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# 0447 Tax Handbook

Colorado Legislative Council

0447 Tax Handbook

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## State and Local Taxes in Colorado

Report to the
Colorado General Assembly

**Colorado Legislative Council**
**Research Publication No. 447**
**December 1998**

# TAX HANDBOOK

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The **Tax Handbook** was prepared by the Legislative Council Staff. The Legislative Council Staff is the non-partisan research office of the Colorado General Assembly. Questions, comments, or suggestions about the content of this handbook may be directed to Ron Kirk, Chris Ward, or Tom Dunn at (303) 866-3521. Electronic messages regarding this publication can be sent to ron.kirk@state.co.us.

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# INTRODUCTION

This report presents 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, permit fees, revenues from fines and court costs, and interest earnings.

## Constitutional and Statutory Fiscal Requirements

The table below outlines certain financial requirements that are placed on state and local governments either by the state constitution or Colorado statutes.

**TABLE A**
**Constitutional and Statutory Fiscal Requirements**

| REQUIREMENT | CITATION |
|---|---|
| State shall have a balanced budget | Article X, Section 16, Colorado Constitution |
| ***Restriction on total state spending:*** Annual percentage change is limited to inflation plus the percentage change in state population in the calendar year prior to the start of the fiscal year. This provision defines spending broadly so that spending equals revenues for its limitation purposes. | Article X, Section 20, Colorado Constitution |
| ***Restriction on General Fund appropriations:*** Beginning FY 1991-92, General Fund appropriations are limited to the lesser amount of 5 percent of Colorado personal income in the calendar year two years prior to the start of the fiscal year or 6 percent over the previous year's General Fund appropriation. Since its inception, the 6 percent growth limitation has been in effect. This restriction is known as the Arveschoug-Bird limit. There are exceptions to this restriction for federal mandates and court orders. | Section 24-75-201.1 (1) (a) (II), C.R.S. |
| ***Required statutory reserve for state government:*** Four percent of most General Fund appropriations. | Section 24-75-201.1 (1) (d) (III), C.R.S. |
| ***Required constitutional emergency reserve for state government:*** The state must reserve 3% or more of its fiscal year spending for emergency purposes. Emergencies do not include economic conditions, revenue shortfalls, or salary and fringe benefit increases for employees. | Article X, Section 20, Colorado Constitution |
| ***Restrictions on local government property tax revenues:*** There are statutory and constitutional restrictions on property tax revenues. The statutory restriction limits revenue increases to 5.5 percent, with certain exceptions such as increased revenue from new construction and annexations. The constitutional restriction limits increases to inflation in the prior calendar year plus annual local growth, adjusted for property tax revenue changes approved by voters after 1991. | Section 29-1-301 (1), C.R.S.; Article X, Section 20, Colorado Constitution |
| ***Restriction on local government total spending:*** Annual percentage change is limited to inflation plus a local growth factor. For school districts, local growth is defined as the percentage change in enrollment. For other local governments, local growth is defined as the net percentage change in the actual value of all real property. This limit defines spending to be revenues, thus is a revenue limit. | Article X, Section 20, Colorado Constitution |

## Article X, Section 20, Colorado Constitution

Article X, Section 20 of the Colorado Constitution was adopted by a vote of the people on November 3, 1992. This section is also known as the Taxpayer's Bill of Rights, or TABOR. A brief description of the amendment is provided below.

### *Voter Approval of Tax Increases, Debt*

Voter approval is required for any new tax, any tax rate increase, any 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*

Article X, Section 20, defines spending broadly so that it is essentially equal to revenues.

***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. This spending is 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 the 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.

### *Surplus Revenues and Taxpayer Refunds*

The provisions of Article X, Section 20 of the Colorado Constitution require that revenues in excess of the limit be refunded in the next fiscal year, unless voters agree to let the state keep the surplus. The constitution allows any reasonable method for refunding these excess revenues to taxpayers.

In FY 1996-97, state spending growth was limited to 6.6 percent and it collected $139 million more than allowed by the constitution. In FY 1997-98, state spending growth was limited to 5.5 percent and it collected $563.2 million more than allowed by the constitution. Beginning with FY

1996-97, the General Assembly has provided a refund of sales tax collections using the state's income tax system. The amount of each person's refund depends upon his or her federal adjusted gross income and tax filing status. The refund is available to all full-time Colorado residents over the age of 18 and residents under 18 who are required to file a Colorado income tax return. Most persons are eligible regardless of whether or not they pay state income taxes. Corporations, nonresidents, part-time residents, and anyone convicted of a felony are not eligible for refunds.

***Taxpayer Refunds in FY 1996-97.*** During a special session in September of 1997, the General Assembly enacted House Bill 97S-1001 to refund excess sales tax collections. The refund mechanism, which used fixed dollar amounts for taxpayers in each of three income brackets, was estimated to refund a total of $142.1 million. As of October 31, 1998, the state had refunded $134.1 million to Colorado taxpayers. The refund amounts for each income bracket are illustrated in the following table:

**TABLE B**
**FY 1996-97 TABOR Refund Amounts by Income and Tax Filing Status**

| Federal Adjusted Gross Income | Single, Head of Household, or Married Filing Separate | Joint Return or Surviving Spouse |
|---|---|---|
| $15,000 and less | $37 | $74 |
| $15,001 to $100,000 | $60 | $120 |
| More than $100,000 | $80 | $160 |

***Taxpayer Refunds in FY 1997-98.*** During a special session in September of 1998, the legislature adopted a refund mechanism similar to the one used to refund FY 1996-97 excess revenues. House Bill 98S-1003 instituted a four-tier system estimated to refund $565 million to Colorado taxpayers. The refund amounts for each income bracket are illustrated in the following table:

**TABLE C**
**FY 1997-98 TABOR Refund Amounts by Income and Tax Filing Status**

| Federal Adjusted Gross Income | Single, Head of Household, or Married Filing Separate | Joint Return or Surviving Spouse |
|---|---|---|
| $20,000 and less | $142 | $284 |
| $20,001 to $50,000 | $195 | $390 |
| $50,001 to $95,000 | $276 | $552 |
| More than $95,000 | $384 | $768 |

## *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.

Since the 1992 adoption of TABOR, Colorado voters have approved nearly 71 percent or 629 of 887 municipal and county-level TABOR measures. Municipal voters have approved nearly 92 percent or 309 of 337 revenue-retention measures and 60 percent or 205 of 339 post-TABOR measures which increase taxes or contain debt provisions.

County election results are similar. Between 1993 and 1997, Colorado voters approved over 54 percent or 115 of 211 county-level TABOR measures. Spending limit waivers have passed 81 percent of the time. Those waivers with sales or use tax increases have passed 78 percent of the time. Debt increases have passed 50 percent of the time. Sales or use tax increases have passed 30 percent of the time, and mill levy increases/extensions have a 30 percent passage rate.

### *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.

# SECTION 1

# 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. As displayed in Graph 1.1 below, the major taxes credited to the fund include individual income, sales and use, and corporate income taxes. Other taxes which are credited to the fund include: cigarette; tobacco; gaming, insurance premiums; liquor; pari-mutuel racing; and estate taxes.

**GRAPH 1.1**
**Fiscal Year 1997-98 General Fund Receipts**

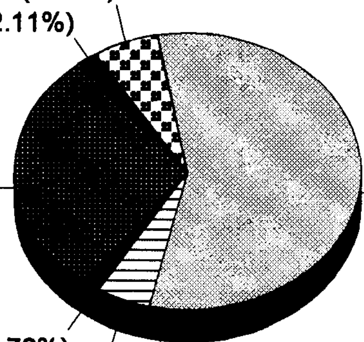



Table 1.1 compares General Fund (GF) revenues by source for fiscal years 1988-89 and 1997-98 and depicts the amount and percentage each source contributed to the GF. Individual income taxes still account for the largest portion of GF revenues, followed by sales and use taxes. Together, the revenues from these three sources rose from 84 to 85 percent over the last ten years. There are three new revenue sources since July 1, 1986: tobacco products, gaming, and hospital providers which contributed 1.89 percent to the GF in FY 1997-98.

Cigarette, insurance premiums, sales, liquor, court receipts, severance, and pari-mutuel racing taxes comprised a smaller percentage contribution to GF receipts in FY 1997-98 than in FY 1988-89. Severance and pari-mutuel taxes decreased over the comparison time period.

