Any person making an estimated federal estate tax payment shall make an estimated Colorado estate tax payment, not later than the date the application for federal extension of time for payment is filed.

History of Tax Rates: Until 1980, Colorado's inheritance and succession tax applied. The tax had graduated rates that varied in amount for different classes of beneficiaries. Those beneficiaries having the closest relationship to the decedent were subject to lower tax rates than those with a more distant relationship. The 1927 tax rates were not increased until 1967 and were increased again in 1977. The present federal estate tax law taxes all beneficiaries at the same rate and does not consider a beneficiary's relationship to the deceased with the exception of the allowance of the marital deduction for a surviving spouse.

Disposition of Revenue: After requirements of the Old Age Pension Fund have been satisfied, the remainder is credited to the General Fund.

Collections:

**Estate Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

The state continues to collect inheritance and gift taxes even though the provisions were repealed in 1980. This is due to provisions allowing for extended payments of tax liability. An additional ten percent fee is imposed on any inheritance tax due as imposed under provisions of the Colorado Public Assistance Act for the benefit of the Old Age Pension Fund (Section 26-2-113 (2) (a) (II), C.R.S.).

Other States: Estate or inheritance taxes are imposed by all 50 states. Nineteen states have both an inheritance and estate tax in effect. Thirty states impose an estate tax only (tax on the net estate of decedent). Colorado's neighboring states all impose estate taxes based on the federal credit. Kansas and Nebraska impose an inheritance tax in addition to their estate tax.

Federal Estate Tax: A federal estate tax is imposed on all transfers of a taxable estate of every decedent who is a resident or a citizen of the United States. A unified tax credit and credits for state death taxes are allowed.

Gaming Taxes

(For additional information, see "Limited Gaming" beginning on page 85 of the "Local Taxes" section of this report.)

Enacted: 1991

Constitutional and Statutory Citations: Article XVIII, Section 9, Colorado Constitution, adopted by a vote of the people on November 6, 1990. Title 12, Article 47.1, C.R.S. Gaming became legal on October 1, 1991.

Tax Base: "Adjusted Gross Proceeds" (AGP) is, except with respect to games of poker, the total amount of all wagers made by players on limited gaming less all payments to players. With respect to games of poker, adjusted gross proceeds is the sum wagered in a poker hand which may be retained by the licensee as compensation within the minimum and maximum amounts established by the Colorado Limited Gaming Control Commission. Gaming on Indian reservations in Colorado is exempt from the tax.

Present Rates: The rates are examined by the Colorado Limited Gaming Control Commission annually. The following rates were in effect for the gaming tax years beginning October 1, 1994 and 1995.

AGP (Effective October 1, 1994):	Tax Rate
\$2,000,000 or less	2%
\$2,000,001 to \$4,000,000	8%
\$4,000,001 to \$5,000,000	12%
\$5,000,001 and over	18%

History of Tax Rates:

Gaming Tax Rates for Year Beginning October:					
1991		1992		1993	
AGP:	Tax Rate:	AGP:	Tax Rate:	AGP:	Tax Rate:
\$440,000 and less	4%	\$1,000,000 and less	2%	\$1,000,000 and less	2%
\$440,001 to \$1,200,000	8%	\$1,000,001 and above	20%	\$1,000,001 to \$2,000,000	8%
\$1,200,001 and above	15%			\$2,000,001 to \$3,000,000	15%
				\$3,000,001 and above	18%

The state also imposes a device fee and various licensing fees to be credited to the Limited Gaming Fund.

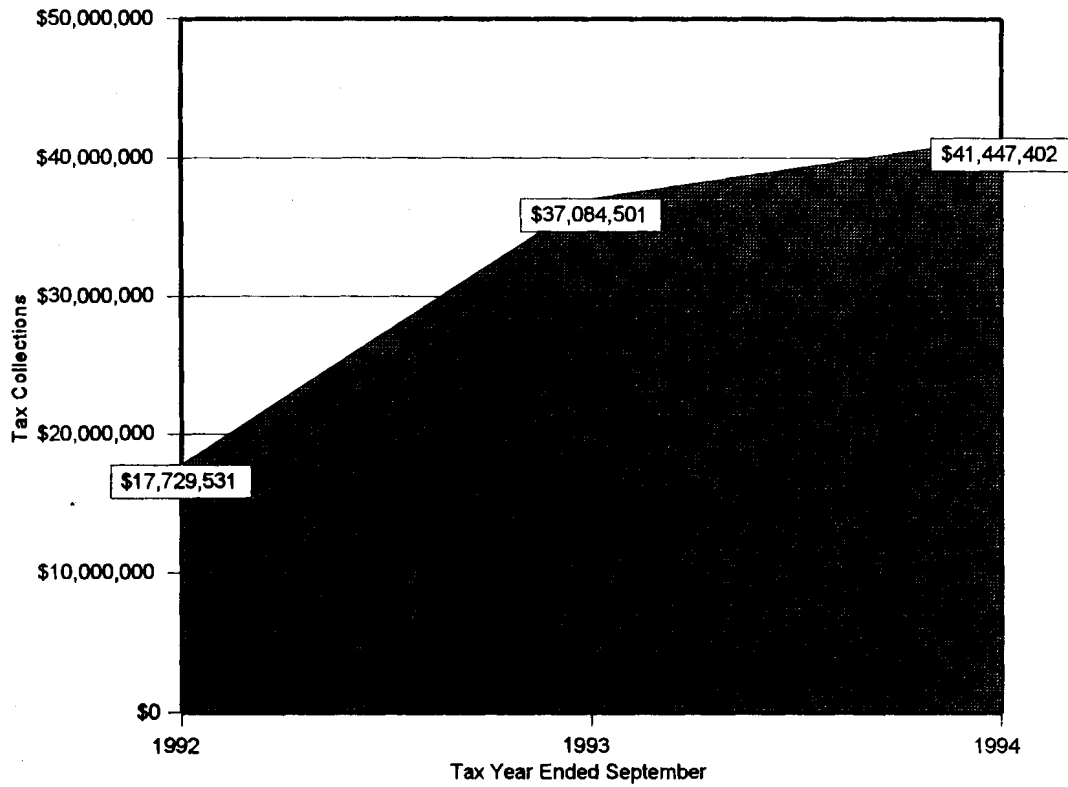
Administration: The Division of Gaming, within the Department of Revenue, administers the tax. The Colorado Limited Gaming Control Commission, within the Division of Gaming, oversees all licensing functions, rules and regulations, and setting of tax rates.

Collection Period: Gaming taxes are collected monthly and are due by the fifteenth day of the month following the end of the tax month.

Disposition of Revenue: After the expenses of the Commission and the Division, remaining revenues shall be distributed as follows: 48.8 percent to be transferred to the state General Fund; 28 percent to the state Historical Fund to be administered by the state historical society; 12 percent to Gilpin and Teller counties in proportion to the gaming revenues generated in each county; 10 percent shall be distributed to the cities of Central City, Black Hawk, and Cripple Creek in proportion to the gaming revenues generated in each city; one percent shall be distributed to the Municipal Limited Gaming Impact Fund to compensate cities or towns other than the gaming cities; 0.2 percent shall be credited to the Colorado Tourism Promotion Fund. Of the net General Fund revenues, the Gaming Impact Advisory Committee shall determine amounts to be transferred to the Contiguous County Limited Gaming Impact Fund and the state Highway Fund. The actual allocation for fiscal year 1994-95 may be found on page 86 in the Local Taxes section.

Collections: The collections in this graph are for the gaming tax year. Therefore, the collections are for the period November through October. They include the full amount of taxes collected.

Limited Gaming Taxes by Gaming Tax Year



Other States: Sixteen other states have gaming taxes. They are Illinois, Indiana, Iowa, Louisiana, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nevada, New Jersey, North Dakota, Ohio, South Dakota, Virginia, and West Virginia. None of Colorado's bordering states has a gaming tax.

Income Taxes

I. Corporate Income Tax

Enacted: 1937.

Constitutional and Statutory Citations: Article X, Section 17, Colorado Constitution, adopted by vote of the people, November 3, 1936; Article X, Section 19, Colorado Constitution, adopted by vote of the people November 6, 1962; Title 39, Article 22, C.R.S.

Tax Base: Income generated by property in the state and from activities carried on in the state — whether in intrastate, interstate, or foreign commerce — is subject to the corporate income tax.

Present Rate: For tax years beginning on or after July 1, 1993, the corporate income tax is five percent of taxable income.

Colorado's taxable income for corporations is the same as federal taxable income except for changes due to Colorado modifications and apportionment of federal taxable income to Colorado if an interstate corporation.

History of Tax Rates:

Taxable Periods Beginning:	Tax Rate:
January 1, 1937, to December 31, 1946	4.0% on all taxable income
January 1, 1947, to December 31, 1950	5.0% on all taxable income
January 1, 1951, to December 31, 1956	5.0% on all taxable income, with a 20.0% credit
January 1, 1957, to December 31, 1957	5.0% on all taxable income, with a 15.0% credit
January 1, 1958 to December 31, 1980	5.0% on all taxable income
January 1, 1981, to December 31, 1981	4.0% on first \$25,000; plus 4.5% on income between \$25,000 and \$50,000; plus 5.0% on income above \$50,000
January 1, 1982, to December 31, 1982	4.0% on first \$25,000; plus 4.5% on income between \$25,000 and \$75,000; plus 5.0% on income above \$75,000
January 1, 1983, to June 30, 1986	5.0% on all taxable income
July 1, 1986, to June 30, 1987	5.25% on first \$50,000; plus 5.5% on income between \$50,000 and \$200,000; plus 6.0% on income above \$200,000
July 1, 1987, to June 30, 1988	5.5% on first \$50,000; plus 6.0% on income above \$50,000
July 1, 1988, to June 30, 1989	5.0% on first \$50,000; plus 5.5% on income above \$50,000
July 1, 1989, to June 30, 1990	5.0% on first \$50,000; plus 5.4% on income above \$50,000
July 1, 1990, to June 30, 1991	5.0% on first \$50,000; plus 5.3% on income above \$50,000
July 1, 1991, to June 30, 1992	5.0% on first \$50,000; plus 5.2% on income above \$50,000
July 1, 1992, to June 30, 1993	5.0% on first \$50,000; plus 5.1% on income above \$50,000
July 1, 1993, and after	5.0% on all taxable income

Determination of Corporate Income: Prior to 1986, Colorado employed the worldwide unitary method of computing corporate income. Under this method, corporate income from all sources was considered in the determination of taxable income. As amended in 1985 session (House Bill 1010), foreign source income is effectively excluded from the computation of Colorado taxable income. Also, corporations with 80 percent or more of their property and payroll located outside of the United States are not included in the unitary tax return.

The actual determination of taxable income in Colorado closely follows federal corporate taxable income. There are, however, various modifications and credits that may change the final income figure and the tax paid. Some income tax credits have expired but claims for carry-forward provisions are still valid.

The most important tax credits for corporations are an investment tax credit, a new business facilities tax credit, and a commercial energy tax credit. The latter two credits have expired but the carry-forward provisions allow corporate taxpayers to continue to claim the credits in future tax years.

The Investment Tax Credit (ITC) in current law allows taxpayers to claim a one percent investment tax credit, using pre-tax reform definitions of property that qualifies for an ITC. This credit applies to tax years beginning on and after January 1, 1988, for property used in Colorado and may not exceed \$1,000 for any tax year. Other credits apply to businesses that are making increased use of coal produced in Colorado, for costs incurred in the preservation of historic properties, and for investment in the development of new technologies for plastic recycling.

Several separate income tax credits are in effect in enterprise zones. Primary among these credits are the enterprise zone new business facility employee credit, a three percent investment tax credit, and a credit for monetary or in-kind contributions for zone administrators in implementing economic development plans. The economic development plan may also include promotion of child care and temporary, emergency, or transitional housing programs for the homeless. Another enterprise zone credit is for rehabilitation of commercial buildings that are over 20 years old and that have been vacant for two or more years. For tax years beginning on or after January 1, 1993, refunds for new business facility employees are no longer available to taxpayers whose businesses are located in enterprise zones. Rather, that amount may be carried forward for up to five years. Enterprise zone credits against income taxes are also available for research and experimental activities.

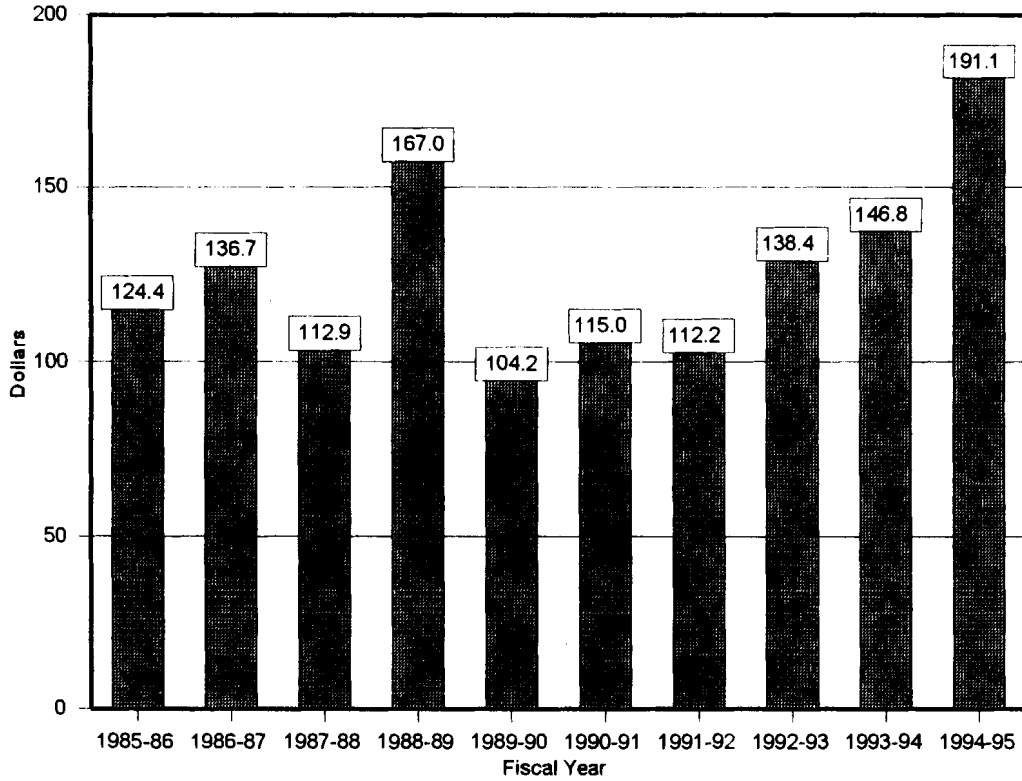
Administration: Department of Revenue.

Collection Period: The due date of the tax return is the fifteenth day of the fourth month following the close of the corporation's fiscal year. A provision for estimated payments of four equal installments is required if tax liability can reasonably be expected to exceed \$5,000.

Disposition of Revenue: Corporate income taxes are credited to the General Fund.

Collections:

**Corporate Income Tax Receipts
(\$ in millions)**



Other States: Five states — Nevada, South Dakota, Texas, Washington, and Wyoming — do not impose an income tax on corporations. Most states tax at a flat rate while some states use the same graduated rates for corporations as for individuals. Colorado's neighboring states impose a corporate income tax at the rates summarized in the following table.

State	Flat or Graduated Rate	Number of Taxable Classes	Tax is Based on	Range of Rates
Arizona	Flat	1	FTI*	9.0%; minimum tax of \$50
Kansas	Graduated	2	FTI*	4% (first \$50,000) 7.35% (over \$50,000)
Nebraska	Graduated	2	FTI*	5.58% (first \$50,000) 7.81% (over \$50,000)
New Mexico	Graduated	3	FTI*	4.8% (first \$500,000) 6.4% (next \$500,000) 7.6% (over \$1,000,000)
Oklahoma	Flat	1	FTI*	6.0%
Utah	Flat	1	Gross income, less deductions	5.0%; minimum tax of \$100
Wyoming	No income tax			

* Federal Taxable Income, with state modifications.
The rates are in effect for the 1995 tax year.

Federal Tax. The following federal corporate tax rates are currently in effect:

Taxable Income	Rate
Up to \$50,000	15%
\$50,001 to \$75,000	25%
\$75,001 to 100,000	34%
\$100,001 to \$335,000	39%
\$335,001 to \$10,000,000	34%
\$10,000,001 to \$15,000,000	35%
\$15,000,001 to \$18,333,333	38%
Over \$18,333,333	35%

II. Individual Income Tax

Enacted: 1937.

Constitutional and Statutory Citations: Article X, Section 17, Colorado Constitution, added by vote of the people November 3, 1936; Article X, Section 19, Colorado Constitution, adopted by vote of the people November 6, 1962; Title 39, Article 22, C.R.S.

1987 Tax Reform: The 1987 General Assembly amended Colorado's income tax laws by establishing a "flat tax" rate, replacing the previous graduated rates. The purposes of this change were stated as simplifying state tax preparation, aiding in tax law interpretation through use of federal determinations, and improving enforcement.

Tax Base: The Colorado individual income tax follows federal law to arrive at a taxpayer's filing status and federal taxable income (which is the basis for calculating Colorado tax liability). Federal taxable income includes the federal personal exemption, standard deduction, and itemized deductions. Colorado taxable income is determined by adding or subtracting the following modifications from the federal taxable income (Section 39-22-104, C.R.S.).

Additions	Subtractions
Federal net operating loss deduction carryover prior to 1987.	Pension, annuity, and self retirement income exclusion of up to \$20,000 for persons age 55 or older.
Lump-sum distribution from a pension or profit-sharing plan.	U.S. Government bond interest.
Interest income of out of state municipal bonds or other state's bonds.	Gain or loss resulting from sale of property having a higher Colorado basis than federal basis.
The state income tax deduction for taxpayers who used the deduction on the federal income tax return.	Colorado net operating loss deduction carried over from a taxable year prior to January 1, 1987.
Federal deductible expenses at clubs which have policies restricting membership on the basis of sex, race, color, ancestry, or national origin.	Interest income from "Colorado investment deposits" up to \$20,000 per year for loans to small business enterprises. Section 39-22-104 (4) (a.5) provides a narrow definition of the "investment deposits."
	Amounts contributed to a medical savings account to the extent not claimed as a deduction on the taxpayer's federal tax return.
	Qualifying capital gains included in federal taxable income.
	State income tax refund included in federal taxable income.

Once Colorado taxable income is determined, taxable income is multiplied by the 5.0 percent tax rate to determine Colorado gross tax liability. The gross tax liability is then reduced by the amounts of allowable tax credits to determine the net tax liability.

Present Rate: Five percent "flat tax" is applied to Colorado taxable income.

Alternative minimum tax. In addition to the 5 percent flat tax, an alternative minimum tax (AMT) is imposed at a rate of 3.75 percent. The AMT is imposed on the federal alternative minimum taxable income after applying Colorado modifications. The AMT is payable only to the extent it is in excess of the normal tax.

Administration and Collection: Department of Revenue.

Collection Period: Due April 15 unless an extension is granted by the Department of Revenue.

History of Tax Rates:

Net Taxable Income				1963 — 1986 ¹		1987
	1937	1947	1959	Statutory Rate	Effective Rate with ½% Credit ²	
0 to \$ 999	1.0%	1.0%	3.0%	3.0%	2.5%	5.0% ³
\$1,000 to 1,999	1.0%	1.5%	3.5%	3.5%	3.0%	
\$2,000 to 2,999	2.0%	2.0%	4.0%	4.0%	3.5%	
\$3,000 to 3,999	2.0%	2.5%	4.5%	4.5%	4.0%	
\$4,000 to 4,999	3.0%	3.0%	5.0%	5.0%	4.5%	
\$5,000 to 5,999	3.0%	4.0%	5.5%	5.5%	5.0%	
\$6,000 to 6,999	4.0%	5.0%	6.0%	6.0%	5.5%	
\$7,000 to 7,999	4.0%	6.0%	6.5%	6.5%	6.0%	
\$8,000 to 8,999	5.0%	7.0%	7.0%	7.0%	6.5%	
\$9,000 to 9,999	5.0%	8.0%	8.0%	7.5%	7.5% ⁵	
\$10,000 to 10,999	6.0%	9.0%	9.0% ⁴	8.0%	8.0% ⁵	
\$11,000 and over	10.0%					

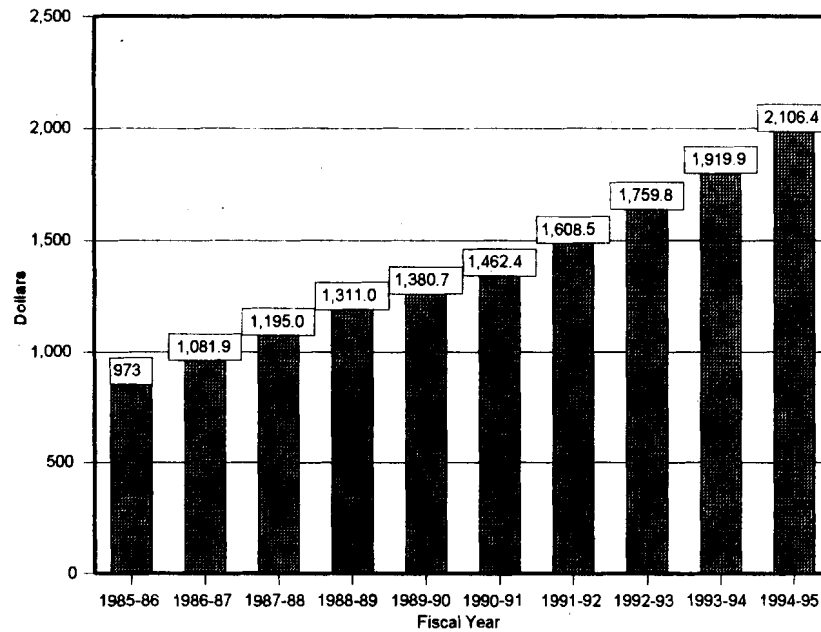
1. Taxable income brackets from 1978 through 1986 were adjusted annually by an Annual Inflation Factor (AIF).
2. This was the effective tax rate for years when the ½ percent credit applies. The statutory rates applied from 1984 to 1986.
3. Tax rate of 5 percent on federal taxable income, as modified for Colorado.
4. 1959 — All net income \$10,000 and above was taxed at 9 percent and the income bracket of \$11,000 and over was eliminated.
5. The ½ percent credit did not apply to taxable income above \$9,000.

Recent Colorado Changes: Beginning in 1992, the state income tax deduction, previously allowed as an itemized deduction from 1987 to 1991, was no longer permitted on the state return. Capital gains on real or tangible personal property located within Colorado that was acquired on or after May 9, 1994, and held for a period of at least five years, are allowed as a deduction from federal taxable income to the extent they were not claimed as a deduction on the taxpayer's federal tax return. The uninsurable health plan surcharge was no longer effective after the 1992 tax year.

Disposition of Revenue: Individual income taxes are credited to the General Fund.

Collections:

**Individual Income Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Tax Checkoff Programs: Currently, there are four voluntary tax checkoff programs authorized under state law:

- Nongame Wildlife Program;
- Domestic Abuse Program;
- U.S. Olympic Committee; and
- Homeless Prevention Activities.

Section 39-22-1001, C.R.S., declares that all programs funded by voluntary contributions of income tax refunds created after June 2, 1985, are to have a sunset clause restricting the program to no more than three income tax years, unless the program is reestablished. The Veterans' Memorial Fund was a one-year program effective for the 1988 tax year. The Desert Storm Fund was a two-year program effective for the 1991 and 1992 tax years.

Section 39-22-1001, C.R.S., also requires that contributions to any voluntary tax checkoff program equal or exceed ten percent of the total amount contributed to all checkoff programs in order to continue on subsequent income tax returns. The Action Older American Volunteer program, in effect on the 1993 income tax return, did not meet the ten percent requirement and was subsequently dropped. This checkoff has been reinstated effective with the 1996 tax year. The ten percent provision does not apply to the United States Olympic Committee checkoff program. However, if the cumulative amount contributed to this program during the 1994 to 1998 period does not exceed ten percent of the cumulative amount contributed to all programs as of September 30 of any year during the time span, the program shall be discontinued.

**Revenues
Voluntary Income Tax Checkoffs
FY 1986 through FY 1995**

Fiscal Year	Nongame Wildlife	Domestic Abuse	Olympic Committee	Homeless Prevention	Desert Storm	Veterans' Memorial	Older American Volunteer Program
1985-86	\$372,660	\$218,757	\$161,292				
1986-87	406,464	221,788	61,643				
1987-88	371,782	261,077	4,702 ¹				
1988-89	514,799	273,686	131,183			\$190,236	
1989-90	407,468	248,254	101,426	\$244,862		8,144	
1990-91	276,744	251,031	111,312	268,639		(4,198) ²	
1991-92	377,321	267,805	100,336	257,742	\$68,212	463	
1992-93	340,331	262,139	80,565	236,697	47,546	131	
1993-94	362,566	234,113	6,898 ³	211,360	0	0	\$80,305
1994-95	312,824	256,319	85,097	205,224	0	0	3,313

1. The Olympic Committee checkoff sunset in 1987 but was reinstated for the 1988 tax year.
2. This negative number reflects accounting adjustments from the prior year.
3. The Olympic Committee checkoff did not meet the minimum ten percent requirement in the prior year.

Note: Totals used for determination of whether the checkoff program shall be continued in the next year are based on collections from January 1 through September 30.

Source: Department of Revenue.

Other States: Nine states, including Colorado, levy a flat income tax rate. Two of these states — Rhode Island and Vermont — levy flat rates against federal income tax liability. Two other states — New Hampshire and Tennessee — have flat rates against interest and dividends only. Seven states — Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming — do not levy an individual income tax. Seventeen states allow a local option to impose some form of local individual income tax. Neighboring states impose individual income taxes as summarized as follows.

Individual Income Taxes of Neighboring States

State	Flat or Graduated	Based on Federal Income	Number of Joint Filing Taxable Classes	Allow Local Income Tax
Arizona	Graduated	Yes	5	No
Kansas	Graduated	Yes	3	No
Nebraska	Graduated	Yes	4	No
New Mexico	Graduated	Yes	7	No
Oklahoma	Graduated	Yes	8	No
Utah	Graduated	Yes	6	No
Wyoming	No income tax			

Source: Commerce Clearing House, *State Tax Guide*.

Federal Income Tax: The levels of income and tax rates for 1995 personal income are as follows:

Federal Individual Income Tax Rates	
Single Return	First \$23,350—15% Over \$23,350 to \$56,550—28% Over \$56,550 to \$117,950—31% Over \$117,950 to \$256,500—36% Over \$256,500—39.6%
Joint Return	First \$39,000—15% Over \$39,000 to \$94,250—28% Over \$94,250 to \$143,600—31% Over \$143,600 to \$256,500—36% Over \$256,500—39.6%

Source: Commerce Clearing House, *1995 U.S. Master Tax Guide*.

The federal tax brackets are indexed annually. The personal exemption value for 1995 is \$2,500. The value of the standard deduction for 1995 is \$3,900 for single filers and \$6,550 for married joint filers.

Insurance Premiums Tax

Enacted: 1913.

Statutory Citations: Sections 10-3-209, 10-5-111, 10-6-128, 31-30-1014 (3), (5), (6), C.R.S.

Tax Base: This tax is imposed on the gross amount of all premiums from insurance policies covering property or risks in this state. The law applies to all companies and types of business which engage in writing insurance policies or contracts regardless of the type of insurance policy.

Present Rates: Two and one-fourth percent for all Colorado companies; one percent for a company maintaining a home office or regional home office in Colorado; minimum of \$5,000 for captive insurance companies; and three percent for surplus line insurance.

Exemptions:

- fraternal and benevolent associations;
- mutual protective associations writing crop hail insurance on that portion of the premium designated to the loss fund;
- policies issued before 1959 by domestic insurance companies maintaining their principal place of business in this state and having 30 percent of its assets invested in county, city, town, district, or this state's bonds or warrants;
- premiums contracted for after December 31, 1968, on policies in connection with a pension, profit sharing, or annuity plan.

Credits: Life and Health Guaranty Association insurers may offset insolvency assessments (up to \$2.0 million each year) against their insurance premiums tax.

Administration and Collection: Division of Insurance, Department of Regulatory Agencies.

Collection Period: Due on the first day of March in each year for the preceding calendar year. Quarterly payments are required for companies that were liable for a tax of \$5,000 or more during the preceding calendar year.

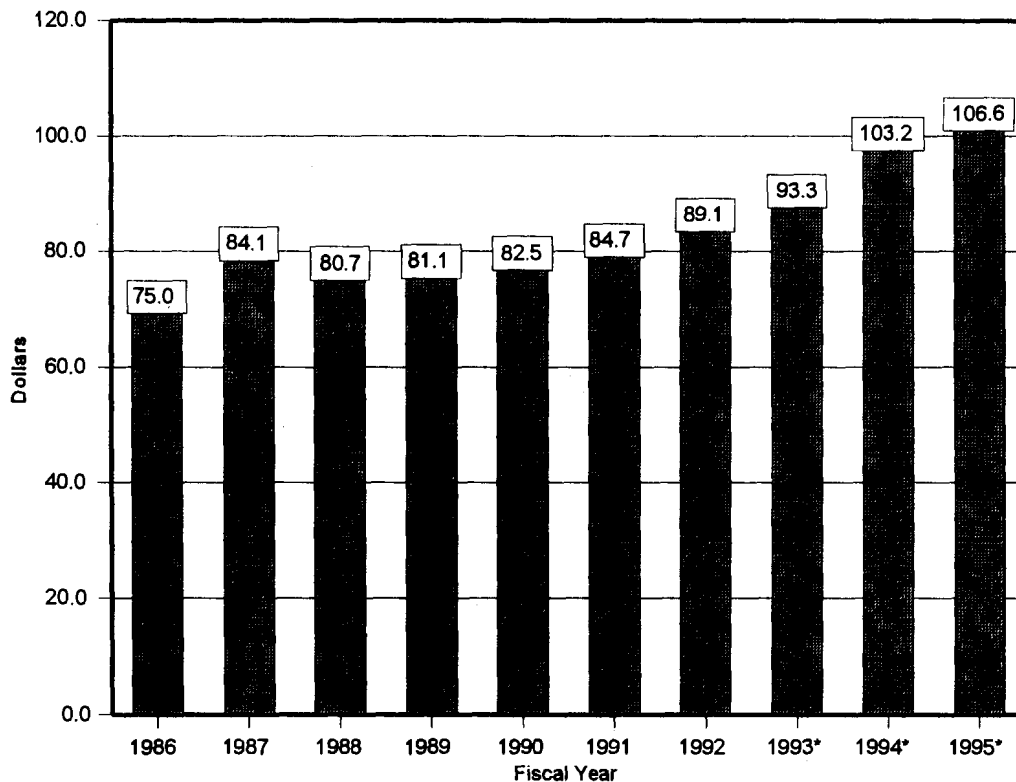
History of Rates:

1913	2.0% --	All companies Companies with 50 percent or more of their assets in Colorado bonds or warrants were exempt
1949	2.0%	Surplus line insurance (insurance not otherwise available in Colorado purchased through licensed brokers from "unauthorized" insurance companies like Lloyds of London)
1959	2.25% 1.0%	All companies Companies with 50 percent or more of their assets in Colorado bonds or warrants
1960	2.25% 1.0%	All companies Companies with 30 percent or more of their assets in Colorado bonds or warrants
1969	2.25% 1.0%	All companies Companies maintaining a home or regional office in the state
1991	Minimum of \$5,000	Captive insurance companies (wholly owned subsidiary companies that insure only the risks of the parent company)
1992	3.0%	Surplus line companies increased from 2%

Disposition of Revenue: Moneys are credited to the General Fund, except for such amounts appropriated to fund the operations of the Division of Insurance. In 1992, Senate 92-90 created the Division of Insurance Cash Fund in order to cash fund its operations. Its operations are funded by revenues from licenses and fees and up to five percent of the annual premium taxes collected. Substantial amounts of insurance premiums tax moneys credited to the General Fund have been transferred to the Fire and Police Members' Benefit Fund for purposes of meeting the FPPF unfunded liability for death and disability insurance, and for volunteer firemen.

Collections:

**Insurance Premium Tax Receipts
(\$ in millions)**



* Includes amounts transferred to the Division of Insurance Cash Fund.

Source: Division of Accounts and Control.

Other States: All 50 states impose a tax on insurance companies. The rate is usually a fixed percentage of the taxable gross premiums. Some states also have a higher tax on foreign corporations and reduce the rate if a certain amount of a company's assets are invested in the state. Commerce Clearing House *State Tax Guide* reports that many states impose a tax on fire insurance companies for the support of the fire marshal or authorize cities to levy such a tax for support of the local fire department.

Liquor Taxes

Enacted: 1935.

Statutory Citations: Section 12-46-111, C.R.S. — Fermented Malt Beverages;
Section 12-47-127, C.R.S. — Alcoholic Beverages.

Tax Base: The tax is imposed on the manufacturer or the first wholesaler within the state and applies to the following alcoholic beverages:

Fermented malt beverages — any beverage obtained by the fermentation of barley, malt, hops, or similar product containing between 0.5 percent and 3.2 percent alcohol by weight that can be sold to persons 21 years old or older (House Bill 1320, 1987 session).

Malt liquors — beer and any beverage obtained by the fermentation of barley, malt, hops, or similar product containing more than 3.2 percent of alcohol by weight that can be sold only to individuals 21 years of age or older.

Medicinal spirituous liquors — any alcoholic beverage, except beer and wine, which is at least 100 proof.

Special malt liquors — malt liquors which contain between 0.5 percent and 2 percent alcohol by weight.

Spirituous liquors — any alcoholic beverage obtained by distillation and mixed with water and other substances in solution, including brandy, rum, whiskey, gin, and every liquid or solid containing at least 0.5 percent alcohol that is fit for use for beverage purposes.

Vinous liquors — wine and fortified wines containing not less than 0.5 percent and not exceeding 21 percent of alcohol by volume.

Present Rates:

Fermented malt beverage	8 cents per gallon
Malt liquors	8 cents per gallon
Vinous liquors All vinous liquors Colorado vinous liquors	8.33 cents per liter (includes 1 cent surcharge) ¹ 13.33 cents per liter (includes 5 cent surcharge) ¹
Spirituous liquors	60.26 cents per liter

1. House Bill 90-1068 imposes a surcharge on all wine sold in Colorado that is in addition to the excise tax shown and an excise tax on grapes used in the production of wine in Colorado. See discussion immediately following.

Special provisions are included for "limited wineries." These establishments manufacture not more than 100,000 gallons of vinous liquors annually, using Colorado-grown products to the extent of at least 50 percent in the first five years of operation and 75 percent thereafter. Exceptions to these requirements may be made in the event of poor growing conditions.

The Colorado wine industry development act (House Bill 90-1068) created the wine industry development board to promote and serve as a resource for the wine industry in this state. Activities of the board are financed through the surcharges described below.

This legislation repealed the previous tax differential that provided a lower excise tax for products from Colorado wineries as opposed to products from out of state. Two surcharges are imposed in addition to the excise tax of 7.33 cents per liter for vinous liquors sold in Colorado. The first surcharge is 1 cent per liter imposed on all wines sold. This surcharge is in effect until July 1, 2000.

In addition, a surcharge of 5 cents per liter is charged on wines produced by Colorado licensed wineries, increasing the tax to 13.33 cents per liter.

An excise tax of \$8.00 per ton of grapes used in the production of wine in Colorado by a licensed winery is in effect through June 30, 1996. On that date this tax will increase to \$10.00 per ton.

Administration and Collection: Department of Revenue.

Collection Period: Twentieth day of each month for the preceding month's sales.

Exemptions: The following alcoholic beverages are exempt from the tax:

- sacramental wines sold and used for religious purposes;
- vinous liquor made for family use and not for sale;
- wines sold at public auction where the purpose is to dispose of liquor obtained by reason of salvage of damaged shipments, foreclosure of a lawful lien, or by failure of an owner to claim or furnish instructions as to the disposition thereof.

History of Tax Rates:

**Historic Liquor Tax Rates in Colorado
(all numbers in cents)**

	1935	1959	1976	1977	1981	1983
Malt liquors (per gallon)	3 cents	6 cents	8 cents	8 cents	8 cents	8 cents
Fermented malt beverage (per gallon)	3	6	8	8	8	8
Vinous liquor (per liter)	2.8	4.7	5.6	5.6	7.33	7.33
14% or less alcohol	5.6	7.1	8.5	8.5	7.33	7.33
more than 14% alcohol *						
Vinous-limited wineries (per liter)	N/A	N/A	N/A	.05	.05	.70
14% or less alcohol				.01	.01	.70
more than 14% alcohol						
Spirituuous liquors (per liter)	37.8	42.5 ¹	51.1 ¹	51.1 ¹	60.26	60.26

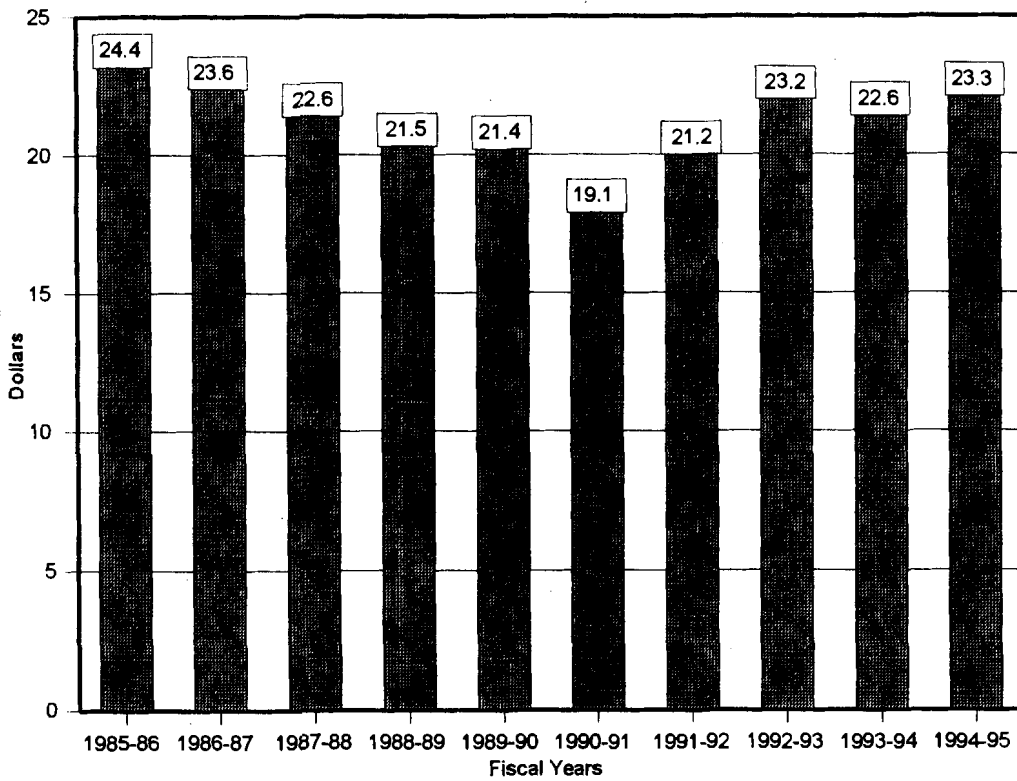
1. Sealed bottles with two ounces or less were taxed at 5 cents per bottle.

* Surcharges on vinous liquor added 1 cent to all vinous liquors effective July 1, 1990. An additional surcharge is imposed on Colorado produced wines. The rates are: 3 cents from July 1, 1990, through June 30, 1992; 4 cents from July 1, 1992, through June 30, 1995; and 5 cents after June 30, 1995. The surcharge amounts are to be transferred from the General Fund to the Colorado Wine Industry Development Fund.

Disposition of Revenue: After the requirements of the Old Age Pension Fund have been satisfied, the remainder is credited to the General Fund.