**TABLE 1.1**
**State General Fund Revenues, FY 1987-88 and FY 1997-98**
*($ in millions)*

| Revenues | FY 1988-89 | Percent of FY 1988-89 Total | FY 1997-98 | Percent of FY 1997-98 Total |
|---|---|---|---|---|
| Sales | $694.8 | 28.0% | $1,426.0 | 26.4% |
| Use | 54.7 | 2.2% | 120.3 | 2.2% |
| Cigarette | 59.0 | 2.4% | 59.9 | 1.1% |
| Tobacco Products | 3.0 | 0.1% | 8.1 | 0.1% |
| Liquor | 21.5 | 0.9% | 25.1 | 0.5% |
| Other | 2.0 | 0.1% | 0.0 | 0.0% |
| TOTAL EXCISE | $835.0 | 33.6% | $1,639.4 | 30.3% |
| Individual Income | $1,311.0 | 52.7% | $3,051.6 | 56.5% |
| Corporate Income | 167.0 | 6.7% | 263.1 | 4.9% |
| TOTAL INCOME | $1,478.0 | 59.5% | $3,314.7 | 61.4% |
| Estate | $15.5 | 0.6% | $109.6 | 2.0% |
| Insurance Premiums | 81.1 | 3.3% | 113.8 | 2.1% |
| Pari-mutuel | 8.4 | 0.3% | 7.1 | 0.2% |
| Interest Income | 15.6 | 0.6% | 52.2 | 1.0% |
| Court Receipts | 20.5 | 0.8% | 29.4 | 0.5% |
| Severance | 10.7 | 0.4% | 0.0 | 0.0% |
| Gaming | NA | 0.0% | 21.5 | 0.4% |
| Hospital Providers | NA | 0.0% | 72.6 | 1.3% |
| Other | 20.8 | 0.8% | 45.4 | 0.8% |
| TOTAL OTHER | $172.6 | 6.9% | $447.1 | 8.3% |
| GROSS GENERAL FUND | $2,485.6 | 100.0% | $5,401.2 | 100.0% |

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

## General Fund Revenue History

Table 1.2 provides a historical perspective of collections for each revenue source from FY 1988-89 to FY 1997-98. General Fund revenues increased at a compound average annual rate of 9.0 percent during the ten-year period. By contrast, Colorado population grew at a compound average annual rate of 1.9 percent and the Denver-Boulder consumer price index increased at a rate of 3.6 percent.

The **individual income tax** is the largest state tax, accounting for 56.5 percent of General Fund revenues. Individual income taxes grew at an annual rate of 9.8 percent during the ten-year period. Stronger job growth generated by the economic rebound of the 1990s has bolstered the growth rate.

The **state sales tax** is the second largest state tax. Sales tax revenues increased at a compound average annual rate of 8.3 percent from FY 1988-89 to FY 1997-98. The past five fiscal years have had strong rates of growth with each year's growth rate exceeding 7.5 percent. **Use tax** receipts have increased at a greater annual rate, 9.2 percent. Growth in this tax receipt stream was fueled by growth in the construction industry.

**Corporate income taxes** increased during the period at a compound average annual rate of 5.2 percent. These receipts are extremely volatile. Corporate tax receipts declined in two of the intervening years since FY 1988-89. Recent strength in this tax stream is attributable to strong local growth combined with a resurgent national economy, productivity gains that kept labor costs from escalating, and low inflation. These factors contributed to strong corporate profits that surged over the past three years.

# TABLE 1.2
## General Fund Revenues, FY 1988-89 through FY 1997-98
*($ in millions)*

| Revenues | FY 1988-89 | FY 1989-90 | FY 1990-91 | FY 1991-92 | FY 1992-93 | FY 1993-94 | FY 1994-95 | FY 1995-96 | FY 1996-97 | FY 1997-98 | Compound Avg. Annual Growth Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | $694.8 | $768.1 | $779.8 | $844.5 | $928.9 | $1,036.6 | $1,131.8 | $1,218.7 | $1,310.0 | $1,426.0 | 8.3% |
| Use | 54.7 | 62.5 | 66.9 | 69.1 | 69.1 | 82.5 | 91.1 | 102.8 | 115.8 | 120.3 | 9.2% |
| Cigarette | 59.0 | 56.3 | 57.5 | 57.3 | 56.6 | 57.0 | 59.7 | 58.2 | 60.0 | 59.9 | 0.2% |
| Tobacco Products | 3.0 | 3.2 | 3.9 | 4.3 | 4.6 | 5.5 | 5.9 | 7.0 | 8.2 | 8.1 | 11.7% |
| Liquor | 21.5 | 21.4 | 19.1 | 21.2 | 23.2 | 22.6 | 23.3 | 24.3 | 24.0 | 25.1 | 1.7% |
| Other | 2.0 | 2.0 | 3.7 | 3.2 | 3.6 | 3.6 | 4.1 | 4.4 | 3.2 | 0.0 | NA |
| TOTAL EXCISE | $835.0 | $913.5 | $930.9 | $999.6 | $1,086.0 | $1,207.8 | $1,315.9 | $1,415.4 | $1,521.1 | $1,639.4 | 7.8% |
| Individual Income | $1,311.0 | $1,380.7 | $1,462.4 | $1,608.5 | $1,759.8 | $1,919.9 | $2,106.4 | $2,318.5 | $2,572.6 | $3,051.6 | 9.8% |
| Corporate Income | 167.0 | 104.2 | 115.0 | 112.2 | 138.4 | 146.8 | 191.1 | 205.7 | 237.1 | 263.1 | 5.2% |
| TOTAL INCOME | $1,478.0 | $1,484.9 | $1,577.4 | $1,720.6 | $1,898.2 | $2,066.7 | $2,297.5 | $2,524.2 | $2,809.7 | $3,314.7 | 9.4% |
| Estate | $15.5 | $21.7 | $15.3 | $34.3 | $19.7 | $33.9 | $27.6 | $31.8 | $34.6 | $109.6 | 24.3% |
| Insurance Premiums | 81.1 | 82.5 | 84.7 | 89.1 | 92.1 | 101.9 | 105.1 | 110.4 | 111.8 | 113.8 | 3.8% |
| Pari-mutuel | 8.4 | 8.3 | 8.4 | 8.3 | 8.5 | 8.5 | 8.2 | 8.1 | 7.5 | 7.1 | -1.9% |
| Interest Income | 15.6 | 15.9 | 4.0 | 5.6 | 8.3 | 18.5 | 28.6 | 37.2 | 41.2 | 52.2 | 14.4% |
| Court Receipts | 20.5 | 19.9 | 11.6 | 17.5 | 17.8 | 19.5 | 20.1 | 20.7 | 23.1 | 24.9 | 2.2% |
| Severance | 10.7 | 7.5 | 10.5 | 8.4 | 12.0 | 3.1 | 0.0 | 0.0 | 0.0 | 0.0 | NA |
| Medicaid Revenues[1] | 0.0 | 0.0 | 0.0 | 82.4 | 258.9 | 205.6 | 98.7 | 69.0 | 80.4 | 72.6 | NA |
| Gaming | 0.0 | 0.0 | 0.0 | 4.1 | 13.4 | 16.6 | 17.1 | 17.5 | 19.6 | 21.5 | NA |
| Other | 20.8 | 26.4 | 21.1 | 25.9 | 35.2 | 43.2 | 49.5 | 34.4 | 30.4 | 45.4 | 9.1% |
| TOTAL OTHER | $172.6 | $182.0 | $155.6 | $275.6 | $465.9 | $450.6 | $387.9 | $329.2 | $348.6 | $447.1 | 11.2% |
| GROSS GENERAL FUND | $2,485.6 | $2,580.4 | $2,663.9 | $2,995.8 | $3,450.1 | $3,725.1 | $3,996.3 | $4,268.7 | $4,679.4 | $5,401.2 | 9.0% |

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.

# SECTION 2

# 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. The assistance is intended to allow these persons to retain their independence, self-care, and self-support. Small amounts of the fund are used for burial expenses 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., Social Security income and food stamps, so this 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 (except gasoline or other motor fuel) levied upon sales at retail, or the storage, use, or consumption of any commodity or product;
- 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 (10 percent); and
- 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.

**TABLE 2.1**
**OAPF Revenue Disposition**
**FY 1997-98**

| Fund | Amount |
|---|---|
| ***Constitutional Requirements*:** | |
| OAPF Grants | $46,752,709 * |
| Stabilization Fund | 5,000,000 |
| Medical Care Fund | 10,000,000 |

* Includes county administrative costs of $2.6 million.
SOURCE: Department of Human 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 intended to fund the state's highway construction and maintenance needs. A variety of taxes and fees are credited to the HUTF. Gas taxes comprise the largest source of money for the HUTF. In FY 1997-98, total revenues credited to the HUTF were $796.4 million. Aside from the HUTF, there are several other revenue sources which fund state highway construction and maintenance. Revenue sources which were transferred to the HUTF include $3.9 million from the Limited Gaming Fund and $14.8 million from other sources. Additionally, for FY 1998-99, the

General Assembly has provided additional money for the same purpose served by the state portion of the HUTF. House Bill 98-1202 transfers an additional $150 million to the Capital Construction Fund from the General Fund and specifies that $100 million of this amount be used for state highway repair, reconstruction, maintenance, and capacity expansion projects.

**TABLE 2.2**
**Highway Users Tax Fund and Other Funding Sources**
*($ in millions)*

| | |
|---|---|
| ***Revenue Sources and Receipts, FY 1997-98*** | |
| HUTF: | |
| 7 cent motor and special fuel tax | $145.9 |
| Gross ton-mile* and passenger-mile tax | 0.5 |
| Motor vehicle registrations | 98.0 |
| Motor vehicle penalty assessment | 4.0 |
| Miscellaneous | 28.0 |
| Interest | 1.7 |
| HUTF Total | $278.1 |
| Other Funds: | |
| Additional fuel taxes (includes bridge and road fund) | $238.4 |
| Increased fuel taxes, registration and license fees (House Bill 89-1012) | 126.8 |
| Senate Bill 98-1 transfer from the General Fund | 153.1 |
| Subtotal | $518.3 |
| TOTAL | $796.4 |
| ***Disbursements, FY 1997-98*** | |
| HUTF Disbursements: | |
| Deductions ("off the top") | $ 63.2 |
| County share | 134.8 |
| City share | 88.4 |
| Other Funds: | |
| State share plus (Senate Bill 98-1General Fund transfer) | 510.1 |
| TOTAL | $796.4 |

* 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 charged on the loans are typically between 4 and 6 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 a project. Since its inception in 1971, the revolving loan program has been used to finance over $103.1 million for 137 water projects in Colorado.

Sources of income to the fund average about $12 million per year, and are funded 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. For FY 1997-98, the Water Conservation Board received an appropriation of $4 million in cash funds as part of the 1997 water construction bill (Senate Bill 97-8).

## 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 to pay debt service obligations. The following General Fund transfers were made to the CCF: $130.8 million for FY 1993-94; $120.3 million for FY 1994-95; $159 million, of which $75.0 million was for highways, for FY 1995-96; and $230.9 million for FY 1996-97, of which $115 million was for highways and $20.0 million for the technology learning grant and revolving loan program. At present, statute provides for annual transfers of $50.0 million for fiscal years 1997-98 through 1998-99.

***Phase-Out of Lottery Proceeds to the CCF.*** Prior to the passage of Amendment 8 in 1992, some lottery funds were credited to the CCF. During the last ten years, these lottery proceeds accounted for 15.9 percent of appropriations from the CCF (see Table 2.3). The amendment permanently dedicated a portion of the net proceeds of every state-supervised lottery game to the Great Outdoors Colorado Trust Fund, beginning July 1, 1993. This distribution of lottery funds is being phased in over a five-year period in order to fulfill most of the state's current outstanding debt obligations for capital construction. Existing distributions to capital construction began to decrease in 1993 by $7 million to $11 million annually. Beginning in 1998, the General Fund will receive whatever lottery proceeds are in excess of $35 million as adjusted for inflation since 1992.

TABLE 2.3
Total Capital Construction Appropriations
FY 1989-90 to FY 1998-99

| Fiscal Year | CCF Appropriations (Actual) | Lottery Contributions | Lottery Contributions as Percentage of CCF |
|---|---|---|---|
| 1989-90 [2] | 99,358,020 | 16,714,577 | 16.8% |
| 1990-91 [2] | 95,703,200 | 49,375,448 | 51.6% |
| 1991-92 | 67,033,877 | 59,522,761 | 88.8% |
| 1992-93 | 83,032,560 | 46,551,650 | 55.7% |
| 1993-94 | 202,435,852 | 36,219,184 | 18.5% |
| 1994-95 [2] | 184,053,772 | 35,055,688 | 14.2% |
| 1995-96 [2] | 307,474,378 | 30,367,300 | 9.8% |
| 1996-97 [2] | 333,495,927 | 36,608,746 | 10.9% |
| 1997-98 | 265,378,694 | 29,814,781 | 11.4% |
| 1998-99 | 515,025,074 | 11,005,539 | 2.1% |
| 10-Year Total | 2,208,636,650 | 351,235,674 | 15.9% |

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

In 1993, the Controlled Maintenance Trust Fund (CMTF) was established by Section 24-75-302.5, C.R.S., to provide a "stable, predictable, and consistent source of revenues for controlled maintenance projects . . ." The principal of the CMTF may only be spent for emergency purposes as cited by statute, but interest from the fund helps pay for controlled maintenance. Taking advantage of the CMTF's permanent status, the General Assembly has designated it to serve as the emergency reserve required by Article X, Section 20 of the Colorado Constitution.

Each January, the General Assembly may transfer to the CMTF 50 percent of the General Fund revenues that are in excess of General Fund appropriations for the prior fiscal year, up to $50.0 million, after retention of the reserve required by statute. At the start of FY 1998-99, including interest earnings to date, there is $298.1 million in the CMTF of which only $274.2 million will be necessary to meet the state's TABOR reserve requirement and may not be spent on any other purpose. Thus, in FY 2003-04 there is another $23.9 million available in CMTF money above the constitutional reserve requirement.

The interest income on the principal of the CMTF supplements the CCF. Prior to the creation of the CMTF, controlled maintenance projects were funded solely from the CCF. Appropriations for controlled maintenance projects will increase from $26.7 million in FY 1996-97 to $44.6 million for FY 1998-99. Of the $44.6 million appropriated for FY 1998-99, $27.2 million is from the CCF and $17.4 million is from interest earnings. For FY 1998-99, the General Assembly authorized a total of 268 capital construction and controlled maintenance projects, to be funded in whole or in part, from the CCF and the CMTF.

## 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. From FY 1995-96 through FY 1998-99, the revenue split may be modified by a "safety net" provision that protects the Local Severance Tax Fund from unusual declines in revenue from oil, gas, and carbon dioxide. 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 credited funds to the state General Fund rather than the state Severance Tax Trust Fund. As a result, there was no fund balance in the trust fund at the end of FY 1993-94. Meanwhile, there were also transfers from the state Severance Tax Trust Fund to the Uranium Mill Tailings Remedial Action Program (UMTRAP) Fund from FY 1994-95 through FY 1996-97. The transferred funds provide a state match to federal funds available for the cleanup of uranium mill tailing sites.

Beginning July 1, 1995, the fund was split into the perpetual base and the operational account. The *perpetual base* consists of the revenues in the fund as of July 1, 1995, and one-half of the severance tax receipts credited to the fund after July 1, 1995. The perpetual base is to be used for state water projects. One-half of the revenues credited to the fund after July 1, 1995, are to be credited to the *operational account* and used to fund programs established within the Colorado Oil and Gas Commission, the Colorado Geological Survey, the Division of Minerals and Geology, and the Colorado Water Conservation Board that promote and encourage natural resource planning, management, and development related to minerals, energy, geology, and water.

***Local Severance Tax Fund.*** The Local Government Severance Tax Fund was created by Section 39-29-110, C.R.S. Of the 50 percent local share of local taxes, 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 mineral lease grant distribution program, described in the next section, and the severance tax distribution program together in the impact program. The department reported that $14.8 million of the local severance tax fund was awarded in FY 1997-98 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 1997 totaled $43.9 million. The distribution formula provides moneys to counties ($4.1 million in 1997), cities or towns ($1.9 million), and school districts ($2.2 million) from which the funds were derived. Other recipients of mineral lease fund moneys include the State Public School Fund ($23.2 million), the Local Government Mineral Impact Fund ($7.7 million), and the Colorado Water Conservation Board Construction Fund ($4.4 million).

## 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 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, grants, gifts, or other devises made to the state for educational purposes, and any other funds that the General Assembly may appropriate or transfer. No part of the fund may be transferred to any other fund. The principal of the fund itself is inviolate; only the interest from the fund (FY 1998-99, is projected to be $19.7 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 police officers hired after April 8, 1978, and to provide for the actuarial funding of all the existing pension systems (Section 31-30.5, Parts 1 and 2, C.R.S.). Contributions to the fund are made by local governments, employers, employees, and the state. In 1997, the state made a total contribution of $67.3 million which includes a transfer of $25.3 million, to assist local governments. Also included in the total state contribution is a $39 million transfer to the Death and Disability Fund and roughly $3 million for the Volunteer Fire Pension Plan .

## Aviation Fund

***Constitutional and Statutory Citations.*** The Aviation Fund was created in 1988. 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.

**TABLE 2.4**
**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. |

# SECTION 3

# 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 1998. The revenue collection figures are from the annual reports of the Department of Revenue and the Division of Accounts and Control of the Department of Personnel/General Support Services, 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:* 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 Rates:* Cigarettes were subject to the state sales and use tax prior to their exemption in 1959. From 1959 to 1964, there were no state-imposed taxes on cigarettes in Colorado.