Collections:

**Liquor Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Other States: The range of tax rates on alcoholic beverages varies greatly among the 50 states. The lowest tax on beer is 2 cents per gallon. The lowest rate for distilled spirits is 25 cents per liter. These rates do not include local taxes, licenses, surtaxes, or surcharges imposed or markup prices added by state control boards. Eighteen states have alcohol control boards. The alcohol beverage tax rates for Colorado's bordering states are listed on the following page:

Bordering States' Liquor Tax Rates

Liquor	Arizona	Kansas	Nebraska	New Mexico	Oklahoma	Utah ²	Wyoming
Wort/Liquid malt (per gallon)		\$0.20					\$0.02
Beer, 3.2% or less (per gallon)	\$0.16	0.18	\$0.23	\$0.41	\$0.36	\$0.35	0.02
Beer, over 3.2% (per gallon)	0.16	0.18	0.23	0.41	0.40	0.35	0.02
Wine, 14% or less (per liter) ¹	0.22	0.08	0.20	0.45	0.19	13%	0.08
Wine, over 14% (per liter) ¹	1.06	0.20	0.36	1.50	0.37	13%	0.08
Spirituous liquor (per liter) ¹	0.79	0.66	0.79	1.60	1.47	13%	0.25
Other		Clubs: 10% of gross receipts	\$.05 per gallon (farm wineries)	Local wine: 10 cents per liter on first 80,000 liters; 20 cents above 80,000 liters and less than 219,000 liters	Mixed beverages: 12% of retail value		

1. Rates converted to metric measure.

2. Tax imposed on the retail purchase price for products sold by the Utah Liquor Control Commission.

Source: Commerce Clearing House, State Tax Guide; January, 1995.

Federal Tax: Effective January 1, 1991:

Beverage	Rate
Distilled spirits	\$13.50 per proof gallon
Wines:	
14% or less alcohol	\$ 1.07 per wine gallon
14 to 21% alcohol	\$ 1.57 per wine gallon
21 to 24% alcohol	\$ 3.15 per wine gallon
Artificially carbonated wines	\$ 3.30 per wine gallon
Champagne and other sparkling wines	\$ 3.40 per wine gallon
Beer, regardless of alcoholic content	\$18.00 per barrel (generally 33 cents per 6-pack)

Lottery

Enacted: 1982.

Constitutional and Statutory Citations: Article XVIII, Section 2, Colorado Constitution, approved by Colorado voters November 4, 1980; Title 24, Article 35, Part 2, C.R.S.

Collection Base: Sale of Colorado lottery tickets.

Administration and Collection: Department of Revenue, State Lottery Division.

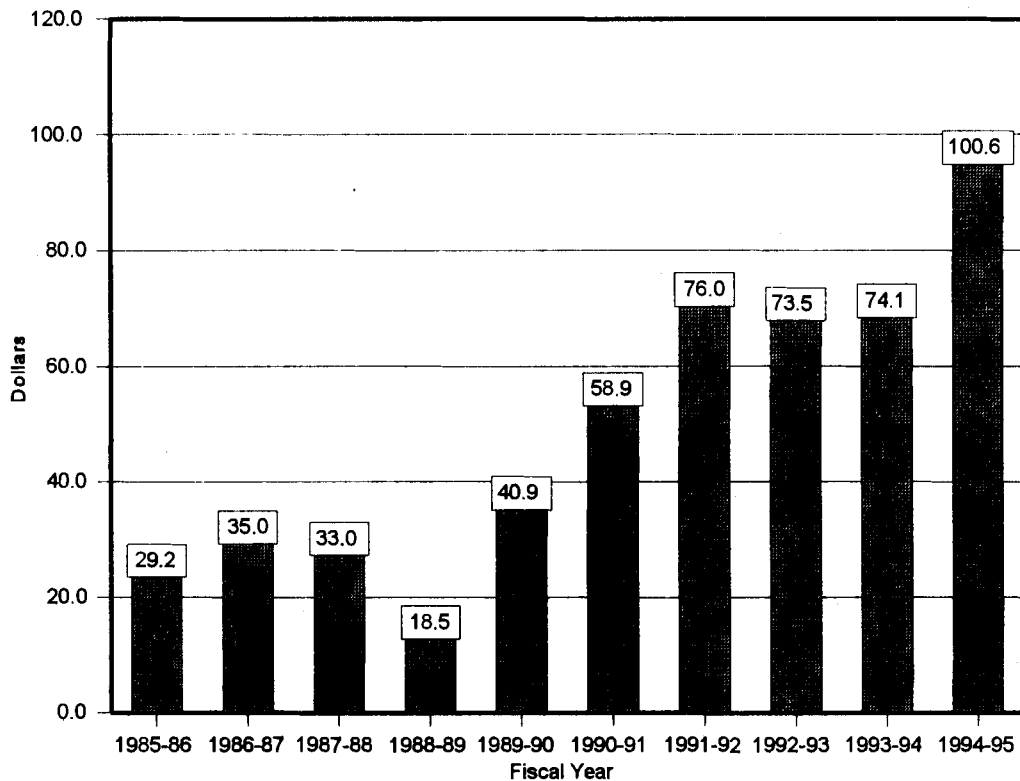
Collection Period: Daily.

Disposition of Revenue: Revenues from the lottery are credited to the lottery fund. At least 50 percent of the total revenue accruing from the sale of lottery tickets must be disbursed as prize money. All expenses of the division are paid from the lottery fund. In 1987, House Bill 1274 was enacted expanding Colorado's lottery to include the electronic game "lotto."

Article XXVII to the Colorado Constitution permanently dedicates a portion of the net proceeds of every state-supervised lottery game to the Great Outdoors Colorado Trust Fund beginning July 1, 1993. Lottery fund transfers to the Capital Construction Fund will continue over a five-year period so the state may fulfill most of the state's current outstanding obligations for capital construction. The existing lottery distributions to local governments through the Conservation Trust Fund will continue as well as the current allocations to the Division of Parks and Outdoor Recreation. After 1998, any Lottery funds in excess of \$35 million, as adjusted for inflation since 1992, would be transferred to the General Fund.

Collections:

**Lottery Receipts
(Distributions to four state funds)*
(\$ in millions)**



Receipts are after distribution of prize moneys (50 percent of ticket sales).

* The amounts shown are distributions to the Conservation Trust Fund, Division of Parks and Outdoor Recreation, Great Outdoors Colorado, and the State Capital Construction Fund. Collection totals do not include the administrative expenses for the operation of the lottery.

Source: Department of Revenue.

House Bill 1274, 1988 session, expanded the term lottery to include the game of lotto. The additional funds from lotto distributed to the Capital Construction Fund are earmarked to pay anticipation warrants used for the construction of state correctional facilities. This distribution will be reduced to zero after 1998.

Other States: A total of 36 states and the District of Columbia have approved a state lottery. The following 14 states **do not** conduct a lottery:

- | | | |
|-------------|----------------|----------------|
| Alabama | Nevada | South Carolina |
| Alaska | New Mexico | Tennessee |
| Arkansas | North Carolina | Utah |
| Hawaii | North Dakota | Wyoming |
| Mississippi | Oklahoma | |

Motor Fuel Taxes

I. Gasoline

Enacted: 1919.

Constitutional and Statutory Citations: Article X, Section 18, Colorado Constitution; Title 39, Article 27, Part 1, C.R.S.

Tax Base: Tax is imposed on sales of gasoline and gasohol.

Present Rate: 22 cents per gallon.

Administration and Collection: Department of Revenue.

Collection Period: On or before the 25th day of the calendar month following the month in which the fuel was used or imported.

History of Tax Rates:

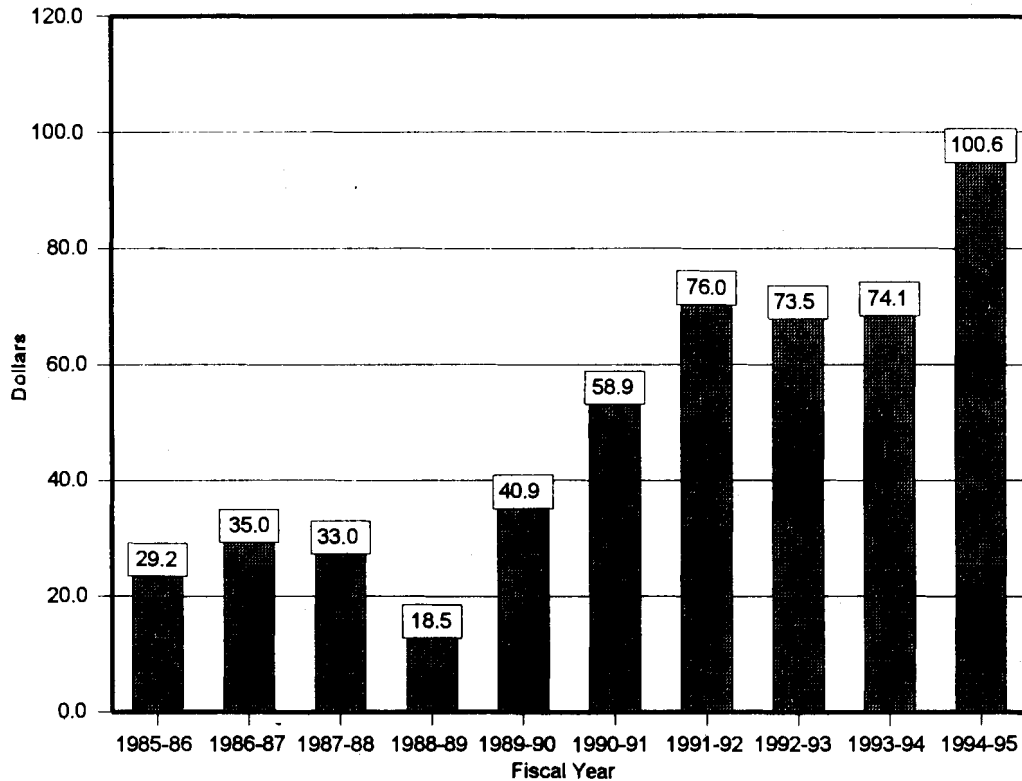
Fiscal Year	Gasoline	Gasohol		Fiscal Year	Gasoline	Gasohol
1919	1 cent			1969	7 cents	
1923	2 cents			1978	7 cents	2 cents
1927	3 cents			1981	9 cents	4 cents
1929	4 cents			1984	12 cents	7 cents
1947	6 cents			1987	18 cents	18 cents
1966 ¹	7 cents			1990 ²	20 cents	20 cents
1967 ¹	6 cents			1991 ²	22 cents	22 cents

1. One cent increase was allocated to the "highway flood disaster relief fund," in effect from August 1, 1965 through August 31, 1966.
2. Rate of 20 cents per gallon began August 1, 1989, and continued through December 31, 1990. Rate of 22 cents per gallon began January 1, 1991.

Disposition of Revenue: The tax is credited to the Highway Users Tax Fund (HUTF). The General Assembly appropriates funds to state agencies whose functions are related to the HUTF, e.g., Department of Revenue for collecting taxes and the Department of Public Safety for Colorado State Patrol activities. These appropriations are often referred to as "off-the-top" deductions. The "off-the-top" deductions are funded from revenues from the first seven cents of the tax on motor fuels, registration fees, and passenger-mile taxes.

Collections:

**Lottery Receipts
(Distributions to four state funds)*
(\$ in millions)**



Receipts are after distribution of prize moneys (50 percent of ticket sales).

- The amounts shown are distributions to the Conservation Trust Fund, Division of Parks and Outdoor Recreation, Great Outdoors Colorado, and the State Capital Construction Fund. Collection totals do not include the administrative expenses for the operation of the lottery.

Source: Department of Revenue.

House Bill 1274, 1988 session, expanded the term lottery to include the game of lotto. The additional funds from lotto distributed to the Capital Construction Fund are earmarked to pay anticipation warrants used for the construction of state correctional facilities. This distribution will be reduced to zero after 1998.

Other States: A total of 36 states and the District of Columbia have approved a state lottery. The following 14 states **do not** conduct a lottery:

- | | | |
|-------------|----------------|----------------|
| Alabama | Nevada | South Carolina |
| Alaska | New Mexico | Tennessee |
| Arkansas | North Carolina | Utah |
| Hawaii | North Dakota | Wyoming |
| Mississippi | Oklahoma | |

Motor Fuel Taxes

I. Gasoline

Enacted: 1919.

Constitutional and Statutory Citations: Article X, Section 18, Colorado Constitution; Title 39, Article 27, Part 1, C.R.S.

Tax Base: Tax is imposed on sales of gasoline and gasohol.

Present Rate: 22 cents per gallon.

Administration and Collection: Department of Revenue.

Collection Period: On or before the 25th day of the calendar month following the month in which the fuel was used or imported.

History of Tax Rates:

Fiscal Year	Gasoline	Gasohol		Fiscal Year	Gasoline	Gasohol
1919	1 cent			1969	7 cents	
1923	2 cents			1978	7 cents	2 cents
1927	3 cents			1981	9 cents	4 cents
1929	4 cents			1984	12 cents	7 cents
1947	6 cents			1987	18 cents	18 cents
1966 ¹	7 cents			1990 ²	20 cents	20 cents
1967 ¹	6 cents			1991 ²	22 cents	22 cents

1. One cent increase was allocated to the "highway flood disaster relief fund," in effect from August 1, 1965 through August 31, 1966.
2. Rate of 20 cents per gallon began August 1, 1989, and continued through December 31, 1990. Rate of 22 cents per gallon began January 1, 1991.

Disposition of Revenue: The tax is credited to the Highway Users Tax Fund (HUTF). The General Assembly appropriates funds to state agencies whose functions are related to the HUTF, e.g., Department of Revenue for collecting taxes and the Department of Public Safety for Colorado State Patrol activities. These appropriations are often referred to as "off-the-top" deductions. The "off-the-top" deductions are funded from revenues from the first seven cents of the tax on motor fuels, registration fees, and passenger-mile taxes.

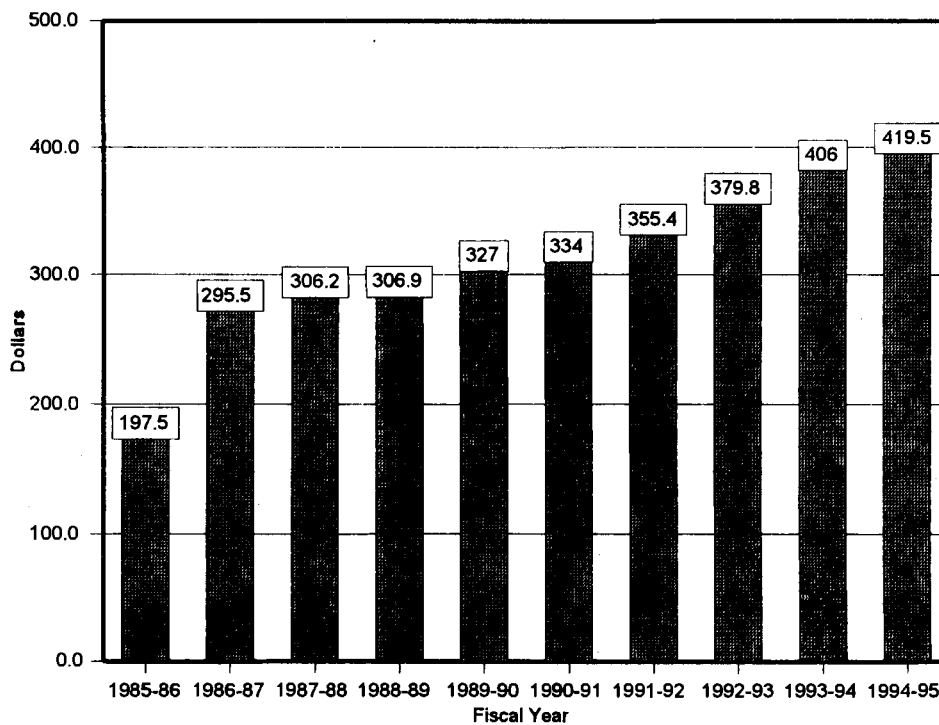
As illustrated below, three separate formulas are used to distribute funds generated from the motor fuel tax to the state, cities, and counties. The first formula relates to money credited to the fund from the first seven cents of the fuel tax. The revenues generated by the 1982 and subsequent fuel tax increases are subject to different formulas.

Motor Fuel Tax Distribution

First 7 cents	From 7 cents to 18 cents	Above 18 cents
A. "Off-the-top" deductions	A. Bridge repair (16 percent)	A. All funds: 60% to state highway fund 22% to counties 18% to cities
B. Remaining funds: 65% to state highway fund 26% to counties 9% to cities	B. Remaining funds: 60% to state highway fund 22% to counties 18% to cities	

Collections:

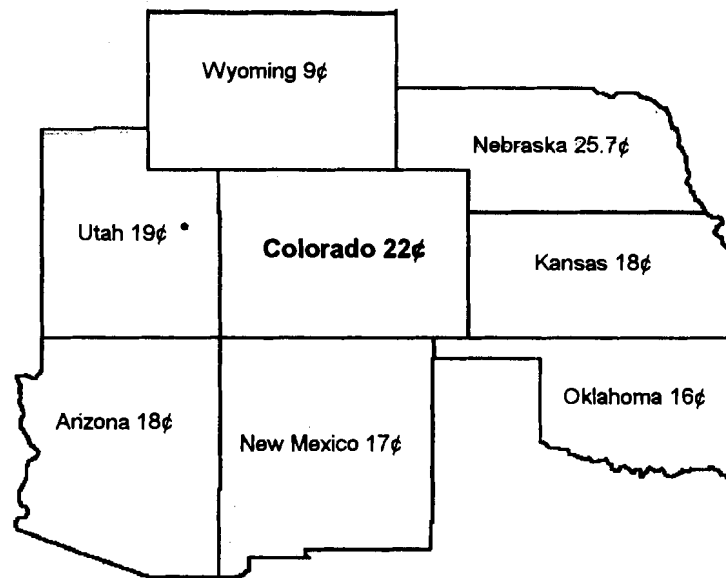
**Motor Fuel Tax Receipts*
(\$ in millions)**



* Includes special fuel collections.
Source: Department of Revenue.

Other States: All 50 states impose a motor fuel tax. Rates range from 4 cents per gallon in Florida to 33 cents per gallon in Connecticut. Eleven states have higher gasoline tax rates than Colorado. The tax rates per gallon as of July 1995, for bordering states are listed below (local taxes are not included).

Other States' Gasoline Tax Rates



* Utah imposes an environmental surcharge of 0.5 cents per gallon.
Source: Commerce Clearing House, *State Tax Guide*, July 1995.

Georgia and Florida also impose sales taxes on motor fuels. Several other states periodically adjust the tax rate in accordance with the wholesale or retail price.

Federal Tax: 18.4 cents per gallon – gasoline
13 cents per gallon – gasohol, (10% blend)

II. Aircraft Fuel

Enacted: 1988.

Constitutional and Statutory Citations: Article X, Section 18, Colorado Constitution; Title 28, Article 6, C.R.S. (House Bill 1250, 1988 Session).

Tax Base: Gasoline used in general aviation and products specially prepared, sold, and used in jet propelled aircraft, excluding regularly scheduled commercial aircraft.

Present Rates:

Non-turbo prop and non-jet fuel	Motor fuel tax, 6 cents per gallon (No sales tax)
Turbo-prop and jet fuel, not including regularly scheduled carriers	Motor fuel tax, 4 cents per gallon (Sales tax is applied)
Not part of the motor fuel tax base: Interstate, intrastate, and foreign air transportation	State sales tax of 3 percent, plus any local sales tax (No motor fuel tax)

Administration and Collection: Department of Revenue, using the same mechanism of the motor fuel tax collection system (39-27-102, C.R.S.).

Collection Period: On or before the 25th day of the calendar month following the month in which the fuel was used or imported.

History of Tax Rates and Collections: Tax was imposed beginning January 1, 1989.

**Aviation Fuel Gallonage Tax
(\$ in millions)**

Fiscal Year	Collections
1989-90	\$1.2
1990-91	1.1
1991-92	1.2
1992-93	1.3
1993-94	0.9
1994-95	1.1

Aviation Fuel Sales Tax
(\$ in millions)

Fiscal Year	Collections
1991-92	\$6.2
1992-93	6.9
1993-94	8.0
1994-95	6.0

Disposition of Revenue: Distribution of funds is made by the Colorado Aeronautical Board, Department of Transportation. The board will transfer to each airport on a monthly basis an amount equal to four cents per gallon of gasoline sold at that airport based on fuel sales reports. Such moneys are to be used only for airport operation or "aviation purposes".

Federal Tax: 21.9 cents per gallon – aviation fuel, other than gasoline
19.4 cents per gallon – gasoline used in noncommercial aviation

III. Special Fuels

Enacted: 1919.

Constitutional and Statutory Citations: Article X, Section 18, Colorado Constitution; Title 39, Article 27, Part 2, C.R.S.

Tax Base: Taxes are imposed on all special fuels, except fuel used for aviation purposes. Special fuels usually include diesel, kerosene, liquified petroleum gases, and natural gas.