**TABLE 3.1**
**History of Cigarette Tax Rates**

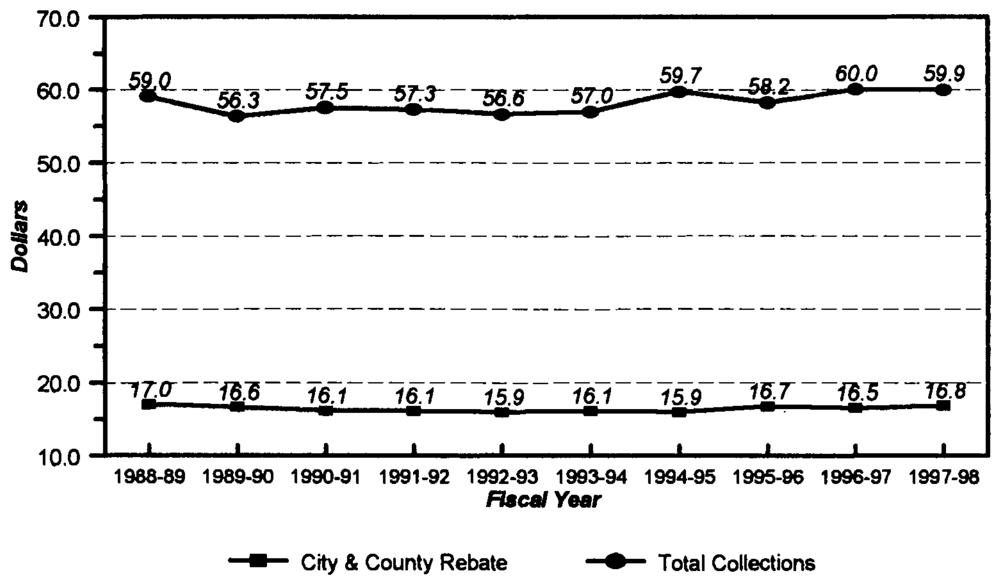
| Effective Date | Tax Rate Per Cigarette | Tax Per Package of 20 Cigarettes |
|---|---|---|
| July 1, 1964 | 1.5 mills | 3 cents |
| July 1, 1965 | 2.5 mills | 5 cents |
| July 1, 1973 | 5.0 mills | 10 cents |
| July 1, 1977 | 7.5 mills | 15 cents |
| July 1, 1978 | 5.0 mills | 10 cents |
| November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

*Disposition of Revenue:* Section 39-28-110, C.R.S., requires that 15 percent of all the moneys collected from the payment for cigarette taxes be distributed to the General Fund and 85 percent to the Old Age Pension Fund.

Since July 1, 1973, local governments have been entitled to a share of 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 gross proceeds from the cigarette 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:*

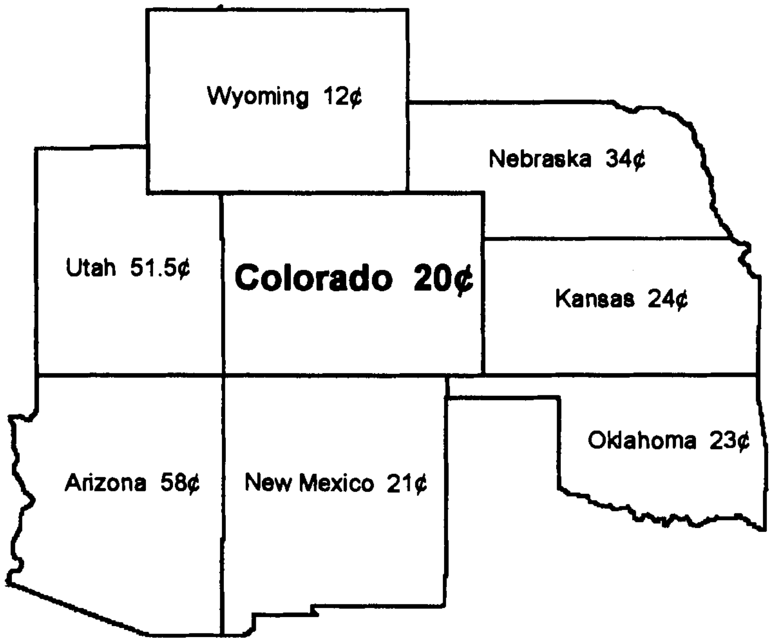
**GRAPH 3.1**
**Cigarette Tax Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

***Other States:*** Cigarette taxes are imposed in all 50 states. State tax rates range from 2.5 cents per pack in Virginia to $1 per pack in Alaska and Hawaii. Thirty-six states and the District of Columbia impose higher rates than Colorado. The national average is approximately 37.6 cents per pack. Tax rates for neighboring states are as follows:

**GRAPH 3.2**
**Cigarette Tax Rates Per Pack of 20 Cigarettes for Neighboring States**
*(Rates as of November 1998)*




### *Federal Tax:*

**TABLE 3.2**
**Federal Cigarette Tax Rates**

| | |
|---|---|
| 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) |

# Estate Tax

***Enacted:*** 1980 – The estate tax replaced the inheritance tax, which had been in effect since 1927.

***Constitutional and Statutory Citations:*** Title 39, Article 23.5, C.R.S.

***Tax Base:*** The estate tax is imposed on the transfer of the taxable estate of every deceased domiciliary, nondomiciliary, and alien in Colorado. If a federal estate tax return is required, a Colorado estate tax return is required, whether or not tax is due.

***Present Rate:*** The rate is an amount equal to the federal estate tax credit for allowable state death taxes. The estate's total tax bill remains the same but part of the money, equal to the federal estate tax credit, goes to Colorado. This is called a "pick up" or "gap" tax. If there is no liability for federal taxes, there is no liability for Colorado taxes; however, since the Colorado estate tax is a credit for federal tax purposes, in some instances, there will be a tax at the state level that reduces the federal tax to zero.

**TABLE 3.3**
**Estate Taxes and Federal Adjusted Gross Income**

| If the Adjusted Taxable Estate is: | The Maximum Tax Credit Shall Be: | Plus % Applied to Excess Over: |
|---|---|---|
| $0 but not over $40,000 | $0 | 0.0% |
| Over $40,000 to $90,000 | $0 | 0.8% over $40,000 |
| Over $90,000 to $140,000 | $400 | 1.6% over $90,000 |
| Over $140,000 to $240,000 | $1,200 | 2.4% over $140,000 |
| Over $240,000 to $440,000 | $3,600 | 3.2% over $240,000 |
| Over $440,000 to $640,000 | $10,000 | 4.0% over $440,000 |
| Over $640,000 to $840,000 | $18,000 | 4.8% over $640,000 |
| Over $840,000 to $1,040,000 | $27,600 | 5.6% over $840,000 |
| Over $1,040,000 to $1,540,000 | $38,800 | 6.4% over $1,040,000 |
| Over $1,540,000 to $2,040,000 | $70,800 | 7.2% over $1,540,000 |
| 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.

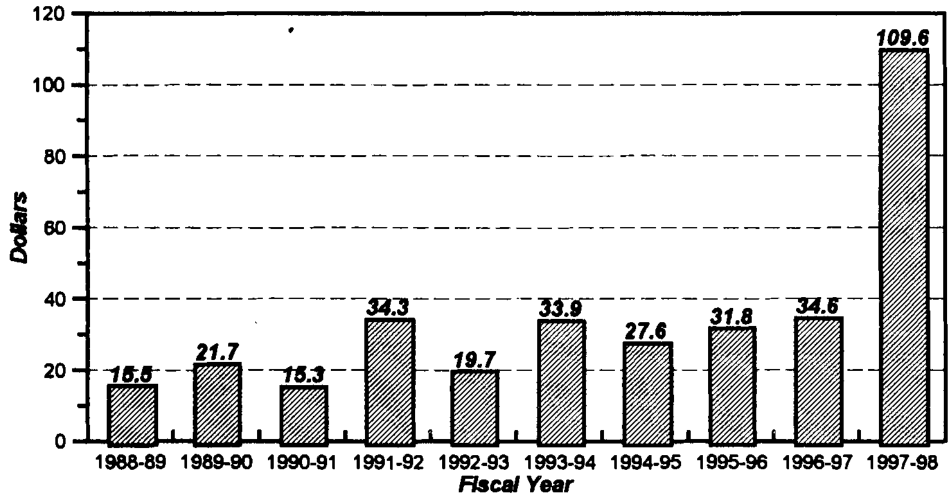
***Administration and Collection:*** Department of Revenue. Taxes are due on or before the date the federal return is required to be filed. Any person making an estimated federal estate tax payment shall make an estimated Colorado estate tax payment, not later than the date the application for federal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

**GRAPH 3.3**
**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. Colorado's neighboring states impose estate taxes based on the federal credit. Kansas and Nebraska impose inheritance taxes and an additional estate tax to absorb the maximum credit allowed by the federal estate tax law.

***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

*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:* The tax is applied to "Adjusted Gross Proceeds" (AGP) which is defined differently for poker and non-poker games. For non-poker games, AGP equals the total amount of all wagers made by players on limited gaming less all payments to players. For poker, AGP 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 is permitted in Central City, Black Hawk, and Cripple Creek. Gaming on Indian reservations in Colorado is exempt from the tax.

*Present Rates:* The rates are examined annually by the Colorado Limited Gaming Control Commission. The following rates are in effect for the gaming tax years beginning October 1, 1996.

**TABLE 3.4**
**Gaming Tax Rates**

| AGP (Effective October 1, 1996) 1996 and 1997: | Tax Rate |
|---|---|
| $2,000,000 or less | 2% |
| $2,000,001 to $4,000,000 | 4% |
| $4,000,001 to $5,000,000 | 14% |
| $5,000,001 to $10,000,000 | 18% |
| $10,000,001 and over | 20% |

*History of Tax Rates:*

TABLE 3.5
History of Gaming Tax Rates

| Gaming Tax Rates for Year Beginning October: | | | |
|---|---|---|---|
| AGP: | Tax Rate: | AGP: | Tax Rate: |
| 1991 | | 1992 | |
| $440,000 and less | 4% | $1,000,000 and less | 2% |
| $440,001 to $1,200,000 | 8% | $1,000,001 and above | 20% |
| $1,200,001 and above | 15% | | |
| 1993 | | 1994 and 1995 | |
| $1,000,000 and less | 2% | $2,000,000 or less | 2% |
| $1,000,001 to $2,000,000 | 8% | $2,000,001 to $4,000,000 | 8% |
| $2,000,001 to $3,000,000 | 15% | $4,000,001 to $5,000,000 | 12% |
| $3,000,001 and above | 18% | $5,000,001 and over | 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 from the gaming tax and license, device, and background fees are distributed as follows: 50 percent to the state General Fund, of which 0.2 percent is distributed to the Colorado Tourism Promotion 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; and 10 percent to the cities of Central City, Black Hawk, and Cripple Creek in proportion to the gaming revenues generated in each city. Of the 50 percent transferred to the state General Fund, at least 11 percent must be transferred to the Local Government Limited Gaming Impact Fund and 2 percent must be distributed to the Municipal Limited Gaming Impact Fund for the municipalities of Woodland Park and Victor. Additionally, the statute directs the General Assembly to transfer money from the General Fund portion of gaming revenues to the state Highway Fund for highway needs that are associated with gaming.

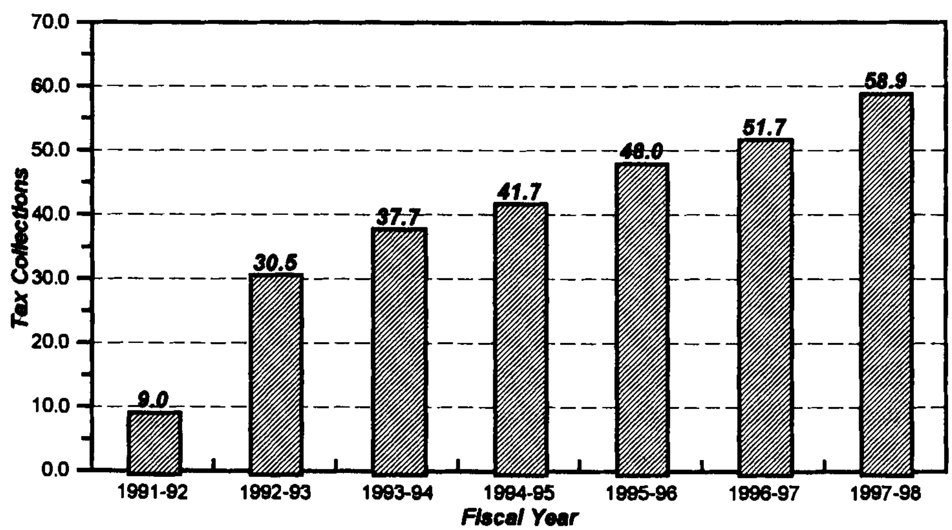
*Disposition of Revenue:* As of June 30, 1998, the Division of Gaming had $58,879,668 available for distribution from the Limited Gaming Fund, after division and commission expenses of $7,948,174. These moneys were allocated as follows:

**TABLE 3.6**
**Distribution from the Limited Gaming Fund, FY 1997-98**

| | Dollar Amount | Percent of Total |
|---|---|---|
| State General Fund | $21,543,896 | 36.6% |
| Contiguous County Limited Gaming Impact Fund | 3,238,382 | 5.5% |
| Municipal Impact Fund<br>Woodland Park ($441,598)<br>Victor ($147,199) | 588,797 | 1.0% |
| Colorado Department of Transportation | 3,951,000 | 6.7% |
| Tourism Promotion Fund | 117,759 | 0.2% |
| State Historical Fund | 16,486,307 | 28.0% |
| City of Black Hawk ($3,226,486)<br>City of Central City ($1,216,042)<br>City of Cripple Creek ($1,445,437)<br>City Total | 5,887,967 | 10.0% |
| Teller County ($1,734,524)<br>Gilpin County ($5,331,036)<br>County Total | 7,065,560 | 12.0% |
| Total | $58,879,668 | 100.0% |

*Collections:* The following graph of collections does not include device or license fees.

**GRAPH 3.4**
**Limited Gaming Taxes**
*($ in millions)*




*Other States:* Ten other states have taxes on casino or video machine gaming. They are Illinois, Indiana, Iowa, Louisiana, Mississippi, Missouri, Montana, Nevada, New Jersey, and South Dakota. None of Colorado's bordering states has a gaming tax.

# Income Taxes

## 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. 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.

***Present Rate:*** For tax years beginning on or after July 1, 1993, the corporate income tax is five percent of taxable income. For FY 1997-98, corporate income taxes totaled $263.1 million or 4.87 percent of General Fund Receipts.

***History of Tax Rates:***

**TABLE 3.7**
**History of Corporate Income 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 |

*Tax Credits:* Several tax credits are available for corporate taxpayers. The most important tax credits for corporations are two investment tax credits and various enterprise zone tax credits.

The new investment tax credit (ITC) in current law allows taxpayers to claim a one percent ITC, using pre-tax reform definitions of property that qualify for an ITC. This credit applies for property used in Colorado and may not exceed $1,000 for any tax year. The old investment tax credit is ten percent of the current federal ITC. Investment tax carrybacks and carryovers are allowed.

Several separate income tax credits are in effect in enterprise zones. Primary among these credits are the 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 include promotion of child care and temporary, emergency, or transitional housing programs for the homeless.

Several 1996 law changes affected the employee credit, the investment credit, and the monetary or in-kind contributions credit. Effective for tax years beginning on or after January 1, 1996, refunds for the $200 tax credit available for new business employees covered by employer-provided health insurance are no longer available. Rather, the unused credits may be carried forward for up to five years. (This restriction has also applied to other new employee credits since 1993). Effective for tax years beginning on or after January 1, 1996, for enterprise zones, a $500 income tax credit is available for each new employee hired plus another $200 credit (same as the above $200 refund) for each of the first two years that a new employee is covered under an employer health insurance plan. Previously, the credit was available for expansions resulting in at least ten new employees. Effective for tax years beginning or after January 1, 1997, enterprise zone credits of ten percent of total qualified investments made in a qualified job training program or a qualified school-to-work program are available. Effective for tax years beginning on or after January 1, 1996, the contributions credit is reduced from 50 percent to 25 percent with two exceptions. The credit remains at 50 percent for contributions made prior to July 1, 1997, for projects that were approved prior to May 1, 1996, and for contributions made after July 1, 1997, but before December 1, 1997, to projects that were approved prior to May 1, 1996, pursuant to a written agreement executed prior to July 1, 1997. With respect to investment tax credits available within a zone, the limit on the credit was increased from 25 percent to 50 percent of that portion of tax liability that exceeds $5,000. The number of years available for carryforward of any excess investment tax credit was increased from seven to twelve years.

Other enterprise zone credits are available for the rehabilitation of commercial buildings that are over 20 years old and that have been vacant for two or more years, and a three percent income tax credit is available for increased research and development expenses. In addition, purchases for mining machinery over $500 used in an enterprise zone are exempt from the state sales and use tax.

Several other corporate income tax credits are available. They include credits for: making increased use of coal produced in Colorado; costs of equipment producing a product from post-consumer waste or which consumes such in producing energy; costs incurred in the preservation of historic properties; purchases of business vehicles using alternative fuels; investment in tangible personal property used in child care centers, family child care homes, or foster care home; and 20 percent of the January 1, 1994, book value of any certificate issued by the Public Utility Commission for owning, controlling, operating, or managing a motor vehicle used in the transportation of sludge.