Present Rate: The tax increased on January 1, 1992, to 20.5 cents per gallon (House Bill 1012, 1989 Special Session). The liquified petroleum gas tax applies to all vehicles using such fuel or the following license fee may be paid in lieu of the tax.

Gross Vehicle Weight in Pounds	Annual Fee
1 - 10,000	\$ 70
10,001 - 16,000	100
Over 16,000	125

Administration and Collection: Department of Revenue — taxes are paid to the state by both distributors and users. Distributors collect and pay the tax on fuel sold to a vendor or on fuels used by the distributor on state highways. Users pay taxes on fuel imported into the state or on ex tax purchases. Ex tax purchasers may buy fuel from a distributor without paying the tax. An ex tax purchaser must maintain fuel bulk storage of at least 250 gallons, establish a special fuel user tax account with the department, file a surety bond (not currently required), and submit a report by the last day of the month following the end of the quarter stating the amount of fuel consumed in Colorado for the previous month. Tax payment is due with the report.

Collection Period: Tax payments by special fuel users are due on or before the last day of the month following the end of the quarter in which the fuel was used or imported. Tax payments by special fuel distributors are due on or before the 25th day of the month following the end of the month in which the fuel was sold.

History of Tax Rates:

Year	Rate	Year	Rate
1919	1 cent	1969	7 cents
1923	2 cents	1978	7 cents
1927	3 cents	1981	9 cents
1931	4 cents	1983	13 cents
1947	6 cents	1986	20.5 cents
1966	7 cents ¹	1989	18.5 and 20.5 cents ²
1967	6 cents	1990	18.0 cents
		1992	20.5 cents

1. One cent increase, to 7 cents, was in effect for the "highway flood disaster relief fund" from August 1, 1965, through August 31, 1966.
 2. The 18.5 cent rate was effective for the month of July, 1989, and the 20.5 cent rate was effective from August 1, 1989, to January 1, 1990. The rate changed January 1, 1990, to 18.0 cents.
- Additional registration fees are imposed on certain trucks to offset the different rates between gasoline and diesel fuels.

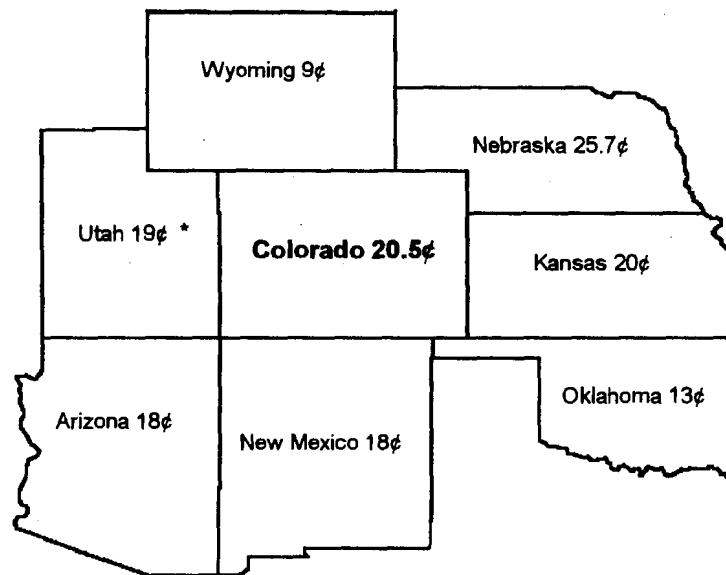
Disposition of Revenue: Revenues are credited to highway users tax fund. (See gasoline tax, pages 52 through 54).

Exemptions:

- fuel used by farm vehicles on farms,
- fuel used by construction equipment within the area of a highway construction project, and
- fuel used by the United States government, the state, and its political subdivisions.

Collections: (Included with collections of motor fuel taxes, see page 53.)

Other States: All 50 states impose a similar special fuel tax. Thirty-two states impose the same state tax for diesel as for gasoline. Seven states have lower tax rates for diesel than for gasoline — Colorado, Connecticut, Delaware, Kentucky, Oklahoma, Tennessee, and Virginia. The tax rates in bordering states on special fuel are listed below (local taxes are not included).



* Utah imposes an environmental surcharge of 0.5 cents per gallon.
Source: Commerce Clearing House, *State Tax Guide*, July 1995.

Federal Tax: Diesel fuel – 24.4 cents per gallon
Other special fuels – rate varies with the type of fuel

Pari-Mutuel Racing

Enacted: 1947. Referred act of the General Assembly was approved by the voters on November 2, 1948.

Statutory Citation: Section 12-60-701, C.R.S.

Tax Base: Applied to the handle — the gross receipts from wagering on horse and greyhound racing events, prior to the distribution of the winnings. Pari-mutuel wagering on simulcast racing events — races that are broadcasts of live races — is permitted at track and other facilities under provisions of Senate Bill 91-99.

Present Rate and Distribution:

Type of Racing Operation	Rate	Distribution
Greyhound Live and Simulcast	5.0% on all wagers	General Fund
Horse Racing Live and Simulcast	0.75% on all wagers Class B facilities: greater of actual cost of regulation, up to \$2,500, or 0.75% of handle 0.25% on exotic wagers (wagers other than W,P,S) 0.50% on win, place, or show 1.50% on exotic wagers (Total tax is 1.25% on win, place, or show, and 2.5% on other wagers)	General Fund CSU Veterinary School for equine research Owners and Breeders' awards and supplemental purse fund

Administration and Collection: Colorado Racing Commission, Department of Revenue.

Collection Period: Daily.

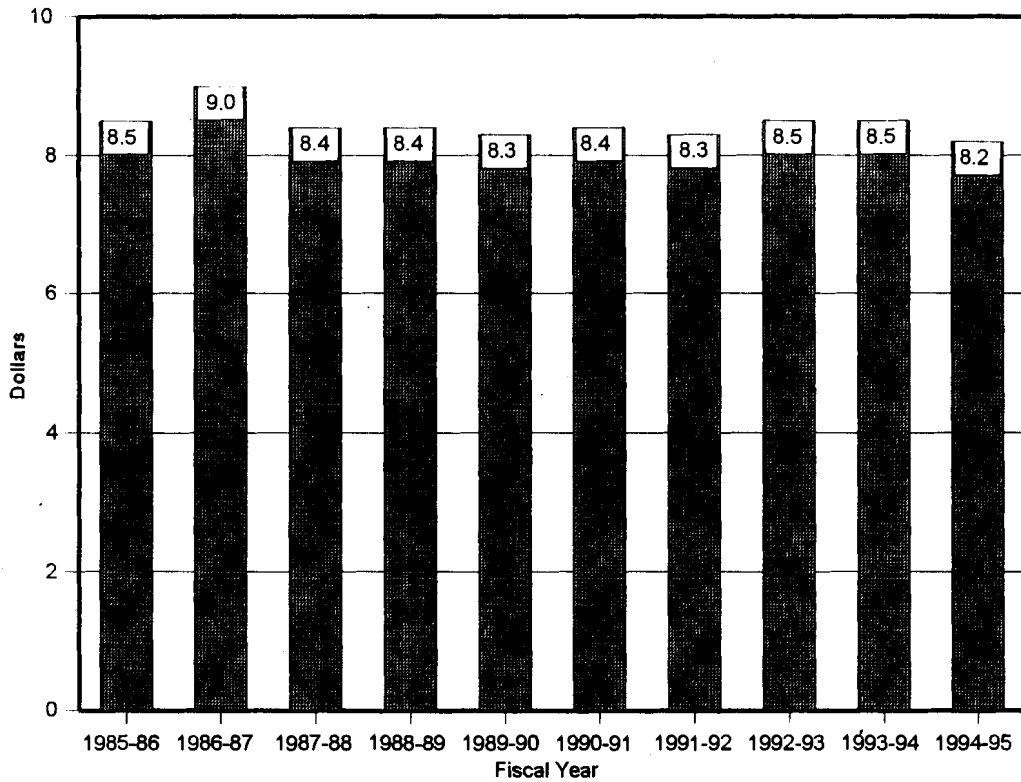
History of Tax Rates:

**Pari-Mutuel Tax Rates
(based on handle)**

Year	Greyhound	Horse Races
1947	5%	5%
1949	5%	5%
1967	5%	3% of first \$200,000 4% excess of \$200,000 but not over \$300,000 5% excess of \$300,000 but not over \$500,000 6% excess of \$500,000
1969	5%	4% of first \$200,000 5% excess of \$200,000 but not to over \$300,000 daily 6% in excess of \$300,000 daily
1979	5%	3.75% commercial 4% nonprofit public fair
1981	4%	4% commercial 5.5% public nonprofit fair
1983	4%	4% commercial 9.5% public nonprofit fair 1.5% nonprofit year-round
1986	4%	4.0% commercial, all wagers; 0.5% on win, place or show 3.5% other wagers 4.0% fair circuit, all wagers; 5.5% on win, place or show 6.0% other wagers 1.0% non-profit year-round, all wagers or cash fee, whichever is greater; 0.5% on win, place or show 3.5% other wagers
1991 1/1 - 6/5	4%	State: 4% of handle Breeders' Awards: 0.50% on exotic
1991 6/6 - 12/31	4.50%	State: .75% of handle (\$3,000 minimum live performance for Class B facilities) CSU Veterinary School: .25% on exotics Owners' and .50% on win, place, and show Breeders' Awards: 1.5% on exotics
1992	1/1 thru 3/10 - 4.50% 3/11 thru 12/31 - 5%	State: .75% of handle (\$3,000 minimum live performance for Class B facilities) CSU Veterinary School: .25% on exotics Owners' and .50% on win, place, and show Breeders' Awards: 1.5% on exotics
1993	5% of gross receipts	Same as above except - State: 0.75% of handle Class B facilities: greater of actual cost of regulation up to \$2,500, or 0.75% of handle
1994	4.5% of gross receipts	Same as 1993

Collections:

**Pari-Mutuel Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

**Calendar Year 1994 Revenue
by Type of Racing**

Greyhound	\$ 7,624,415
Horse Racing	\$ 460,561

Other States: According to the U.S. Department of Commerce, 34 states impose a tax on pari-mutuel betting. For regional states, the taxes are imposed as listed below. Utah does not allow pari-mutuel wagering.

	Greyhound Racing	Horse Racing
Arizona	Small counties: 5.5% on first \$100,000 7.5% over \$100,000 Large counties: 7.5% of handle	2% on first \$1 million in daily handle 5% over \$1 million in daily handle
Kansas	Based on takeout and years of track operation: Effective Rate: win, place, and show: 3.0% - 3.5% Exotics (maximum rate): 3.5% - 3.7%	3% to 6% of total amount wagered
Nebraska	No greyhound racing	0% – up to \$10 million/year 2.5% – \$10 million-\$80 million 4% – over \$80 million
New Mexico	No greyhound racing	2.1875% with the following conditions: 0.0625% to 1.375% for owners/ breeders fund
Oklahoma	No greyhound racing	2% of handle No tax at fair meets Breeder's fund receives 0.5% to 1.5% of handle depending on annual handle and type of wager.
Wyoming	No greyhound racing	1.5% of the handle .4% Owners/breeders fund

Note: Arizona and New Mexico offer tax breaks for capital improvement expenditures. New Mexico offers a tax break for promotional expenses.

Passenger-Mile Tax

Enacted: 1931.

Statutory Citation: Section 42-3-123 (18), C.R.S.

Tax Base: Passenger miles traveled by passenger buses.

Present Rate: The tax rate is one mill per passenger-mile. Passenger miles are determined by multiplying the actual number of revenue passengers carried by each motor vehicle by the number of miles carried. In lieu of paying the passenger-mile tax, passenger buses may obtain a temporary certificate of public convenience and necessity for a fee of \$10. Passenger buses registered in another state making occasional trips to Colorado may obtain a trip permit for a \$25 fee or the amount of the passenger-mile tax due, whichever is greater.

Exemptions: The tax does not apply to passenger service rendered within a city, city and county, or incorporated town by a company that engages in the mass transit of persons by bus or trolley coach.

Administration and Collection: Department of Revenue.

Collection Period: On or before the 25th day of each month for miles traveled the preceding month.

History of Tax Rates: The tax rate has not changed since first imposed in 1931.

Disposition of Revenue: Revenues are credited to the Highway Users Tax Fund (see page 11).

Collections: The tax has been collected with the gross ton-mile tax and is not accounted for separately. The Department of Revenue estimates that revenues from this tax are approximately \$400,000 per year.

Sales and Use Taxes

I. Sales Tax

Enacted: 1935.

Constitutional and Statutory Citations: Article XXIV, Colorado Constitution; Title 39, Article 26, Part 1, C.R.S. — State; Title 29, Article 2, Part 1, C.R.S. — Local.

Tax Base: Gross receipts from sales of tangible personal property are subject to the sales tax, unless specifically exempted by statute.

Present Rate: The state rate is three percent on taxable sales. State statutes (29-2-108, C.R.S.) limit the total state, county, and municipal sales tax to seven percent except that the rate may be eight percent if necessary to allow a county to impose a one percent sales tax. Thus, a four percent municipal levy, in conjunction with the three percent state levy, could not prohibit a county from levying a one percent tax. The statutory limit does not apply to home rule municipalities. The sales tax of the Regional Transportation District (RTD), the Denver Metropolitan Major League Baseball Stadium District, the Scientific and Cultural Facilities District (SCFD), local tourism taxes, and county local improvement districts are not included in the statutory limit on sales taxes.

Administration and Collection: The Department of Revenue administers all state sales taxes collected by merchants. The department also administers sales taxes for 155 municipalities, 42 counties, the Regional Transportation District, the Scientific and Cultural Facilities District, the Denver Metropolitan Major League Baseball Stadium District, and two local improvement districts. There are 46 home rule cities that collect and administer their own sales tax.

Collection Period: Taxes from large taxpayers (liabilities greater than \$300 per month) are collected monthly and are due by the twentieth day of the month following collection. Taxes from small taxpayers are collected quarterly and are due by the twentieth day of the month following the close of the calendar quarter. Retailers are entitled to retain 3.33 percent of the taxes to cover collection expenses.

History of Tax Rates:

1935	1965	May 1, 1983 through July 31, 1984	Since August 1, 1984
2%	3%	3.5%	3%

Disposition of Revenue: Old Age Pension Fund, as required by the Colorado Constitution; Aviation Fund as required under House Bill 91-1028; and General Fund. (See page 10 for OAPF, page 5 for General Fund, and page 17 for Aviation Fund.).

Sales and use tax diversion "Noble Money:" During the 1980s, seven percent of sales and use taxes (estimated to be attributable to the sales or use of motor vehicles and related items) were transferred to the highway users tax fund. House Bill 1350, 1987 session, abolished the sales tax diversions and allocated state income tax revenues (not to exceed \$40 million) attributable to federal tax reform to the HUTF for FY 1988. The transfer was to have been made after meeting the state's fiscal reserve requirement and fund paybacks.

Exemptions:

The following sales transactions have been excluded from the state sales tax (see Sections 39-26-102 (10), 39-26-203, and 39-26-114, C.R.S.):

- food marketed for consumption as is commonly sold by grocers and sales of food purchased with food stamps;
- electricity, coal, wood, gas, fuel oil, or coke sold, but not for resale, to occupants of residences for light, heat, and power of a residence;
- cigarettes;
- all commodities subject to use taxes;
- special fuel defined as diesel, kerosene, liquified petroleum gases, and natural gas;
- sales tax paid on the amount of the federal excise tax for lubricating oil used other than in motor vehicles (subject to refund from the Department of Revenue);
- gasoline;

- drugs dispensed by prescription;
- insulin dispensed by a physician;
- glucose used for treatment in insulin reactions;
- urine and blood testing kits;
- insulin measuring and injecting devices including hypodermic syringes and needles;
- prosthetic devices;
- wheelchairs and hospital beds;
- corrective eye glasses, contact lenses, and hearing aids;
- therapeutic devices or appliances which are used to treat or correct a disability or when recommended by a doctor;
- sales of drugs or materials furnished by a doctor as part of professional services provided to a patient;
- sales to the federal government, the state of Colorado, and its political subdivisions;
- sales to charitable organizations;
- 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;
- 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;
- transfer of 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;

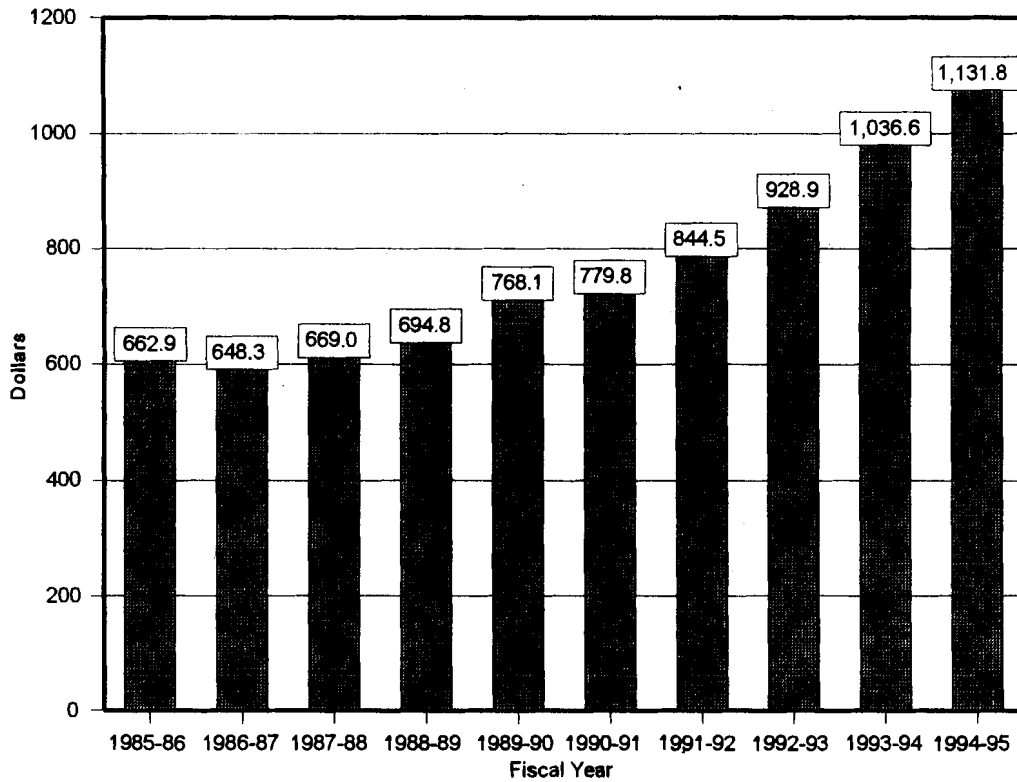
- transfer of assets from a subsidiary to a parent corporation when the parent corporation owns at least 80 percent of the subsidiary;
- transfer of a partnership interest;
- transfer of reorganization;
- transfer of assets to a partnership for interest in the partnership;
- repossession of property by a chattel mortgage holder or foreclosure;
- transfer of assets between parent corporation and closely-held subsidiary which are owned by the same shareholders;
- purchases of machinery or machine tools in excess of \$500 by a person engaged in manufacturing in Colorado;
- purchases of machinery or machine tools in excess of \$500 by a person engaged in manufacturing, including mining, and to be used solely in an enterprise zone;
- materials for the construction or repair of machinery or machine tools in excess of \$500 for use in enterprise zones;
- sales of bags or containers to a retail vendor of food which are to be furnished to a consumer;
- newspapers and preprinted newspaper supplements;
- newsprint and printer's ink;
- property purchased by a business for manufacture or for resale;
- sales of electricity, coal, gas, fuel oil, coke, steam, 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;

- construction and building materials of railroads used in construction and maintenance of railroad tracks;
- personal property purchased in another state by a Colorado resident in amounts of \$100 or less;
- transfer of property to out-of-state vendee for use in selling products normally sold at wholesale by the corporation;
- 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;
- the part of the trade of one vehicle for another that does not involve financial consideration if both vehicles are subject to licensing in Colorado;
- neat cattle, sheep, lambs, poultry, swine, goats, and mares and stallions for breeding;
- live fish for stocking;
- farm close-out sale when an operation is being abandoned;
- livestock feed, seed, and orchard trees;
- straw and other bedding for livestock use and for the care of poultry;
- leases of personal property for three years or less if 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;
- forty-eight percent of the purchase price of a factory built home on the purchase of a new home only;
- retail sales within a distance of 20 miles within the boundaries of this state to residents of adjoining states if the adjoining state has no sales tax (note: all adjacent states currently impose a sales tax);
- sales in vending machines and honor boxes under 15 cents;

- direct mail advertising materials distributed in Colorado by a person engaged solely in that business;
- 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;
- aircraft used in interstate commerce;
- aircraft parts;
- meals to employees which are considered part of their salary; and
- property affixed to railroad rolling stock and locomotives.