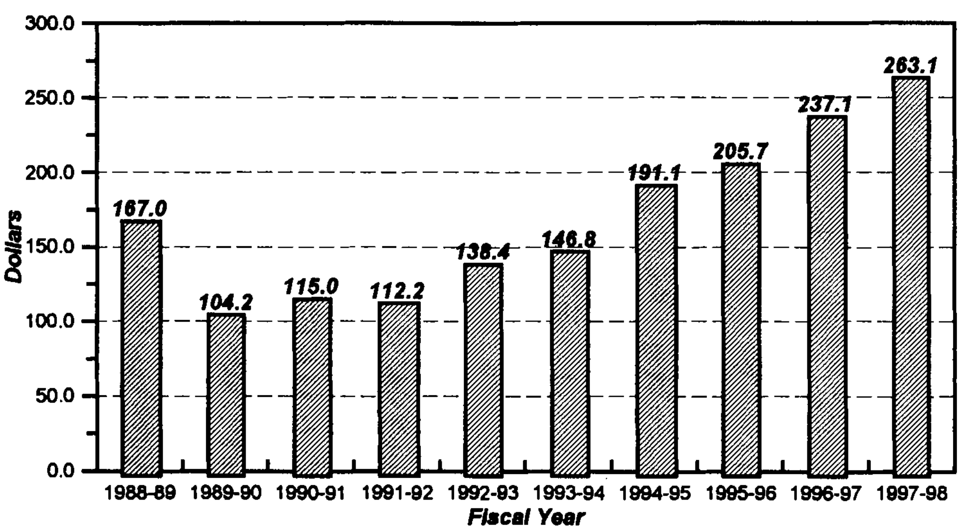
*Administration:* Department of Revenue.

*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 increased 11.0 percent in FY 1997-98 after a 15.3 percent gain in FY 1996-97. A one-time payment of $8 million is responsible for the strong FY 1997-98 growth. A combination of slower economic activity, weaker profit growth due to rising wages and lower anticipated inflation will result in a slower growth rate for FY 1998-99.

**GRAPH 3.5**
**Corporate Income Tax Receipts**
**FY 1988-89 through FY 1997-98**
*($ 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.

**TABLE 3.8**
**Corporate Income Taxes of Neighboring States**

| 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)<br>7.35% (over $50,000) |
| **Nebraska** | Graduated | 2 | FTI* | 5.58% (first $50,000)<br>7.81% (over $50,000) |
| **New Mexico** | Graduated | 3 | FTI* | 4.8% (first $500,000)<br>6.4% (next $500,000)<br>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 1996 tax year.

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

**TABLE 3.9**
**Federal Corporate Tax Rates**

| 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% |

## 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.

***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). The distribution of federal taxable income utilizes the federal personal exemption, standard deduction, and itemized deductions. Colorado taxable income is determined by adding or subtracting the following modifications from federal taxable income (Section 39-22-104, C.R.S.).

**TABLE 3.10**
**Taxable Income Additions and Subtractions**

| 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." |
| Any amount withdrawn from a medical savings account. | 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.

***Tax Credits:*** The following tax credits are available for individuals: taxes paid to another state; prior-year minimum taxes; enterprise zone activities; preservation of historic property; investment in child care centers, family child care, or foster care homes; investment in employer child care facilities; purchases of business vehicles using alternative fuels; and child care expenses.

***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:*

**TABLE 3.11**
**History of Individual Income Tax Rates**

| Net Taxable Income | 1937 | 1947 | 1959 | 1963 – 1986 [1] Statutory Marginal Rate | 1963 – 1986 [1] Minimal Rate with 1/2% Credit [2] | 1987 |
|---|---|---|---|---|---|---|
| 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 | 6.0% | 10.0% | 9.0 % | 8.0% | 8.0% | |

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

***Recent Colorado Changes:*** Beginning in 1996, an individual with a federally adjusted gross income of $60,000 or less, may claim an income tax credit based on child care expenses claimed on the federal income tax return (House Bill 96-1121). The credit is based on the amount of the individual's federal adjusted gross income as detailed in the following table.

**TABLE 3.12**
**Colorado Tax Credit for Child Care Expenses**

| Amount of Federal Adjusted Gross Income: | Credit as Percentage of Child Care Expenses: |
|---|---|
| $25,000 or less | 50% |
| $25,001 to $35,000 | 30% |
| $35,001 to $60,000 | 10% |
| $60,001 or more | 0% |

For FY 1998-99, when the state's revenues are in excess of the spending limit and the state has a surplus, Senate Bill 98-158 offers the following tax credits against state income tax in lieu of the above tax credits for child care expenses:

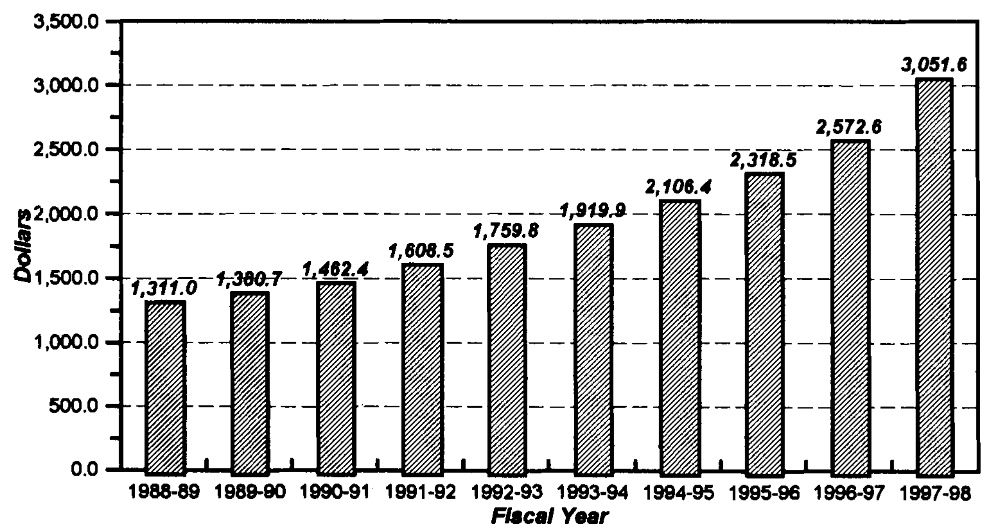
- A credit is permitted for child-care expenses for residents which claim a credit on their federal tax return in an amount equal to 50 percent of the child-care expense credit claimed on the federal return less the amount owed to the state for any other tax credit allowed to the individual.
- A child tax credit is available to any resident claiming a child tax credit on his or hers' federal income tax return in the amount of $200 for each child who is five years of age or younger at the end of the taxable year during which the credit is claimed.
- Residents whose federally adjusted gross incomes exceed $60,000 are precluded from claiming child care expenses and child tax credits. Also excluded are residents who receive child care assistance from the state Department of Human Services.

Several changes affecting the enterprise zone tax credit were enacted during the 1996 legislative session. Please see the corporate income tax section for a review of these changes.

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

***Collections:***

**GRAPH 3.6**
**Individual Income Tax Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

*Tax Checkoff Programs:* Taxpayers may make a voluntary contribution to five programs by donating a portion of their income tax refund or increasing the amount owed with the tax return. The voluntary tax checkoff programs authorized under state law are:

- Nongame Wildlife Program;
- Domestic Abuse Program;
- Homeless Prevention Activities;
- Colorado Special Olympics Fund; and
- Child Care Improvement.

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.

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 and the U.S. Olympic Committee did not meet the ten percent requirement and were subsequently dropped. This checkoff has been reinstituted effective with the 1996 tax year. During 1997, the Drug Abuse Resistance program collected $74,041 in donations which is also less than the ten percent required for program continuation. 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 1999 and 2000 does not exceed ten percent of the cumulative amount contributed to all programs during the time span, the program shall be discontinued.

## TABLE 3.13
## Revenue From Voluntary Income Tax Checkoffs
## FY 1987-88 through FY 1997-98

| Fiscal Year | Nongame Wildlife | Domestic Abuse | Olympic Committee | Homeless Prevention | Child Care | Special Olympics | Older American Volunteer Program |
|---|---|---|---|---|---|---|---|
| 1987-88 | $371,782 | $261,077 | $4,702 [1] | | | | |
| 1988-89 | 514,799 | 273,686 | 131,183 | | | | |
| 1989-90 | 407,468 | 248,254 | 101,426 | $244,862 | | | |
| 1990-91 | 276,744 | 251,031 | 111,312 | 268,639 | | | |
| 1991-92 | 377,321 | 267,805 | 100,336 | 257,742 | | | |
| 1992-93 | 340,331 | 262,139 | 80,565 | 236,697 | | | |
| 1993-94 | 362,566 | 234,113 | 6,898 [2] | 211,360 | | | $80,305 |
| 1994-95 | 312,824 | 256,319 | 85,097 | 205,224 | | | 3,313 [2] |
| 1995-96 | 367,619 | 254,793 | 98,272 | 217,229 | | | 294 |
| 1996-97 | 356,030 | 262,308 | 78,135 | 152,857 | $143,362 | | 53,819 |
| 1997-98 | 408,823 | 270,615 | 0 [3] | 238,566 | 188,538 | $190,538 [4] | 0 [3] |

1. The Olympic Committee checkoff sunset in 1987 but was reinstated for the 1988 tax year.
2. The Olympic Committee checkoff did not meet the minimum ten percent requirement in the prior year.
3. The Older American Volunteer Program and the Olympic Committee did not meet the minimum ten percent requirement in the prior year.
4. The Special Olympics checkoff is reestablished by HB 98-1120 and commences January 1, 1998.