Collections:

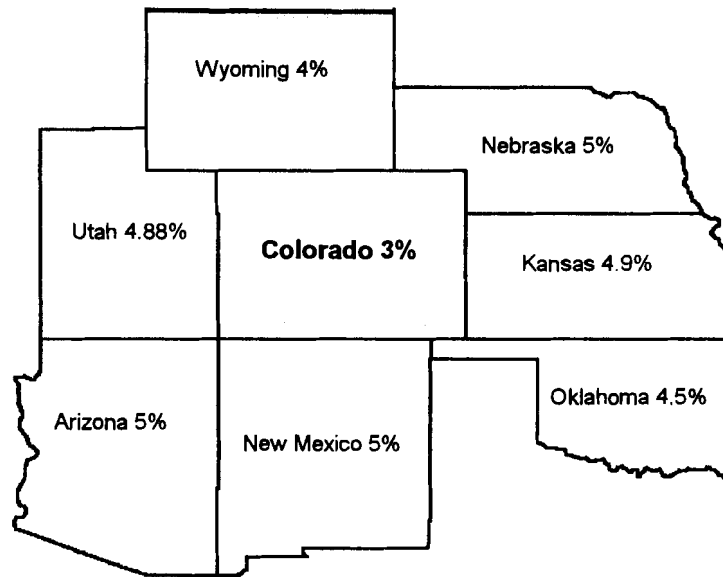
**Sales Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Other States: Currently, 45 states impose sales taxes; 25 states and the District of Columbia exempt food and all but two states exempt prescription drugs from the tax. Colorado has the lowest state-imposed sales tax rate at three percent. The highest state-imposed rate is seven percent in Mississippi and Rhode Island. Forty-two states, including Colorado, allow for local sales taxes. The five states without a state sales tax are Alaska, Delaware, Montana, New Hampshire, and Oregon.

State Sales Tax Rates and Food and Prescription Drug Exemptions in Neighboring States



State	Local Taxes Allowed	Food Exemption	Prescription Drugs Exemption
Arizona	Yes	Yes (exempt)	Yes (exempt)
Kansas	Yes	No	Yes
Nebraska	Yes	Yes	Yes
New Mexico	Yes	No	No
Oklahoma	Yes	No	Yes
Utah	Yes	No	Yes
Wyoming	Yes	No	Yes

Source: Commerce Clearing House, *State Tax Guide*; July 1995.

II. Use Tax

Enacted: 1937.

Statutory Citations: Title 39, Article 26, Part 2, C.R.S. — State Use Tax.
Title 29, Article 2, Part 1, C.R.S. — County or Municipal Sales or Use Tax.

Tax Base: Use taxes are collected on receipts from charges or costs of storing, using, or consuming articles of tangible personal property purchased at retail.

Present Rate: The state rate is three percent. Local governments may impose, with voter approval, additional taxes as long as the combined state, county, and city rate does not exceed seven percent. However, the seven percent limitation cannot prohibit a county from levying a one percent tax.

Administration and Collection: Department of Revenue.

Collection Period: Taxes are collected monthly when the cumulative tax due at the end of a month is in excess of \$300. The tax is due before the twentieth day of the following month.

History of Tax Rates:

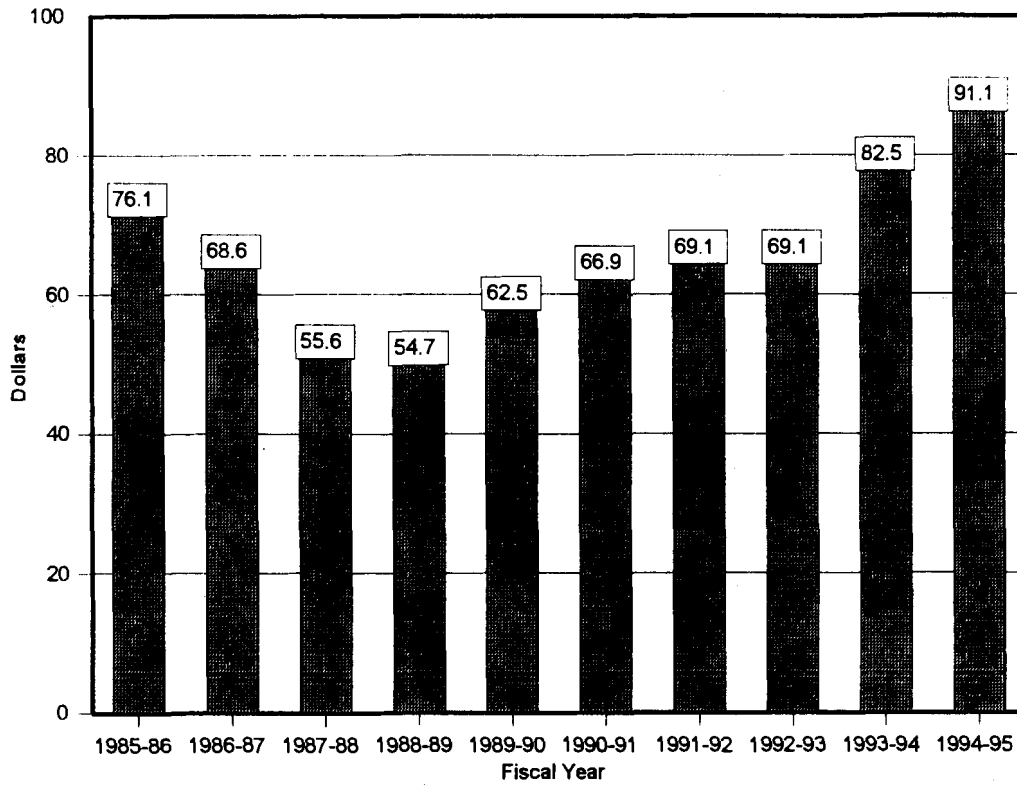
1937	1965	May 1, 1983 through July 31, 1984	Since August 1, 1984
2%	3%	3.5%	3%

Disposition of Revenue: After the requirements of the Old Age Pension Fund have been satisfied, the remainder is credited to the General Fund.

Exemptions: Items exempt from state sales tax are also exempt from the state use tax (see sales tax exemptions, beginning on page 65).

Collections:

**Use Tax Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Other States: See "Other States" discussion of sales tax on page 70.

Severance Tax

Enacted: 1977.

Statutory Citation: Title 39, Article 29, C.R.S.

Tax Base: The severance tax is imposed on the production or extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal.

Present Rate: The tax rates, their methods of application, and any exemptions or credits vary with the different types of materials extracted.

Metallic Minerals. The tax is based on the gross income, defined as the value of the mineral upon extraction. It does not include any value added by processing. The rate is as follows:

Gross Income	Tax Rate
First \$11 million	exempt
Over \$11 million	2.25%

A credit of up to 50 percent of the tax liability is allowed for payment of property tax.

Molybdenum. The severance tax on molybdenum ore is as follows:

Date	Tax
Prior to January 1, 1986	15 cents per ton
On or after January 1, 1986	5 cents per ton

Oil and Gas. Crude oil, natural gas, carbon dioxide, and oil and gas are also taxed on the net gains of the producer for the sale of the oil or gas. Net gains are defined as gross lease revenues less transportation, manufacturing and processing costs. Adjustment of the calculation is allowed for cases in which the producer sells the oil or gas to a related party resulting in a sales price which is lower than the market rate.

Gross Income	Rate
Under \$25,000	2%
\$25,000 but under \$100,000	\$500 plus 3% in excess of \$ 25,000
\$100,000 but under \$300,000	\$2,750 plus 4% in excess of \$100,000
\$300,000 and over	\$10,750 plus 5% in excess of \$300,000

Oil from a well producing ten barrels of oil or less per day is exempt from the severance tax. A credit against the severance tax is allowed equal to 87.5 percent of all property taxes paid, except those imposed on equipment and facilities used for production, transportation, and storage. This credit is not allowed for wells producing ten barrels or less per day.

Coal. The rate of the severance tax on coal is 36 cents per ton. Modifications of this tax rate are also specified in statute. For every 1½ percent decrease or increase in the U.S. Department of Labor's Producer Price Index, the rate is correspondingly increased or decreased by 1 percent. Such determinations are made by the executive director of the Department of Revenue. The coal tax rate was indexed until December 1992. Under provisions of the TABOR amendment, the rate will not be increased. It may be decreased. The current rate of tax imposed on coal is 54 cents per ton.

Until July 1, 2000, the first 25,000 tons extracted in each yearly quarter are exempt from taxation and, after that date, the first 8,000 tons extracted per quarter will be exempt. The rate and amount exempted after July 1, 2000, will return to the same levels as before July 1, 1988.

A credit of 50 percent of the tax imposed is allowed for coal produced by underground mines and for lignite coal.

Oil Shale. Oil shale is taxed at four percent of gross proceeds. The term "gross proceeds" means the value at the point of extraction with direct and indirect expenditures for equipment, machinery, transportation, refining, and royalties deducted from the value prior to taxation. The tax is also reduced based upon the length of time an oil shale facility has been operating.

Years Operating	Reduction	Actual Rate
First Year	75%	1%
Second Year	50%	2%
Third Year	25%	3%
Fourth and Succeeding Years	None	4%

Also, the first 15,000 tons per day of oil shale or the first 10,000 barrels of shale oil per day, whichever is greater, is exempt.

Exemption for Impact Assistance: A credit is allowed against a company's severance tax liability for the amount of approved contributions by that company to local governments toward mitigating the social and economic impact of beginning or expanding mineral development activities. The credit may not exceed any year's severance tax liability but any excess may be carried forward. Additional credits are allowed for each month such payments to local governments precede their due date.

Administration and Collection: Department of Revenue.

Collection Period: Annually, on or before the fifteenth day of the fourth month following the end of the taxable year. (Except for molybdenum which must be filed by the 15th day of the month following the end of a quarter.)

History of Tax Rates: In 1953, an additional income tax was levied on income derived from the extraction of crude oil and natural gas. The rate was the same as the current rate under the severance tax. In 1977, the tax was made part of the severance tax article.

Disposition of Revenue: Revenues are dedicated 50 percent to the state severance tax fund and 50 percent to the Local Government Severance Tax Fund. (See page 14 for discussions of these funds.)

Collections:

**State Severance Tax Receipts
(\$ in millions)**

Fiscal Year	Oil and Gas Production	Coal	Metallic Minerals and Molybdenum	Total Collections	Percent Change
1985-86	\$11.6	\$9.1	\$1.0	\$21.7	
1986-87	5.0	6.1	0.5	11.6	-46.5%
1987-88	7.3	7.8	0.2	15.3	31.9%
1988-89	15.2	6.0	0.4	21.6	41.2%
1989-90	8.5	5.4	0.5	14.4	-33.3%
1990-91	15.6	5.8	0.5	21.9	52.1%
1991-92	10.4	5.3	0.4	16.1	-26.5%
1992-93	13.5	8.3	0.5	22.3	38.5%
1993-94	6.5	8.6	0.0	15.1	-32.3%
1994-95	1.6	8.8	0.3	10.7	-29.1%

Source: Department of Revenue, Cash Basis.

Other States: Thirty-eight states impose some form of a severance tax. These taxes are imposed on a variety of natural resources including coal, timber, and mineral resources. The tax may also apply to resources that are unusual or limited to certain states, e.g., fish in Alaska, salt in Kansas, molybdenum in Colorado and New Mexico, or freshwater mussels in Louisiana.

Tobacco Products Tax

Enacted: 1986.

Statutory Citation: Title 39, Article 28.5, C.R.S.

Tax Base: The tax on tobacco products applies to smoking and chewing tobaccos, such as cigars, pipe tobacco, cheroots, stogies, snuff, and plug or twist tobacco. Cigarettes are not included as they are subject to the cigarette tax. Distributors are permitted to keep 3.33 percent of the collections to cover the expenses of collection and reporting.

Present Rate: The tax is 20 percent of manufacturer's list price, the invoice price paid by the distributor to a manufacturer or supplier. These products are also subject to state and local sales and use taxes.

Administration and Collection: Department of Revenue.

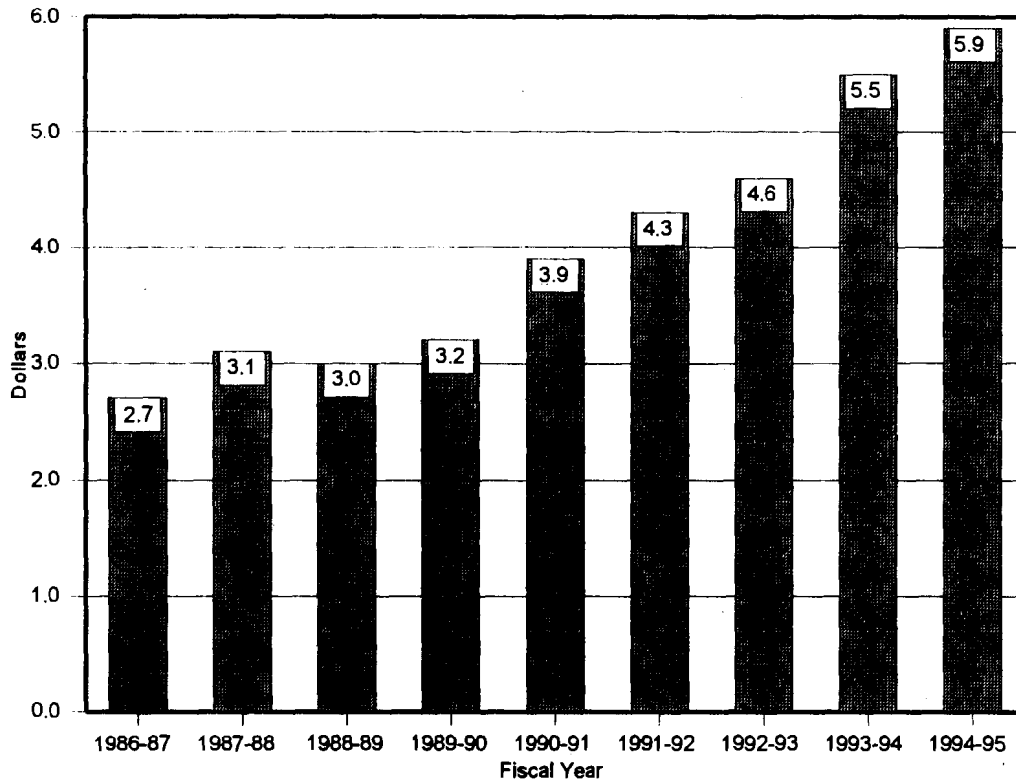
Collection Period: Distributors file a return every quarter containing the amount of tobacco products purchased during the preceding quarter and the amount of tax due. Taxes are paid by the tenth day of the month following the quarterly report.

History of Tax Rates: Not changed since tax became effective July 1, 1986.

Disposition of Revenue: Fifteen percent of the revenue is credited to the General Fund and 85 percent to the Old Age Pension Fund. After the requirements of the Old Age Pension Fund have been satisfied, the remainder is credited to the General Fund.

Collections:

**Tobacco Products Receipts
(\$ in millions)**



Source: Division of Accounts and Control.

Other States: Thirty-four other states levy a tax on tobacco products in addition to the cigarette tax. Wyoming is the only neighboring state that does not impose a tobacco products tax. The rates for neighboring states imposing the tax are listed on the following page.

Tobacco Products Taxes in Neighboring States

State	Rate
Arizona -- Tobacco and snuff -- Cavendish, plug or twist -- Cigars small cigars 5 cents each or less cigars over 5 cents	6.5 cents per ounce 1.6 cents per ounce 12.9 cents each 20 cigars 6.4 cents each 3 cigars 6.4 cents each cigar
Kansas	10% of wholesale price
Nebraska	15% of purchase price
New Mexico	25% of product value
Oklahoma -- Cigars under 3 lbs. per 1,000 -- Cigars over 3 lbs. per 1,000 and with MSRP of 4 cents or less -- All other cigars -- Smoking tobacco -- Chewing tobacco	0.9 cents per cigar 1 cent per cigar \$30 per 1,000 40% of factory list price 30% of factory list price
Utah	35% of sales price

Source: Commerce Clearing House, *State Tax Guide*, July 1995.

Federal Tax:

Snuff	24 cents per pound
Chewing Tobacco	8 cents per pound
Small Cigars (weighing less than 3 pounds per 1,000)	75 cents per thousand
Large Cigars (weighing more than 3 pounds per 1,000)	8.5% of wholesale price

Unemployment Insurance Tax

Enacted: 1936.

Statutory Citation: Title 8, Article 76, C.R.S.

Tax Base: The tax is applied to a portion of the wages paid by public and private employers subject to the act. Exemptions, outlined in statute, exclude a limited number of types of employers from coverage.

The tax is applicable to the first \$10,000 of annual earnings paid each employee.

Present Rate: For new employers the standard rate of taxation is 2.7 percent of the employees' taxable wages and the state average tax rate for experienced employers is 1.4 percent of taxable payrolls. Employers newly subject to this tax may pay taxes at the standard rate or at the actual experience rate, whichever is greater. After a designated length of time, individual employers become eligible for a computed rate which is based on the employer's experience rating and the balance in the Unemployment Insurance Trust Fund.

A tax surcharge may be added based on the amount of benefits paid which are not effectively charged to any active employer. Benefits are not effectively charged when they are charged to the account of an employer who is already paying the maximum rate or who has gone out of business.

Employers are also subject to the federal unemployment tax. Receipts from this tax are used to pay the administrative costs of unemployment insurance programs.

Administration and Collection: Division of Employment and Training, Department of Labor and Employment.

Collection Period: Taxes are payable quarterly by each employer for each calendar year in which the employer is subject to the tax. The funds are credited to the unemployment insurance trust fund.

History of Tax Rates: The standard employer contribution rate in 1936 was 10.8 percent of one month's wages, provided the rate was less than 0.9 percent of the annual payroll for the calendar year. In 1937, a uniform contribution rate of 1.8 percent per calendar year on a taxable wage base (\$3,500 in 1937) was established; the rate was raised to 2.7 percent in 1938. In 1972, the rate was lowered to 1 percent, but was changed back to 2.7 percent in 1976.

An experience rating system was adopted in 1941 which permits qualifying employers to pay less than the maximum rate. Effective 1984, employers newly subject to the tax could be taxed at the standard rate, at the actual experience rate, or at an assigned average industry rate, whichever is greatest. Effective 1992, the assigned average industry rate was changed to apply only to the construction industry.

**Taxable Wage Base for
Colorado Unemployment Insurance Tax
(Changes from 1936 — 1988)**

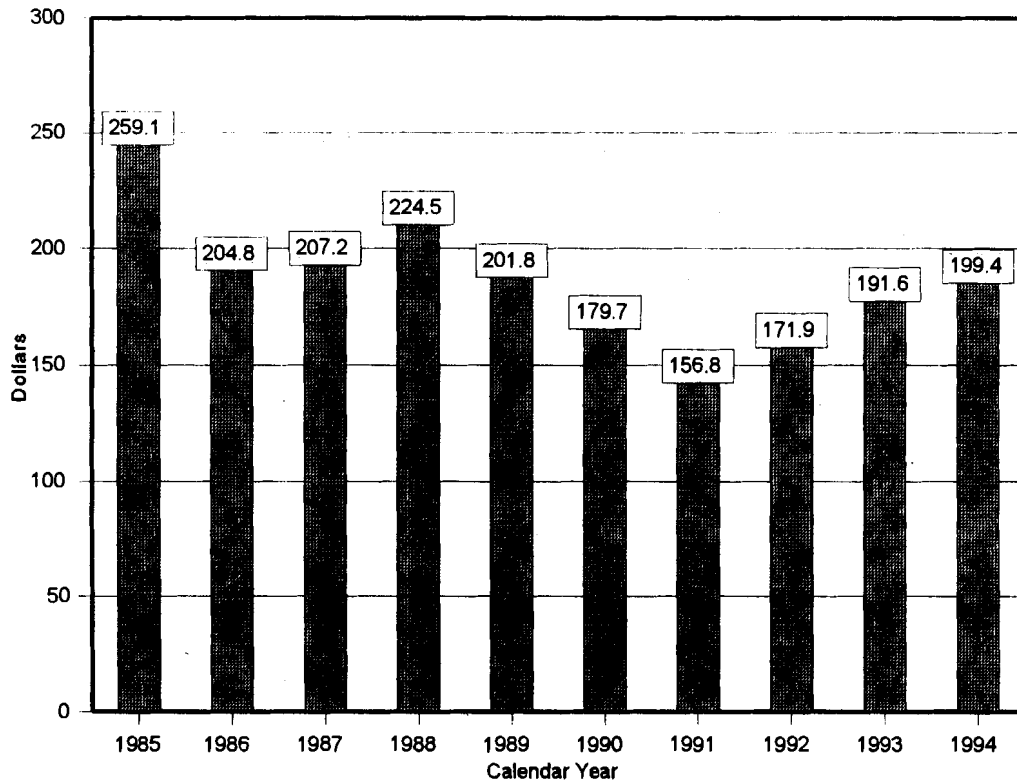
1936	1974	1978	1983	1984	1987	1988
\$3,500	\$4,200	\$6,000	\$7,000	\$8,000	\$9,000	\$10,000 ¹

1. House Bill 1012, 1986 session, provided that the taxable wage would increase from \$9,000 to \$10,000 on January 1, 1988, if the trust fund resources were less than \$350 million on June 30, 1987. The trust fund was less than the required amount, resulting in the automatic increase in the taxable wage base.