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. The Rhode Island rate is 27 percent of the federal tax liability and Vermont's is 25 percent of the federal income tax. Two other states — New Hampshire and Tennessee — have flat rates of five and six percent, respectively, 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 follows.

## TABLE 3.14
## 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 taxable income and tax rates for 1998 are as follows:

**TABLE 3.15**
**1998 Federal Individual Income Tax Rates**

| | |
|---|---|
| **Single Return** | First $25,350 – 15%<br>Over $25,350 to $61,400 – 28%<br>Over $61,400 to $28,100 – 31%<br>Over $128,100 to $278,450 – 36%<br>Over $278,450 – 39.6% |
| **Joint Return** | First $ 42,350 – 15%<br>Over $ 42,350 to $102,300 – 28%<br>Over $ 102,300 to $155,950 – 31%<br>Over $155,590 to $278,450 – 36%<br>Over $278,450 – 39.6% |

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

Other rate schedules apply to taxpayers filing as heads of households or as married individuals filing separate tax returns. The federal tax brackets, personal exemption, and standard deduction are indexed annually. The personal exemption value for 1998 was $2,700. The value of the standard deduction for 1998 is $4,250 for single filers and $7,100 for married joint filers.

# Insurance Premiums Tax

*Enacted:* 1913.

*Statutory Citations:* Sections 10-3-209, 10-5-111, 10-6-128, 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:* 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. For other companies not exempted or charged a different rate of tax, the rate of tax shall be 2.10 percent in 1998, 2.05 percent in 1999, and 2.00 percent in 2000 and thereafter.

*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:*

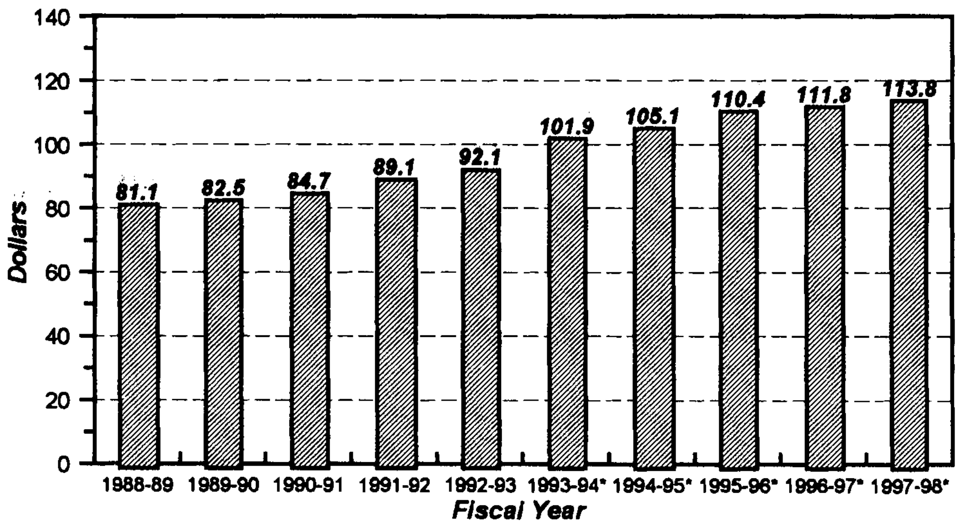
**TABLE 3.16**
**History of Insurance Premiums Tax Rates**

| | | |
|---|---|---|
| 1913 | 2.0%<br>— | All companies<br>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%<br>1.0% | All companies<br>Companies with 50 percent or more of their assets in Colorado bonds or warrants |
| 1960 | 2.25%<br>1.0% | All companies<br>Companies with 30 percent or more of their assets in Colorado bonds or warrants |
| 1969 | 2.25%<br>1.0% | All companies<br>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% |
| 1996 | 2.2% | All companies |
| 1997 | 2.15% | All companies |

***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 Bill 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.

***Collections:***

**GRAPH 3.7**
**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. In general, the gross premiums tax is in the nature of excise or privilege taxes, levied "for the privilege of engaging in business in the state." The wording in each state's statutes determines the nature of the tax. 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.

# 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 has been aged in wood for four years, bonded by the United States government, and 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:*

**TABLE 3.17**
**Present Liquor Tax Rates**

| | |
|---|---|
| **Fermented malt beverage** | 8 cents per gallon |
| **Malt liquors** | 8 cents per gallon |
| **Vinous liquors** | |
| **Colorado vinous liquors** | 13.33 cents per liter (includes 5 cent surcharge) [1] |
| **Other vinous liquors** | 8.33 cents per liter (includes 1 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. First, a surcharge of 1 cent per liter imposed on all wines sold is in effect until July 1, 2000. Second, 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 $10.00 is imposed on each ton of grapes used in the production of wine by a Colorado licensed winery.

***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:*

**TABLE 3.18**
**History of 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)<br>14% or less alcohol<br>more than 14% alcohol * | 2.8<br>5.6 | 4.7<br>7.1 | 5.6<br>8.5 | 5.6<br>8.5 | 7.33<br>7.33 | 7.33<br>7.33 |
| **Vinous-limited wineries** (per liter)<br>14% or less alcohol<br>more than 14% alcohol | N/A | N/A | N/A | .05<br>.01 | .05<br>.01 | .70<br>.70 |
| **Spirituous liquors** (per liter) | 37.8 | 42.5 [1] | 51.1 [1] | 51.1 [1] | 60.26 | 60.26 |

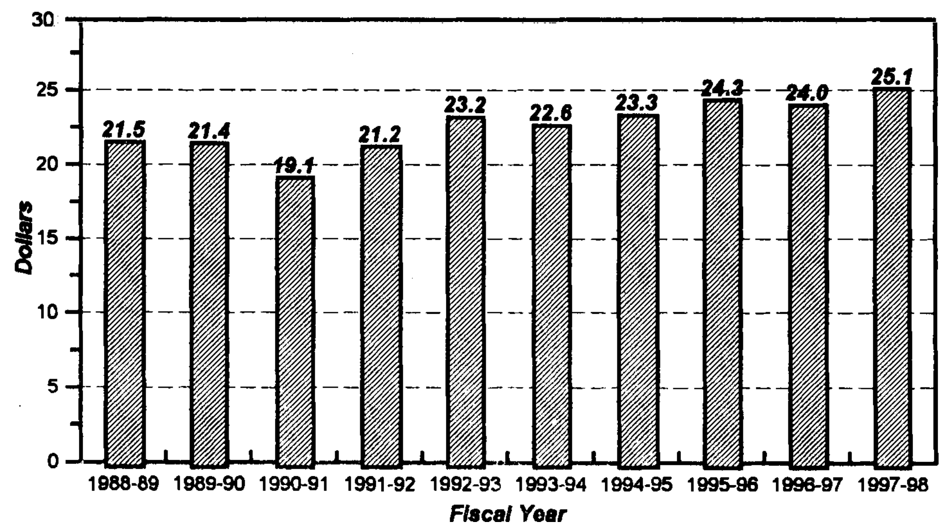
1. Sealed bottles with two ounces or less were taxed at 5 cents per bottle.

* Surcharges on vinous liquor added 1 cent to all vinous liquors effective July 1, 1990 through June 30, 2000. Effective July 1, 2000, a 1 cent per-liter wine development fee is imposed. An additional surcharge of 5 cents per-liter for the first 9,000 liters, 3 cents per-liter for the next 36,000 liters, and 1 cent per-liter for all additional amounts is imposed on all vinous liquors, except hard cider, produced by Colorado licensed wineries. The surcharge amounts are to be transferred from the General Fund to the Colorado Wine Industry Development Fund.

***Disposition of Revenue:*** The excise tax surcharges on wines are to be credited to the Colorado Wine Industry Development Fund. After the requirements of the Old Age Pension Fund have been satisfied, the remainder of all liquor excise taxes is credited to the General Fund.