Disposition of Revenue: Revenue credited to the unemployment insurance trust fund is withdrawn only to pay unemployment benefits.

Collections:

**Unemployment Insurance Tax Receipts
(\$ in millions)**



• Estimated collections.

Source: Division of Employment and Training, Department of Labor and Employment.

Other States: All 50 states administer this tax as required by the federal government.

IV. LOCAL TAXES

Article X, Section 7, of the Colorado Constitution empowers the General Assembly to vest the power of taxation in the state's political subdivisions. Article XX, Section 6, establishes home rule cities and towns and provides them broader taxation powers than for statutory cities and towns. County home rule authority was created in Article XIV, Section 16 of the Colorado Constitution. Municipalities may not impose income taxes because the General Assembly has the exclusive power in this area of taxation (Article X, Section 17).

Specific constitutional and statutory citations have been presented for each tax where applicable. Brief descriptions of the tax and their rates are also provided. Information pertaining to the types of taxes levied in cities and the rates imposed is from the Colorado Municipal League's *Municipal Taxes*, 1992 edition. These data have been updated when available. Department of Revenue data was used for rates of sales and use taxes for the cities and counties; that information is current as of July 1, 1995.

Accommodations or Lodger's Tax

Constitutional and Statutory Authority: Article XX, Colorado Constitution.

Description of Tax: This tax is usually applied to the price for renting or leasing of accommodations for less than 30 consecutive days. Some home rule cities impose a separate lodger's tax and others impose their sales tax.

Rates: In 1992, 185 cities reported imposing the city sales tax or an equivalent rate, while 27 cities reported levying rates in addition to their sales tax rates (latest available data).

Admissions Tax

Constitutional and Statutory Authority: Article XX, Colorado Constitution.

Description of Tax: An admissions tax is imposed on the charge for admission to places or events open to the public. It is usually expressed as a percentage of such charge. The tax is collected when the ticket is sold to an entertainment, athletic event, theater, or ski lift. Some cities apply their sales tax to admission fees while others impose a separate admissions tax. The Supreme Court of Colorado has ruled that non-home rule (statutory) cities do not have the authority to levy an admissions tax (City of Sheridan v. City of Englewood, 609 P.2d 108 (1980)).

Rates: Thirty-five municipalities reported admissions taxes, ranging from 2 to 15 percent in 1992 (latest available data).

County Lodging Tax

Constitutional and Statutory Authority: Article XX, Colorado Constitution; Section 30-11-107.5, C.R.S.

Description of Tax: Senate Bill 23, 1987 Session, authorizes counties to impose a county lodging tax in municipalities and unincorporated parts of a county, subject to voter approval. The tax does not apply in municipalities already levying a lodging tax but cities may voluntarily abandon their lodging tax ordinances to create a uniform county lodging tax. Tax revenues are earmarked for advertising and marketing local tourism and are exempt from the seven percent sales tax limitation. Counties may impose the tax on charges to persons for rooms or accommodations.

Rate: The statutory limit is not more than two percent on the price charged for rooms or accommodations. Twenty-two counties impose a county lodging tax. As of July 1, 1995, 19 counties impose a county lodging tax of 1.9 percent. In addition, the rate is 0.9 percent in Bent County, 1.8 percent in Grand County, and 2.0 percent in San Miguel County.

Prior to the repeal of the Colorado Tourism Promotion Fund Tax on July 1, 1993, the combined tax rate of any county lodging tax and the Colorado Tourism Promotion Fund Tax was limited to 2.1 percent. Although the statutory limit for the county lodging tax was 2.0 percent, the maximum rate was set at 1.9 percent to accommodate the 0.2 percent Colorado Tourism Promotion Fund Tax rate. Since Section 20 of Article X of the Colorado Constitution requires voter approval to increase the rate of an existing tax, the county lodging tax will remain at current rates unless increases are approved by the registered voters of a county.

Limited Gaming

(For additional information, see "Gaming Taxes" beginning on page 29 of the "State Taxes" section of this report.)

Constitutional and Statutory Authority: Article XVIII, Section 9, Colorado Constitution; Article 47.1, Title 12, C.R.S. (Senate Bill 91-149).

Description of Tax: A tax is imposed on the adjusted gross proceeds (gaming revenue after prizes are paid out) of gaming permitted in Central City, Black Hawk, and Cripple Creek. In addition, gaming establishments are required to pay various fees and licenses, as well as annual device fees. Gaming has been lawful in these cities since October 1, 1991.

Rates: Pursuant to Section 12-47.1-302, C.R.S., the Colorado Limited Gaming Control Commission is authorized to establish and collect fees and taxes upon persons, licenses, and gaming devices used in, or participating in limited gaming. For fiscal year 1994-95, the tax rate upon adjusted gross proceeds was 2.0 percent on the first \$2.0 million; 8.0 percent on the excess of \$2.0 million to \$4.0 million; 15.0 percent on the excess of \$4.0 million to \$5.0 million; and 18.0 percent on the excess of \$5.0 million. In addition, an annual device fee of \$75 per slot machine or gaming table was imposed, as well as additional fees and licenses of at least \$2,500 per gaming establishment.

Revenues: For the fiscal year ending June 30, 1995, total gaming revenues were \$44,885,684. This included \$43.8 million in gaming taxes, \$912,000 in license fees, \$1,120,000 in device fees, and \$43,935 in fees for background investigations, application fees, and other revenue sources. After expenditures for the Division of Gaming and other indirect costs and passthrough expenses, a total of \$41,672,668 was available for distribution.

Disposition of Revenue: As of June 30, 1995, the Division of Gaming had \$41,672,668 available for distribution from the Limited Gaming Fund. These moneys were allocated as follows:

Distribution from the Limited Gaming Fund, FY 1995

	Dollar Amount	Percent of Total
State General Fund	\$17,013,267	40.8%
Contiguous County Limited Gaming Impact Fund	2,325,995	5.6%
Municipal Impact Fund Woodland Park (\$312,545) Victor (\$104,182)	416,727	1.0%
Colorado Department of Transportation	997,000	2.4%
Tourism Promotion Fund	83,345	0.2%
State Historical Fund	11,668,347	28.0%
City of Black Hawk (\$2,155,457) City of Central City (\$982,548) City of Cripple Creek (\$1,029,262) City Total	4,167,267	10.0%
Teller County (\$3,765,605) Gilpin County (\$1,235,115) County Total	5,000,720	12.0%
Total	\$41,672,668	100.0%

Administration and Collection: Division of Gaming, Department of Revenue.

Occupational Taxes

I. General

Constitutional and Statutory Authority: Article XX, Colorado Constitution; Section 31-15-501, C.R.S.

Description of Tax: Occupational or business taxes are imposed for the privilege of carrying on certain occupations within the taxing jurisdiction. The tax may be applied to all or selected types of businesses or professions in a community. Although the most common form is an annual flat fee, the rate may be based on a graduated scale, for example, on the number of employees. Specific occupational taxes may be imposed on businesses selling liquor or on public utilities. However, the state Supreme Court has held that an occupation tax cannot be based on gross sales as this tax base would represent an unconstitutional form of an income tax.

Municipalities Levying General Occupations Tax and Tax Rates: Please see the 1992 *Tax Handbook* for a list of municipalities that levy occupational or business taxes.

II. Liquor and Beer Occupation Tax

Constitutional and Statutory Authority: Article XX, Colorado Constitution, Section 31-15-501, C.R.S.

Description of tax: Numerous cities impose a privilege tax to permit the sale of liquor and beer by various establishments and at special events. In 1991, 90 cities reported imposing this tax (latest available data). Annual fees ranged from \$100 to \$3,650.

Number of Municipalities Levying Tax and Range of Taxes: Please see the 1992 *Tax Handbook* for a distribution of the types of liquor and beer licenses.

III. Utility Occupational Tax or Franchise Fee

Constitutional and Statutory Authority: Article XX, Section 4, Colorado Constitution; Section 31-32-101, C.R.S.

Description of Tax: A franchise may be required before a public utility may be permitted to operate in a municipality. The franchise fee for a utility is usually a percentage of the utility's gross receipts from business conducted in the municipality. A municipal occupation tax is sometimes assessed on utilities that are not required to obtain municipal franchises. These taxes may be based on a flat rate per account or other flat fee basis.

The latest data collected reported the number of municipal franchises in effect in 1991 as follows: electric, 134 municipalities; gas, 140; cable TV, 148; telephone, 116. Most franchise agreements run for a period of time of 10, 15, or 20 years.

Property Tax

Enacted: 1876.

Constitutional and Statutory Citations: Article X, Sections 3, 4, 5, 6, 11, 15, and 20, Colorado Constitution; Title 39, Articles 1 through 13, C.R.S.

1982 Constitutional Amendment: A 1982 constitutional amendment dictates the three approaches an assessor must use to determine the actual value of a property: 1) cost; 2) market; and 3) income. Amendment 1 of 1992 requires that the actual value for residential property be determined by the market approach only; agricultural land's actual value is determined by the land's earning or productive capacity capitalized at a prescribed rate. The amendment also establishes the rate for the valuation for assessment of residential real property and all other property, except that the valuation for assessment for producing mines and lands or leaseholds producing oil and gas is to be determined by a portion of annual production. The amendment requires the General Assembly to maintain the same ratio of statewide valuation of residential property in relation to other taxable property whenever a change in the level of value occurs. (This provision is known as the Gallagher Amendment.) Exemptions for certain types of property are included in the constitutional amendment. The State Board of Equalization was given the power to order revaluations for counties and enforce conformance with the constitution and the statutory provisions concerning property taxes.

1992 Constitutional Amendment: Amendment No. 1, a constitutional amendment approved by the voters at the November 1992 general election, requires that all local governments must have voter approval in advance for "any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, or extension of an expiring tax, or a tax policy change directly causing a net tax revenue gain to any district." The Notice of Valuation (NOV) is required to be mailed annually, and the property valuation may be appealed annually. Additionally, "past or future sales by a lender or government shall also be considered as comparable market sales and their sales prices kept as public records. Actual value shall be stated on all property tax bills and valuation notices and, for residential real property, determined solely by the market approach to appraisal." Local governments are also authorized to enact cumulative uniform exemptions and credits to reduce or end business personal property taxes. Maximum annual increases in property tax revenues are limited to prior calendar inflation plus annual local growth, adjusted for property tax revenue changes approved by the voters after 1991. Emergency property taxes are prohibited.

Administration:

Property Assessment. The county assessor is responsible for the assessment of most property within the county. Public utilities, airlines, railroads, pipelines, telephone companies, and water companies, however, are assessed at the state level. The board of county commissioners, acting as the county board of equalization, reviews the valuations to raise, lower, or adjust the valuations so that the valuations are just and equalized within the county. The county board also hears appeals that have been denied or refused by the county assessor. The assessor must submit an "Abstract of Assessment" to the state Property Tax Administrator by August 25 of each year. The abstract lists the property valuations by class and subclass for the county. The State Board of Equalization reviews and certifies the abstracts of each county by October 30 of each year. The certified abstract becomes the basis for the tax roll, which is sent to each county treasurer not later than January 10. The county treasurer collects and disperses the property taxes to all taxing entities.

Property Tax Administrator. The property tax administrator, through the Division of Property Taxation, assists and cooperates in administration of property tax laws, and promotes equalization of property valuation in all 63 counties. The division's responsibilities include, but are not limited to:

- investigating taxpayer complaints;
- conducting legislative impact studies;
- providing technical assistance to assessors on valuation and appraisals;
- furnishing expertise to assessors in administration of property tax law;
- providing reappraisal assistance to counties ordered to reappraise;
- conducting an annual assessors school and regional assessment education programs;
- approving applications for exemptions for school, charitable, and religious properties;
- preparing research, manuals, and developing forms and procedures for assessors; and
- appraising and apportioning the value of public utility and rail transportation properties doing business in Colorado.

Uniform Valuation Assessment Enforcement. The 1982 constitutional amendment established procedures to determine whether county assessors have complied with the amendment and other laws. The General Assembly is required to have an assessment study conducted every year. Based on this study, if the State Board of Equalization finds a class or subclass of property is not in compliance with the law, the board can require the county to reappraise the class or subclass. The board may order an independent appraisal at the county's expense if an assessor fails to comply with a board directive ordering a reappraisal. The county is also liable for repaying excess moneys the state paid to local school districts based on reappraised valuations.

Collections: The county treasurer mails tax bills to all property owners as soon as practicable after January 1 following the year the property taxes were levied. If the taxpayer elects to make a single payment for the full amount of taxes, the payment is due by April 30. If the property tax bill is in excess of \$25, two equal installments may be made in lieu of the single payment. The first installment is due no later than February 28 and the second is due by June 15. A penalty of one percent per month is imposed on overdue installment payments until the date of payment or the date of sale of tax liens.

Prepayment of Taxes. Energy development operations and mineral extraction or conversion operations are authorized to prepay property taxes for credit against property taxes to be levied in the future. These prepaid taxes are to be expended on capital improvements which are related to the additional public service demands created by the operations. The taxing entity and the property owner jointly determine the amount of prepayment, not to exceed statutory limits and amounts and intervals of prepayments and credits for prepayments within statutory limits.

Property Valuation:

Property Types. There are two types of property that assessors value for taxing purposes — real and personal. Real property is property that is permanently fixed, such as land and buildings. Everything which is the subject of ownership but is not included within the term real property is considered personal property. Certain items of personal property — household furnishings, freestanding appliances, carpet and drapes, other personal effects, and personal property rented for 30 days or less — are subject to taxation only if they are used to produce income. All other types of tangible personal property are taxable.

Actual Value. The actual value of property reflects the property's worth during a specified period of time. Actual value is determined by three methods of appraisal: the market approach, the income approach, and the cost approach. The market approach compares market sales of similar properties. The cost approach estimates the material and labor costs to replace a similar property. The income approach converts income from rent to an estimate of value. Residential property may be valued by the market approach only. The actual value of farm property is determined by the earning or productive capacity of the land during a reasonable time.

Since 1987, vacant, residential, commercial, industrial, and agricultural property is reassessed every other year in odd-numbered years. The actual value of these property classes (agricultural excluded) is based on the value of the property in the 18 months prior to the July 1 preceding the assessment data. Thus, the 1995 values are based on estimated values as of June 30, 1994. Valuation of agricultural property is based on a moving ten-year average of net farm income. Values of natural resource, mining, oil and gas, and state assessed properties are determined on an annual basis. If sufficient data was not available during the 18-month period, the five-year period prior to the July 1 immediately preceding the assessment date may be used.

The actual value of property arrived at, using the appropriate one-and-one-half-year period and appraisal methods, must be within plus or minus five percent of the current level of value. The assessor must revalue any property that does not meet this requirement.

Reassessment Cycle. The actual value of property is computed based on a two-year reassessment cycle. The data gathering period for the 1995 reassessment was the one-and-one-half-year period prior to July 1, 1994. The two-year reassessment schedule will require revaluation again in 1997. In 1997, the one-and-one-half-year period will be from January 1, 1995, to June 30, 1996.

Assessed Value. The assessed value of property is equal to the actual value multiplied by the appropriate assessment rate. Assessed value for residential real property is computed by multiplying the actual value by the rate set by the 1982 constitutional amendment. However, the 1982 amendment also required that the General Assembly insure that, whenever there is a change in the level of value, the percentage of the total statewide valuation for assessment attributed to residential real property remain the same as in the preceding year. Rate changes made pursuant to Article X, Section 3 are summarized below.

**Residential Assessment Rate Adjustments Since 1982
Percent of Actual Value**

Calendar Year	Rate		Reference
	Residential	Other	
1982-86	21.00%	29% ¹	Constitution
1987	18.00%		H.B. 87-1003
1988	16.00%		S.B. 88-184
1989-90	15.00%		H.B. 89-1288
1991-92	14.34%		H.B. 91-1215
1993-94	12.86%		H.B. 93-1315
1995-96	10.36%		H.B. 95-1136

1. For commercial, industrial, state assessed, vacant land, agricultural land, and natural resources.

Commercial, industrial, vacant land, agricultural land, natural resources, and state assessed property are to be assessed at 29 percent. Classes of property with assessment provisions based on production are oil and gas lands and leaseholds, and producing mines.

Mill. The rate of property taxation for real and personal property is expressed in mills. One mill will generate one dollar of taxes for each \$1,000 of assessed value.

Mill Levy. The local taxing authorities — the governing boards of counties, municipalities, school districts, and special districts — determine a mill levy for their entity each autumn. Except for school districts, a taxing jurisdiction's mill levy is determined by dividing the jurisdiction's budget by its total assessed value. However, each levy is subject to maximum levy limitations provided by law. The levies are then certified by the board of county commissioners.

Each taxpayer is subject to at least two mill levies — county and school district. However, there are many variations among mill levies due to the variety of taxing entities that impose the levies. For example, a city, recreation district, fire protection district, sanitation district, soil conservation district, pest control district, cemetery district, or other authorized special district or any combination thereof, may levy a tax. A taxpayer's property tax bill is determined by the combined mill levy of all the taxing districts in which the property is located. The amount of tax to be paid is determined by multiplying the total mill levy by the property's assessed value.

Communications to Taxpayers. A notice of adjusted valuation (NOV) is mailed annually. This notice states the actual, rather than assessed, value in the current and previous year, and the amount of the change. The NOV also includes the assessment rate to be applied to the actual value to compute assessed value. A form is included with the NOV mailing which, if returned by the property owner, initiates an appeal of the valuation. Under certain circumstances, an estimate of taxes may be included in the mailing.

Any mill levy amounts communicated to a taxpayer must convert the mill levy amount into the amount of dollars per \$1,000 of assessed value.

Exemptions. Article X, Sections 3, 4, 5, and 6, of the Colorado Constitution provide the following exemptions from property taxation:

- household furnishings and personal effects not used to produce income;
- ditches, canals, and flumes used for irrigation;
- property of the state, its political subdivisions, and public libraries;

- property used for religious worship, school property, property used for charitable purposes as defined by statute, and nonprofit cemeteries;
- self-propelled construction equipment and motor vehicles (subject to the specific ownership tax in lieu of the property tax);
- inventories of merchandise held for consumption or sale by a business;
- livestock and agricultural and livestock products;
- agricultural equipment used on a farm or ranch in agricultural production; and
- non-producing unpatented mining claims.

Colorado statutes further clarify and define the constitutional exemptions. Some of the exclusions set forth in statute are:

- nonprofit domestic water companies;
- intangible property, such as stocks and bonds except for state assessed property;
- works of art, such as paintings, mosaics, and unique architectural embellishments loaned to or in the custody of the state or a political subdivision or to a library, art gallery, or museum owned or operated by a charitable organization;
- property owned by a non-profit corporation that provides medical and dental services to needy persons with charges for the services based on the ability to pay;
- computer software, which has been defined as intangible personal property;
- transitional housing for homeless or abused persons, or persons whose incomes are below the poverty line; and
- property used by the state and its political subdivisions under installment sales or lease purchase agreement under which the public entity will own the property without further consideration at the end of the agreement.

The statutes also specify the extent to which religious organizations are exempt from property taxation when their property receives limited rental income or is used for ancillary activities such as day care for children (Senate Bill 237, 1989 Session; Senate Bill 91-228).

Taxation of Possessory Interests in Exempt Properties. When any individual or entity leases, loans, or otherwise uses real property that is exempt from property taxation, the lessee or user of the real property is subject to taxation as if the lessee or user were the owner of the property. Exceptions to this rule have been statutorily established for certain types of possessory interests in exempt real property. The Colorado Supreme Court ruled in 1995 that two of these statutory exemptions were unconstitutional since they were not authorized by Article X of the Colorado Constitution. The two statutory exemptions held unconstitutional involved: 1) Possessory interests in real property furnished by a governmental agency to a contractor under a negotiated contract; and 2) possessory interests in real property owned by a government or public airport authority which is used as a result of a lease of or a concession in or is relative to the use of a public park, market, fairground, or similar property available for use to the general public or which is the result of a lease or concession within the boundaries of a public airport which is directly related to the ordinary function of the airport.

Description of Property Classes:

Residential Property. Mobile homes' valuation for assessment is the same as for other residential property. Mobile homes that are part of a licensed dealer's inventory are exempt. Apartment buildings are classified as residential rather than commercial. Residential property is assessed at a 10.36 percent rate during 1995 and 1996. For a history of the residential assessment rate, please refer to page 92.

State Assessed Property. The property tax administrator determines the actual value of the operating property and plant for each public utility. Public utilities include airline companies, railroads, electric and rural electric companies, telephone and telegraph companies, gas and gas pipeline carriers, domestic water companies selling at retail, pipeline companies, coal slurry pipelines, and private car line companies conducting business in Colorado. Such companies may be sole proprietorships, firms, partnerships, associations, companies, or corporations and the trustees or receivers thereof, elected or appointed.

The administrator is to consider the following factors and weight those factors to obtain a just and fair value of the property:

- tangible property of the plant whether within or both within and outside the state, excluding tangible property that is not directly connected to the utility's business within the state;
- intangible property such as franchises, contract rights and obligations, and rights of way;
- gross and net operating revenues during a time not to exceed the most recent five-year period, capitalized at indicative rates; and
- average market value of previous year's outstanding securities, if determinable.

If the books and records accurately reflect the utility's tangible and intangible property and earnings within Colorado during the most recent five-year period, the administrator may determine the actual value from the records, negating the need to ascertain the entire value within and outside the state.

Public utilities are valued at current value. To establish actual value, a factor is applied to adjust the current year level of value to the utility's level of value on the date used for valuing other properties (the final day of the data gathering period).

Public utility and railroad properties are valued at 29 percent of actual value. Each public utility is to file with the property tax administrator by April 1 of each year information concerning all property, wherever situated, as may reasonably be required to determine the actual value and the apportionment among the several counties.

The property tax administrator allocates to the state that proportion of assessed value which represents the public utility's assessed valuation within the state by using commonly recognized methods of allocation that are just and equitable. The assessed value of public utility property is normally apportioned to each county based on the proportion of gross investment cost in a county relative to gross investment cost statewide. Railroad company property is apportioned based on mainline track mileage. The administrator notifies each county assessor of the amount of public utility assessed valuation in the county, and the assessor enters the amount on the tax rolls.

Natural Resource Property. Mines are divided into two classes — producing and non-producing. Producing mines are metalliferous mines whose gross proceeds during the preceding calendar year exceeded \$5,000. Producing mines are valued for assessment at an amount equal to 25 percent of the mine's gross proceeds. If the net proceeds of a mine exceed 25 percent of the gross proceeds, the valuation for assessment will be the net proceeds. In accordance with a constitutional amendment approved in 1988, non-producing unpatented mining claims are exempt from property taxation. Non-metallic and coal producing mines are assessed in the same manner as other real property (29 percent of actual value). Machinery and equipment, personal property, and improvements other than mining improvements within a mine are valued for assessment separately.

Oil and gas leaseholds and lands are valued for assessment at an amount equal to 87.5 percent of the selling price of oil and gas sold or transported from the wellhead during the preceding calendar year. Oil and gas leaseholds utilizing secondary recovery, tertiary recovery, or recycling projects to conserve oil and gas are valued at an amount equal to 75 percent of the selling price of production during the preceding calendar year. The selling price of oil and gas delivered to the United States or the state and its political subdivisions as a royalty is excluded. Certain surface and subsurface equipment is assessed separately.

Agricultural Property. The actual value of agricultural lands, exclusive of building improvements, is determined by considering the productive capacity of the land over a reasonable period of time, capitalized at a rate of 13 percent.

Tax Deferrals, Credits, Abatements, and Rebates:

Tax Deferral. Persons 65 years or older may defer payment of taxes for an owner-occupied non-income producing home, townhome, mobile home, condominium, or similar structure. The deferral is for one calendar year, but may be continued on an annual basis. The deferred taxes and accrued interest of eight percent per annum are required to be paid if:

- the taxpayer claiming the deferral dies;
- the property is sold or under contract for sale;
- the taxpayer moves for reasons other than ill health;
- the taxpayer begins to rent the property or otherwise receives income from it; or
- the cumulative amount of the deferral plus interest exceeds the market value of the property less the value of any liens.

Severance Tax Credit. Oil and gas companies are allowed a credit against the severance tax equal to 87.5 percent of all property taxes paid except those imposed on equipment and facilities used for production, transportation, and storage. The credit is not allowed for wells producing ten barrels or less per day.

Abatements and Refunds. Property owners may petition for an abatement or refund of taxes for the prior two years if they feel the taxes have been levied erroneously or illegally, due to overvaluation, clerical error, or incorrect levies. If the petition is approved, the owner is entitled to a tax abatement, or if the taxes have already been collected, to a refund. Property owners who appeal their valuations in the initial year are precluded from filing abatement petitions for over-valuation in the following year.

Property Tax/Rent and Heat/Fuel Grants (Rebates) for Elderly and Disabled Persons. Colorado residents who meet the age definitions of elderly or who are disabled may qualify for a property tax/rent grant of up to \$500 and a heat/fuel grant of up to \$160. These grants are in the form of rebates filed with Colorado income tax returns (Title 39, Article 31, C.R.S.).

To qualify as an elderly person, either the husband or wife must be 65 years of age or older or a surviving spouse must be 58 years of age or older. A disabled person does not need to meet the age requirements but must have been disabled for the entire year and shall have received full disability payments from a bona fide public or private plan such as Social Security. A person claiming a grant must have paid property taxes on his personal residence or have paid rent on his living quarters or for a mobile home space. An applicant for a grant may not be claimed as a dependent by any other person for Colorado income tax purposes.

The following income limitations apply to this program:

Single person	less than \$ 7,500
Married couple	less than \$11,200

A grant is not to exceed either the total amount of property taxes paid or 20 percent of the rent actually paid on the residence. Residents of nursing homes are not eligible for a grant for nursing home payments.

The maximum grant is \$500. This amount is reduced by 20 percent for income above \$5,000 for a single person and by 20 percent for income over \$8,700 for a married couple.

Examples for single person:	
(a)	Income of \$5,000 equals a grant of \$500.
(b)	Income of \$6,000 equals a grant of \$300. (\$500 less \$200 or 20% of the \$1,000 of income over \$5,000)
Examples for a married couple:	
(a)	Income of \$8,700 equals a grant of \$500.
(b)	Income of \$10,000 equals a grant of \$240. (\$500 less \$260 or 20% of the \$1,300 of income over \$8,700)

The maximum heat/fuel grant is \$160 per year and may not exceed the actual amount paid for heat and fuel. If the heating bill is included as part of the rental payments, the grant is based on ten percent of the total rent. For persons who pay their own heating expense, the grant is based on the actual expenses for that year up to the \$160 maximum. Percentage reductions are made for individuals whose income is over \$5,000 and for couples whose incomes exceed \$8,700.

The Department of Revenue administers the property tax and heat grant program. The grant can be obtained by completing the Colorado Property Tax/Rent/Heat Rebate Form 104 PTC. The amount refunded by the Department of Revenue in FY 1994-95 was \$12.33 million. Over 37,000 income tax returns requested grants and the average credit allowed was \$333.

A number of municipalities refund a part of the municipal property taxes to senior citizens or to disabled citizens. Interested persons should check with the municipality in which they live concerning the availability of this refund.

Property Tax Work-off Program. This program, enacted in the 1991 session, permits a taxing entity to establish a work-off program whereby persons 60 years of age and older perform work for the entity in lieu of payment of property taxes. The property taxes due must be on the homestead of the taxpayer making application and the property shall not produce income. A local ordinance or resolution to adopt this program shall include procedures for application for the program, the maximum number of persons that may participate, and work verification procedures. The number of hours to be worked is determined by the amount of property taxes divided by the federal minimum wage (House Bill 91-1258).

Revenue Limitations on Property Tax Revenues:

Article X, Section 20 of the Colorado Constitution, passed by voters in 1992, established limitations on the growth of property tax revenue. These limitations are discussed fully in the Introduction portion of this report. A statutory limitation also exists. If this limitation is more restrictive than the constitutional restriction, taxing entities would be required to follow the more restrictive limitation. The following paragraphs describe the statutory limitation.

Colorado law limits taxing entities to revenue increases of 5.5 percent above the previous year's revenue. The limitation may be exceeded for capital expenditures that have been approved by two-thirds of the governing board voting at a public hearing. The public hearing must be advertised in conformance with requirements contained in statute. Other property tax revenues excluded from the limitation include those for payment of bonds, interest, and contractual obligations, reappraisal expenses, and repayment of state equalization payments.

All taxing entities may obtain approval for an excess levy increase from the electorate. Special districts have an additional option; they may submit an excess levy increase to the Division of Local Government for approval.

Property valuations that are excluded when computing the 5.5 percent revenue limitation are:

- annexation or inclusion of additional land and property;
- new construction;
- increased production by a mine if the increase in production causes an increase in the level of services provided;
- previously legally exempt federal property that becomes taxable, if an increase in services is required; and
- a taxing entity may apply to the Division of Local Government to exclude new primary oil and gas production from the revenue limit.

History of Property Tax Revenues:

The state has not imposed a statewide property tax since 1964 although the Colorado Constitution allows a maximum rate of four mills. Article X, Section 20 of the Colorado Constitution approved by the state's voters in 1992, prohibits the imposition of a new state real property tax.

TABLE 4

**Property Tax Revenue for Selected Years by Types of Governmental Units
and Total State Assessed Valuation**

1930-1994¹
(\$ in millions)

Year	State	County ⁴	Municipal	County Public School	General School ²	Special District ³	Total Revenue	Total State Assessed Valuation
1930	\$5.7	\$10.1	\$9.4	\$5.8	\$18.3	--	\$49.2	\$1,586.5
1935	3.3	7.7	7.8	4.8	13.5	--	37.0	1,088.4
1940	4.8	7.1	10.3	3.9	15.5	--	41.7	1,113.0
1945	4.3	10.2	10.1	3.5	19.1	--	47.2	1,219.2
1950	6.4	18.7	14.2	4.5	37.5	--	81.3	1,644.6
1955	10.4	26.0	20.0	8.6	66.2	\$2.4	133.7	2,870.7
1960	7.9	38.0	26.5	25.7	99.2	6.8	204.1	3,582.1
1961	5.4	39.4	25.4	26.7	111.5	7.2	215.5	3,699.7
1962	5.3	35.8	32.3	24.4	126.4	8.1	232.2	3,810.4
1963	5.1	46.2	31.8	25.6	140.5	9.0	258.2	3,924.7
1964	5.2	48.3	33.2	26.7	155.4	9.7	278.5	3,989.8
1965	--	53.3	34.3	27.8	158.4	10.3	284.2	4,087.5
1966	--	55.3	36.0	28.8	174.7	11.2	306.0	4,235.8
1967	--	58.6	37.3	30.5	194.9	12.7	334.0	4,432.6
1968	--	61.7	38.7	32.9	213.9	13.9	361.1	4,661.2
1969	--	63.4	40.9	--	267.1	15.6	387.1	4,908.9
1970	--	72.3	43.6	--	304.1	19.0	439.1	5,158.7
1971	--	83.9	45.3	--	341.6	21.2	492.0	5,464.3
1972	--	87.3	48.9	--	371.7	24.1	532.0	5,984.8
1973	--	104.5	52.9	--	328.8	29.2	515.4	6,688.0
1974	--	122.1	60.6	--	395.1	36.6	614.4	7,490.1
1975	--	143.4	66.5	--	447.2	46.8	703.8	8,435.9
1976	--	155.4	70.9	--	517.3	47.5	791.1	10,058.8
1977	--	165.0	73.3	--	553.3	54.9	846.4	10,689.6
1978	--	180.7	77.9	--	570.1	59.2	888.0	11,586.3
1979	--	202.7	84.5	--	620.9	69.3	977.4	12,460.5
1980	--	239.5	92.4	--	705.4	83.2	1,120.6	13,717.8
1981	--	264.2	99.1	--	757.3	96.8	1,217.4	14,777.1
1982	--	292.5	105.5	--	835.9	116.5	1,350.4	15,730.5
1983	--	347.2	115.5	--	945.1	135.3	1,543.2	17,185.7
1984	--	371.2	121.8	--	996.3	148.8	1,638.1	17,905.1
1985	--	410.9	129.5	--	1,114.4	162.6	1,817.3	18,730.1
1986	--	435.8	138.1	--	1,181.4	187.9	1,943.1	19,215.7
1987	--	445.3	145.5	--	1,251.8	210.2	2,052.7	36,261.1
1988	--	479.5	153.7	--	1,309.8	235.2	2,178.2	31,660.6
1989	--	551.9	113.7	--	1,319.1	246.9	2,231.5	29,132.5
1990	--	560.2	118.0	--	1,315.7	257.9	2,251.8	29,037.6
1991	--	598.4	116.9	--	1,355.1	271.4	2,341.8	28,285.3
1992	--	616.3	117.7	--	1,397.6	275.6	2,407.2	28,490.6
1993	--	621.9	116.5	--	1,396.6	286.9	2,421.9	28,890.9
1994	--	640.6	119.9	--	1,453.5	298.5	2,512.5	29,831.0

1. Division of Property Taxation, *Twenty-Fourth Annual Report, 1994*.

2. Includes General, Capital Reserve, Bond Redemption, and Junior College funds.

3. Special district totals are included in county totals until 1955.

4. City and County of Denver revenues are shown under County totals beginning in 1989.

Real Estate Transfer Tax

Constitutional and Statutory Authority: Article XX, Colorado Constitution.

Description of Tax: The real estate transfer tax is levied at the time real property is conveyed to a purchaser. The tax is analogous to a sales tax on the purchase of real property.

Rates:

Municipality	Rate		Municipality	Rate
Aspen	1.5%		Glendale	1.0%
Avon	2.0%		Gypsum	1.0%
Breckenridge	1.0%		Snowmass Village	0.5%
Crested Butte	1.5%		Telluride	3.0%
Cripple Creek	3.0%		Vail	1.0%
Frisco	1.0%		Winter Park	1.0%

Source: *Municipal Taxes*, 1992 Edition, Colorado Municipal League.

Effective December 31, 1992, new or increased transfer tax rates on real property are prohibited under the Colorado Constitution (Article X, Section 20 (8) (a)).

Sales and Use Taxes

Constitutional and Statutory Authority: Article XX, Colorado Constitution; Title 29, Article 2, C.R.S.

Description of Tax: Many counties and municipalities in Colorado levy a sales tax on the retail sales of tangible personal property and on some services. Colorado law vests with statutory cities and counties the power to impose a sales tax by ordinance. The ordinance must state that the personal property and services taxable are to be the same as those taxed by the state. With three exceptions — machinery or machine tools, residential power, and sales of food for off-premise consumption — counties and statutory cities must exempt the same items as the state. The state Department of Revenue is responsible for the collection, administration, and enforcement of these countywide or municipal sales taxes.

Statutory municipalities and counties are also authorized to levy a use tax. This tax, however, may be imposed only on the storage, use, or consumption of construction and building materials and motor and other vehicles on which registration is required. The collection, administration, and enforcement of a city or county use tax is the responsibility of the local entity. Not all localities impose a use tax.

The imposition of a sales or use tax by a home rule city and the administration and collection thereof has generally been considered a matter of local concern. Home rule cities are required to conform sales tax ordinances or procedures to state law in the following areas:

- statute of limitations relating to the enforcement of sales and use tax collections;
- statute of limitations applicable to refunds of sales and use taxes;
- the amount of penalties and interest payable on delinquent remittances of such taxes;
- the posting of bonds;
- the use of a standard reporting form;
- the dispute resolution process for deficient taxes; and
- use of the same definition of food that the state uses if food is exempted from the local sales tax.

The Department of Revenue, at the request of a home rule city, may administer, collect, and distribute the sales tax of the home rule city. For this to occur, the home rule city's sales tax ordinance must tax and exempt the same items as the state, except for the options noted above of machinery and machine tools, residential power, and food.

State statutes (29-2-108, C.R.S.) limit the total state, county, and municipal sales tax to seven percent except that the rate may be eight percent if necessary to allow a county to impose a one percent sales tax. Thus, a four percent municipal levy, in conjunction with the three percent state levy, could not prohibit a county from levying a one percent tax. The statutory limit does not apply to home rule municipalities. The sales tax of the Scientific and Cultural Facilities District (SCFD), state and local tourism taxes, and county local improvement districts are not included in the statutory limit on sales taxes.

Counties and Municipalities Levying Tax: Presented on the following page are the sales and use tax rates in the cities and counties of the state. The Regional Transportation District (RTD), Scientific and Cultural Facilities District (SCFD), and the Denver Metropolitan Major League Baseball Stadium District taxes are included where applicable.

TABLE 5

SALES TAXES IN COLORADO

Rates for Counties, Municipalities, Special Taxing Districts, and State

County City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
ADAMS 2/		1.30%	4.30%
Arvada (part)	3.21%	1.30%	7.51%
Aurora (part)	3.75%	1.30%	8.05%
Bennett	2.00%	1.30%	6.30%
Brighton (part)	3.75%	1.30%	8.05%
Broomfield (part)	3.75%	1.30%	8.05%
Commerce City	3.50%	1.30%	7.80%
Federal Heights	3.00%	1.30%	7.30%
Northglenn	3.50%	1.30%	7.80%
Thornton	3.50%	1.30%	7.80%
Westminster (part)	3.25%	1.30%	7.55%
ALAMOSA		2.00%	5.00%
Alamosa	2.00%	2.00%	7.00%
ARAPAHOE 2/		0.80%	3.80%
Aurora (part)	3.75%	0.80%	7.55%
Cherry Hills Village	3.50%	0.80%	7.30%
Columbine Valley	3.00%	0.80%	6.80%
Englewood	3.50%	0.80%	7.30%
Glendale	3.50%	0.80%	7.30%
Greenwood Village	3.00%	0.80%	6.80%
Littleton	3.00%	0.80%	6.80%
Sheridan	3.50%	0.80%	7.30%
ARCHULETA		4.00%	7.00%
BACA		0.00%	3.00%
Springfield	2.00%	0.00%	5.00%
BENT		1.00%	4.00%
Las Animas	2.00%	1.00%	6.00%
BOULDER 2/		1.15%	4.15%
Boulder	2.86%	1.15%	7.01%
Broomfield (part)	3.75%	1.15%	7.90%
Erie (part)	3.50%	1.15%	7.65%
Lafayette	3.75%	1.15%	7.90%
Longmont	2.75%	1.15%	6.90%
Louisville	3.375%	1.15%	7.525%
Lyons	3.00%	1.15%	7.15%
Nederland	3.00%	1.15%	7.15%
Superior	2.00%	1.15%	6.15%
Ward	2.00%	1.15%	6.15%
CHAFFEE		2.00%	5.00%
Buena Vista	2.00%	2.00%	7.00%
Poncha Springs	2.00%	2.00%	7.00%
Salida	2.00%	2.00%	7.00%
CHEYENNE		0.00%	3.00%
Cheyenne Wells	2.00%	0.00%	5.00%
Kit Carson	2.00%	0.00%	5.00%

County - City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
CLEAR CREEK		1.00%	4.00%
Empire	3.00%	1.00%	7.00%
Georgetown	3.00%	1.00%	7.00%
Idaho Springs	3.00%	1.00%	7.00%
Silver Plume	3.00%	1.00%	7.00%
CONEJOS		0.00%	3.00%
Antonito	4.00%	0.00%	7.00%
La Jara	2.00%	0.00%	5.00%
Manassa	1.00%	0.00%	4.00%
Romeo	1.00%	0.00%	4.00%
COSTILLA		1.00%	4.00%
Blanca	2.00%	1.00%	6.00%
San Luis	2.00%	1.00%	6.00%
CROWLEY		2.00%	5.00%
Ordway	2.00%	2.00%	7.00%
CUSTER		2.00%	5.00%
Silver Cliff	2.00%	2.00%	7.00%
Westcliffe	2.00%	2.00%	7.00%
DELTA		2.00%	5.00%
Cedaredge	1.50%	2.00%	6.50%
Crawford	2.00%	2.00%	7.00%
Delta	3.00%	2.00%	8.00%
Hotchkiss	2.00%	2.00%	7.00%
Paonia	2.00%	2.00%	7.00%
DENVER, City&Co 2/	3.50%	0.80%	7.30%
DOLORES		0.00%	3.00%
Dove Creek	2.00%	0.00%	5.00%
Rico	2.00%	0.00%	5.00%
DOUGLAS 2/		0.97%	3.97%
Castle Rock	4.00%	0.17%	7.17%
Larkspur	4.00%	0.17%	7.17%
Parker	3.00%	0.97%	6.97%
EAGLE		1.00%	4.00%
Avon	4.00%	1.00%	8.00%
Basalt (Part)	2.00%	1.00%	6.00%
Eagle	4.00%	1.00%	8.00%
Gypsum	2.00%	1.00%	6.00%
Minturn	4.00%	1.00%	8.00%
Red Cliff	3.00%	1.00%	7.00%
Vail	4.00%	1.00%	8.00%

County - City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
ELBERT		0.00%	3.00%
Elizabeth	2.50%	0.00%	5.50%
Kiowa	1.50%	0.00%	4.50%
Simla	2.00%	0.00%	5.00%
EL PASO		1.00%	4.00%
Calhan	2.00%	1.00%	6.00%
Colorado Springs	2.20%	1.00%	6.20%
Fountain	3.00%	1.00%	7.00%
Green Mtn. Falls (part)	2.00%	1.00%	6.00%
Manitou Springs	3.50%	1.00%	7.50%
Monument	3.00%	1.00%	7.00%
Palmer Lake	2.00%	1.00%	6.00%
FREMONT		1.50%	4.50%
Canon City	2.00%	1.50%	6.50%
Florence	2.00%	1.50%	6.50%
GARFIELD		0.25%	3.25%
Carbondale	3.00%	0.25%	6.25%
Glenwood Springs	3.00%	0.25%	6.25%
New Castle	3.00%	0.25%	6.25%
Parachute	3.75%	0.25%	7.00%
Rifle	2.50%	0.25%	5.75%
Silt	3.00%	0.25%	6.25%
GILPIN		0.00%	3.00%
Black Hawk	4.00%	0.00%	7.00%
Central City	4.00%	0.00%	7.00%
GRAND		1.00%	4.00%
Fraser	4.00%	1.00%	8.00%
Granby	4.00%	1.00%	8.00%
Grand Lake	4.00%	1.00%	8.00%
Hot Sulphur Springs	4.00%	1.00%	8.00%
Kremmling	4.00%	1.00%	8.00%
Winter Park	5.00%	1.00%	9.00%
GUNNISON		1.00%	4.00%
Crested Butte	4.00%	1.00%	8.00%
Gunnison	3.00%	1.00%	7.00%
Marble	2.00%	1.00%	6.00%
Mt. Crested Butte	4.00%	1.00%	8.00%
Pitkin	3.00%	1.00%	7.00%
HINSDALE		4.00%	7.00%
HUERFANO		1.00%	4.00%
La Veta	3.00%	1.00%	7.00%
Walsenburg	2.00%	1.00%	6.00%
JACKSON		3.00%	6.00%
JEFFERSON 2/		1.30%	4.30%
Arvada (part)	3.21%	1.30%	7.51%
Broomfield (part)	3.75%	1.30%	8.05%
Edgewater	3.50%	1.30%	7.80%
Golden	3.00%	1.30%	7.30%
Lakewood	2.00%	1.30%	6.30%
Morrison	3.00%	1.30%	7.30%
Mountain View	3.00%	1.30%	7.30%
Westminster (part)	3.25%	1.30%	7.55%
Wheat Ridge	2.50%	1.30%	6.80%

County - City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
KIOWA		0.00%	3.00%
Eads	2.00%	0.00%	5.00%
KIT CARSON		0.00%	3.00%
Burlington	2.00%	0.00%	5.00%
Flagler	2.00%	0.00%	5.00%
LAKE		4.00%	7.00%
LA PLATA		2.00%	5.00%
Bayfield	2.00%	2.00%	7.00%
Durango	2.00%	2.00%	7.00%
Ignacio	2.00%	2.00%	7.00%
LARIMER		0.00%	3.00%
Berthoud	2.00%	0.00%	5.00%
Estes Park	4.00%	0.00%	7.00%
Fort Collins	3.00%	0.00%	6.00%
Loveland	3.00%	0.00%	6.00%
Wellington	2.00%	0.00%	5.00%
LAS ANIMAS		0.00%	3.00%
Trinidad	4.00%	0.00%	7.00%
LINCOLN		2.00%	5.00%
Hugo	2.00%	2.00%	7.00%
Limon	2.00%	2.00%	7.00%
LOGAN		0.00%	3.00%
Sterling	3.00%	0.00%	6.00%
MESA		2.00%	5.00%
Collbran	2.00%	2.00%	7.00%
De Beque	2.00%	2.00%	7.00%
Fruita	2.00%	2.00%	7.00%
Grand Junction	2.75%	2.00%	7.75%
Palisade	1.00%	2.00%	6.00%
MINERAL		2.00%	5.00%
Creede	2.00%	2.00%	7.00%
MOFFAT		2.00%	5.00%
Craig	2.00%	2.00%	7.00%
MONTEZUMA		0.00%	3.00%
Cortez	3.50%	0.00%	6.50%
Dolores	3.50%	0.00%	6.50%
Mancos	3.00%	0.00%	6.00%
MONTROSE		1.00%	4.00%
Montrose	4.00%	1.00%	8.00%
Naturita	2.00%	1.00%	6.00%
Nucla	2.00%	1.00%	6.00%
Olathe	3.00%	1.00%	7.00%
MORGAN		0.00%	3.00%
Brush	3.00%	0.00%	6.00%
Fort Morgan	3.00%	0.00%	6.00%
Log Lane Village	3.00%	0.00%	6.00%
Wiggins	2.00%	0.00%	5.00%

County - City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
OTERO		1.00%	4.00%
Fowler	2.00%	1.00%	6.00%
La Junta	3.00%	1.00%	7.00%
Manzanola	2.00%	1.00%	6.00%
Rocky Ford	3.00%	1.00%	7.00%
OURAY		1.00%	4.00%
Ouray	3.00%	1.00%	7.00%
Ridgway	3.00%	1.00%	7.00%
PARK		0.00%	3.00%
Alma	3.00%	0.00%	6.00%
Fairplay	3.00%	0.00%	6.00%
PHILLIPS		0.00%	3.00%
Haxtun	1.00%	0.00%	4.00%
Holyoke	1.50%	0.00%	4.50%
PITKIN		3.00%	6.00%
Aspen	1.70%	3.00%	7.70%
Basalt (Part)	2.00%	2.00%	7.00%
Snowmass Village	1.00%	3.00%	7.00%
PROWERS		1.00%	4.00%
Granada	2.00%	1.00%	6.00%
Holly	1.00%	1.00%	5.00%
Lamar	3.00%	1.00%	7.00%
PUEBLO		1.00%	4.00%
Pueblo	3.50%	1.00%	7.50%
RIO BLANCO		2.00%	5.00%
RIO GRANDE		1.00%	4.00%
Center (part)	2.00%	1.00%	6.00%
Del Norte	2.00%	1.00%	6.00%
Monte Vista	3.00%	1.00%	7.00%
South Fork	3.00%	1.00%	7.00%
ROUTT		1.00%	4.00%
Hayden	4.00%	1.00%	8.00%
Oak Creek	3.00%	1.00%	7.00%
Steamboat Springs	4.50%	1.00%	8.50%
SAGUACHE		0.00%	3.00%
Center (part)	2.00%	0.00%	5.00%
Saguache	3.00%	0.00%	6.00%
Crestone	1.00%	0.00%	4.00%
SAN JUAN		4.00%	7.00%
SAN MIGUEL		1.00%	4.00%
Norwood	2.00%	1.00%	6.00%
Sawpit	3.00%	1.00%	7.00%
Telluride	4.50%	1.00%	8.50%

County - City	City Rate	RTD, SCFD, Stadium, & County Rate	1/ Total Including State Rate
SEDGWICK		1.00%	4.00%
Julesburg	1.00%	1.00%	5.00%
Ovid	1.00%	1.00%	5.00%
Sedgwick	1.00%	1.00%	5.00%
SUMMIT		2.50% 3/	5.50% 3/
Breckenridge	2.00%	2.50%	7.50%
Dillon	2.00%	2.50%	7.50%
Frisco	2.00%	2.50%	7.50%
Silverthorne	2.00%	2.50%	7.50%
TELLER		1.00%	4.00%
Cripple Creek	2.00%	1.00%	6.00%
Green Mtn. Falls (part)	2.00%	1.00%	6.00%
Woodland Park	3.00%	1.00%	7.00%
Victor	3.00%	1.00%	7.00%
WASHINGTON		0.00%	3.00%
Akron	1.00%	0.00%	4.00%
Otis	2.00%	0.00%	5.00%
WELD		0.00%	3.00%
Ault	2.00%	0.00%	5.00%
Brighton (part)	3.75%	0.00%	6.75%
Broomfield (part)	3.75%	0.00%	6.75%
Dacono	3.00%	0.00%	6.00%
Eaton	3.00%	0.00%	6.00%
Erie (part)	3.50%	0.00%	6.50%
Evans	3.00%	0.00%	6.00%
Firestone	2.00%	0.00%	5.00%
Frederick	2.00%	0.00%	5.00%
Fort Lupton	4.00%	0.00%	7.00%
Garden City	2.00%	0.00%	5.00%
Gilcrest	3.00%	0.00%	6.00%
Greeley	3.00%	0.00%	6.00%
Hudson	2.00%	0.00%	5.00%
Johnstown	2.00%	0.00%	5.00%
Keenesburg	2.00%	0.00%	5.00%
Kersey	3.00%	0.00%	6.00%
La Salle	3.50%	0.00%	6.50%
Lochbuie	2.00%	0.00%	5.00%
Mead	2.00%	0.00%	5.00%
Milliken	2.50%	0.00%	5.50%
Pierce	2.00%	0.00%	5.00%
Platteville	2.00%	0.00%	5.00%
Severance	2.00%	0.00%	5.00%
Windsor	3.00%	0.00%	6.00%
YUMA		0.00%	3.00%
Wray	1.00%	0.00%	4.00%
Yuma	2.00%	0.00%	5.00%

Source: Department of Revenue. Rates in effect July 1, 1995.

- Total includes the combined sales tax rate for the municipalities, the counties, the Regional Transportation District (RTD), Scientific and Cultural Facilities District (SCFD), and Denver Metropolitan Major League Baseball Stadium District where applicable, and the state. From July 1, 1987, to June 30, 1993, a sales tax of two-tenths of one percent (.2%) for the tourism promotion fund was levied on the sales of taxable food, drink, lodging services, skiing, auto rentals, and admissions to tourist attractions. The voters of the state did not reinstate this tax when the question was on the ballot in November 1993.
- Total for these counties, or parts of counties, includes RTD sales tax of .6 of 1 percent (0.6%) (Section 32-9-119 (2), C.R.S.) and a sales tax of .1 of 1 percent (0.1%) for the Denver Metropolitan Scientific and Cultural Facilities District (Section 32-13-107, C.R.S.), and a sales tax of .1 of 1 percent (0.1%) for the Denver Metropolitan Major League Baseball Stadium District (Section 32-14-114, C.R.S.).
- County total includes .5 percent (0.5%) for county mass transit system.

District Sales Taxes. The General Assembly has authorized the collection of sales taxes for specific purposes in certain areas of the state. The Regional Transportation District levies a sales tax of one-sixth of one percent (0.6%) (Section 32-9-119 (2), C.R.S.) in the following counties: Boulder and Jefferson counties, the metropolitan areas of Adams and Arapahoe counties, the northeast portion of Douglas County, and the City and County of Denver. Food for home consumption and gas and electricity for home use are exempt from the tax.

House Bill 1138, 1987 session, established a "Denver Metropolitan Scientific and Cultural Facilities District" which comprises the same boundaries as the RTD. The bill authorizes the district to impose a sales tax of one-tenth of one percent (0.1%). The voters approved the imposition of this tax during the 1988 General Election for collection beginning January 1, 1989. The tax was renewed by voters at the 1994 General Election.

The Denver Metropolitan Major League Baseball Stadium District was created in 1989 (House Bill 1341) and is authorized to levy a one-tenth of one percent (0.1%) sales tax upon the awarding of a major league franchise in the area. Moneys collected shall be used to plan and design a stadium, site acquisition, stadium construction, and for payment of any special obligation bonds. The stadium district boundaries are the same as the RTD boundaries. Voters approved this additional tax in August 1990.

Counties outside of the jurisdiction of RTD are authorized, on approval of the voters, to impose a sales or use tax of up to one-half of one percent (0.5%) for the purpose of building mass transportation systems. This tax is exempt from the seven percent limitation on total sales or use taxes imposed by a county (House Bill 90-108; Section 29-2-103.5, C.R.S.). Summit County approved this tax in 1990 with a .5 percent rate.

The southeastern portion of Jefferson County and Old Town Niwot in Boulder County has formed a local improvement districts in which a sales tax of one-half of one percent (0.5%) is imposed. Section 30-20-604, C.R.S., permits a tax of up to this amount in counties having a population of over 100,000 on approval of the voters in the area.

Specific Ownership Tax

Enacted: 1937.

Constitutional and Statutory Citations: Article X, Section 6, Colorado Constitution; Title 42, Article 3, C.R.S.

Tax Base: Factory list price provides the basis for this tax imposed on every motor vehicle, trailer, semitrailer, or vehicle which is operated or drawn upon any highway in the state. For taxation purposes, motor vehicles are divided into the following classes:

Class	Motor Vehicle Type
A	Every motor vehicle, truck, truck tractor, semitrailer, and trailer used over any public highway as an interstate carrier whether or not under contract (state collected tax)
B	Every truck, truck tractor, trailer, and semitrailer not included in class A (county collected)
C	Every motor vehicle not included in class A or B (county collected)
D	Every utility trailer, camper trailer, and trailer coach (county collected)
F	All mobile machinery and self-propelled construction equipment (county collected).

Note: There is no longer a class E category.

Tax Rate: The taxable value for class A and B vehicles is 75 percent of the manufacturer's suggested retail price. The taxable value for class C and D vehicles is 85 percent of the manufacturer's suggested retail price. Class F vehicles' taxable value is either:

- the factory list price and, if equipment has been mounted on the vehicle, the factory list price and 75 percent of the original price of mounted equipment;

- when the factory list price is not available, 75 percent of original retail delivery price plus 75 percent of original retail delivery price of mounted equipment; or
- when (1) and (2) are not ascertainable, then the value is determined by the property tax administrator.

The tax is computed using the following schedule:

Years of Service	Class	Fee or Percent of Taxable Value
1st	A,B,C,D,F	2.10%
2nd	A,B,C,D,F	1.50%
3rd	A,B,C,D F	1.20% 1.25%
4th	A,B,C,D F	0.90% 1.00%
5th	F	0.75%
5th - 9th	A,B C,D	0.45% or \$10.00 whichever is greater 0.45%
6th and over	F	0.50% but not less than \$5.00
10th and over	A B,C D	\$10.00 \$3.00 0.45% or \$3.00 whichever is greater

In lieu of taxes, equipment dealers that rent or lease class F vehicles may purchase a decal for \$5.00 for each item of equipment to be rented or leased. The owner collects from the user and transmits to the county a specific ownership tax of two percent of the rental or lease payment. Also, the owner of class B and C vehicles who rents such vehicles may, after receiving authority from the county, collect an amount equal to two percent of the rental payment. The owner must report the amount of tax collections with payment of the taxes collected in the previous month by the twentieth of the following month.

Exemptions:

- Mobile homes;
- Vehicles displaying plates issued by the U.S. armed forces in a foreign country (45-day exemption);
- U.S. and Colorado government vehicles including vehicles leased by the state;
- Firefighting and police ambulances and patrol wagons;
- Mobile machinery and self-propelled construction equipment not operated on highways if the equipment is listed with and assessed by the county assessor;
- Farm tractors and implements used in agricultural operations; and
- One class B and one class C vehicle weighing less than 6,500 pounds owned by a disabled veteran or P.O.W.

Administration and Collection: Class A taxes are collected by the Department of Revenue and are due no later than January 1 of each year. Counties collect taxes for class B, C, D, and F vehicles, and the taxes are due at the time of registration each year.

History of Tax Rates: The 1937 law that created the tax had two classes of motor vehicles. The tax rates follow:

Year	Rate
1st	3% of 70% of factory list price
2nd	3% of 50% of factory list price
3rd	3% of 40% of factory list price
4th	3% of 30% of factory list price
5th	3% of 15% of factory list price
6th and succeeding years	Not more than \$3.50 per year for class A, and a \$1.50 flat rate for class B.

The taxable value was set at 75 percent of the retail delivery price in 1953. The rate of tax was amended in 1953 and in 1969. In 1981 the taxable value for class C and D vehicles was set at 85 percent.

Disposition of Revenue: Revenue from class A vehicles is apportioned to the counties according to the number of miles of state highways within their jurisdiction. Class B, C, D, and F moneys are deposited with the county treasurers. Fifty cents of each collection is kept by the county as reimbursement for the cost of collection and 50 cents is credited to a special fund for a statewide data processing system (Section 42-1-210.1, C.R.S.). The remaining moneys are apportioned annually among the county and each political and governmental subdivision located within the boundaries of the county based upon the proportionate ad valorem taxes levied within the county during the preceding calendar year.

Collections:

**Specific Ownership Tax Receipts
(\$ in millions)**

Calendar Year	Collection	Percent Change		Calendar Year	Collection	Percent Change
1982	\$ 105.1			1989	\$148.6	-3.6%
1983	118.6	12.8%		1990	160.6	8.1%
1984	129.4	9.1%		1991	163.2	1.6%
1985	131.9	1.9%		1992	174.0	6.6%
1986	143.3	8.6%		1993	195.6	12.4%
1987	138.7	-3.2%		1994	213.2	9.0%
1988	154.1	11.1%				

Source: Department of Revenue and Division of Property Taxation.

**Total Capital Construction Appropriations
FY 1987 to FY 1996**

Fiscal Year	CCF Appropriations (Actual)	Lottery Contributions	Lottery Contributions as Percentage of CCF
1987 ¹	\$48,091,814	\$14,590,000	30.3%
1988	50,244,488	17,500,000	34.8%
1989	39,480,919	16,500,000	41.8%
1990 ²	99,358,020	16,599,577	16.7%
1991 ²	95,703,200	35,191,540	36.8%
1992	67,033,877	59,100,000	88.2%
1993	83,032,560	23,034,951	27.7%
1994	202,435,852	34,319,184	17.0%
1995 ²	184,053,772	34,155,688	18.6%
1996 ²	224,537,322	30,367,300	13.5%
Ten-Year Total	\$1,093,971,824	\$281,358,240	
Ten-Year Average	\$109,397,182	\$28,135,824	

1. Appropriations for all years include the contributions from lottery.
2. Includes amounts appropriated in legislation other than the Long Bill.

Controlled Maintenance Trust Fund (CMTF). Senate Bill 93-7 established the CMTF as a means of providing a “stable, predictable, and consistent source of revenues for controlled maintenance projects...” As originally enacted, interest from the fund may be applied to controlled maintenance projects once the principal balance reaches \$300.0 million. In January 1995, and in January of each fiscal year thereafter, the General Assembly may transfer to the CMTF 50 percent of the General Fund revenues for the prior fiscal year that are in excess of General Fund appropriations, not to exceed \$50.0 million, after retention of the reserve required by statute.

Including interest earnings to date, there is \$54.4 million in the CMTF. For FY 1996-97, the General Assembly has designated \$176.9 million of General Fund moneys for the purpose of meeting the emergency reserve requirement for all state spending, and that these funds be transferred to the CMTF. That transfer is scheduled for June 30, 1996. In addition, the \$300.0 million cap was eliminated, which will permit interest earnings to be used for controlled maintenance projects beginning July 1, 1996 (FY 1997).