*Collections:*

**GRAPH 3.8**
**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. Hawaii has the highest tax on beer at 93 cents per gallon and Wyoming has the lowest tax on beer at 2 cents per gallon. The median tax for all of the states is 18.5 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 below:

**TABLE 3.19**
**Liquor Tax Rates of Neighboring States**

| Liquor | Arizona | Kansas | Nebraska | New Mexico | Oklahoma | Utah [2] | Wyoming |
|---|---|---|---|---|---|---|---|
| **Wort/Liquid malt** (per gallon) | $0.16 | $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 | Farm wineries: $.05 per gallon | Local wine: 10 cents per liter on first 80,000 liters; 20 cents above 80,000 liters and less than 374,999 | Mixed beverages: 12% of retail value | | |

1. Rates converted to metric measure and rounded to the nearest whole cent.
2. Tax imposed on the retail purchase price for products sold by the Utah Liquor Control Commission.
SOURCE: Commerce Clearing House, *State Tax Guide.*

***Federal Tax:*** Effective October 1, 1997, as amended by the Taxpayer Relief Act of 1997.

**TABLE 3.20**
**Federal Liquor Tax Rates**

| 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.; Article XXVII, Section 1, Colorado Constitution, approved by Colorado voters on November 3, 1992.

*Collection Base:* Sale of Colorado lottery tickets.

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

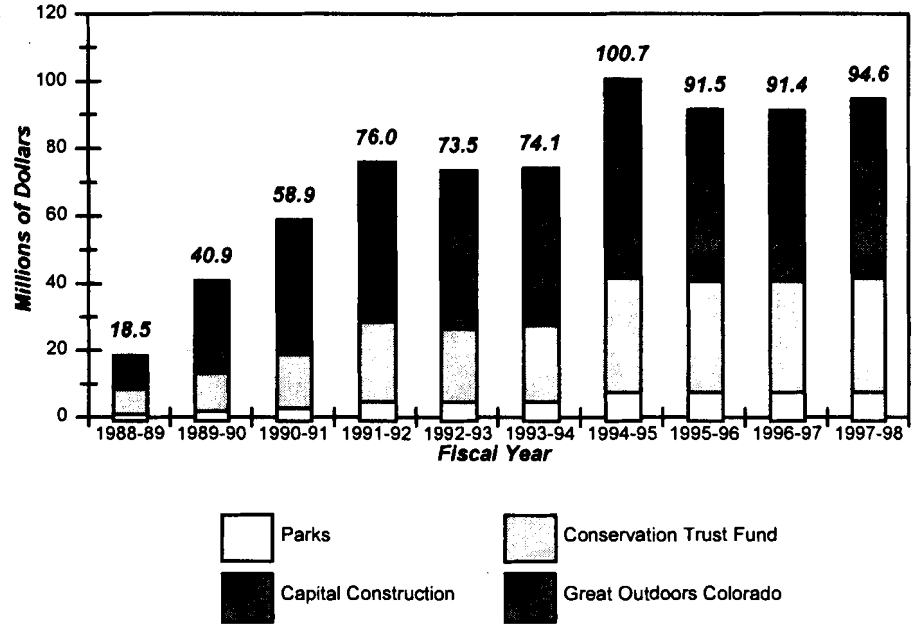
*Collection Period:* Daily.

*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, are to be transferred to the General Fund.

*Collections:*

**GRAPH 3.9**
**Lottery Receipts**
**(distributions to four state funds)***
*($ in millions)*




NOTE: Receipts are after distribution of prize moneys (50 percent of ticket sales) and the administrative expenses of the Lottery Division.

* The amounts shown are distributions to the Conservation Trust Fund, Division of Parks and Outdoor Recreation, Great Outdoors Colorado, and the State Capitol Construction Fund.

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 37 states and the District of Columbia have approved a state lottery. The following 13 states **do not** conduct a lottery:

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

# Motor Fuel Taxes

## 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. Gasoline includes gasohol and MTBE blends.

*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:*

**TABLE 3.21**
**History of Motor Fuel Tax Rates**

| Fiscal Year | Gasoline | Fiscal Year | Gasoline |
|---|---|---|---|
| 1919 | 1 cent | 1969 | 7 cents |
| 1923 | 2 cents | 1978 [2] | 7 cents |
| 1927 | 3 cents | 1981 [2] | 9 cents |
| 1929 | 4 cents | 1984 [2] | 12 cents |
| 1947 | 6 cents | 1987 | 18 cents |
| 1966 [1] | 7 cents | 1990 [3] | 20 cents |
| 1967 [1] | 6 cents | 1991 [3] | 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. A five cent reduction was in effect for sales of gasohol.
3. 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). In the past, the General Assembly appropriated funds to state agencies whose functions are related to the HUTF, e.g., the Department of Revenue for collecting taxes. These appropriations are often referred to as "off-the-top" deductions. Senate Bill 95-047 phased out these off-the-top deductions by FY 1997-98, except for appropriations to the Colorado State Patrol and the Ports of Entry Division.

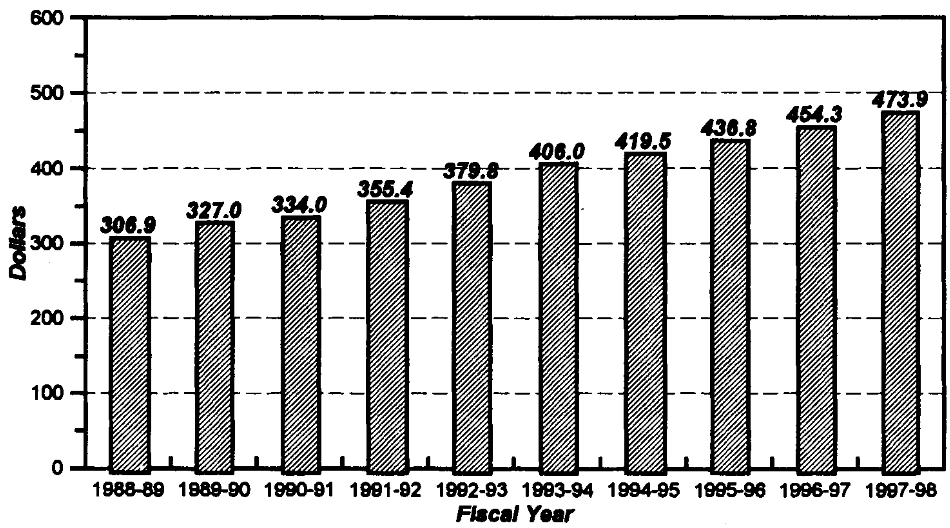
As illustrated below, three separate formulas are used to distribute funds generated from the motor fuel tax to the state, cities, and counties. The first formula relates to money credited to the fund from the first seven cents of the fuel tax. The revenues generated by the 1982 and subsequent fuel tax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

**TABLE 3.22**
**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:*

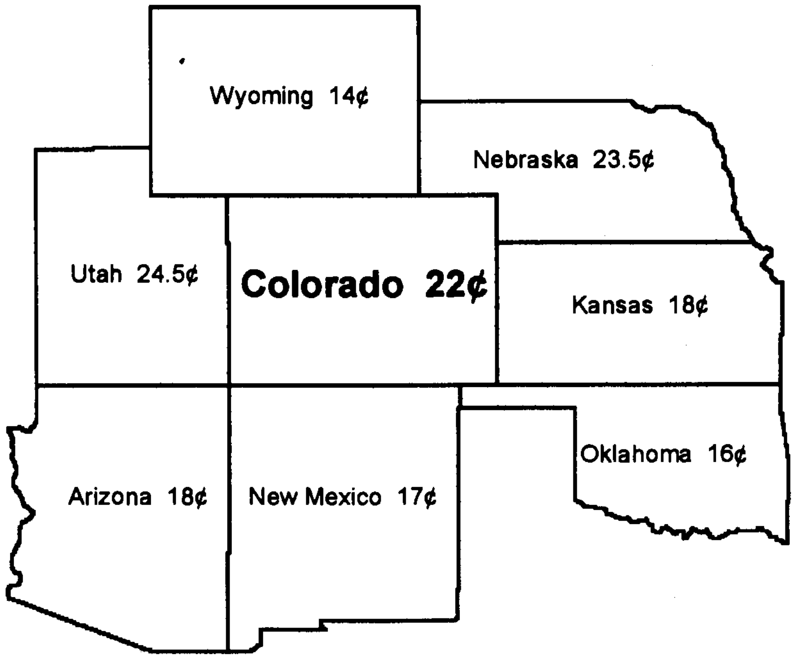
**GRAPH 3.10**
**Motor Fuel Tax Receipts***
*($ in millions)*




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

*Other States:* All 50 states impose a motor fuel tax. Rates range from 7.5 cents per gallon in Georgia to 32.5 cents per gallon in Hawaii. The average rate for all states is 19.8 cents per gallon. Thirteen states have higher gasoline tax rates than Colorado. The tax rates for bordering states are listed below (local taxes are not included).

**GRAPH 3.11**
**Gasoline Tax Rates of Neighboring States**




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

Some states index the basic fuel tax rate according to changes in the consumer price index or impose an additional sales tax on gasoline. Several other states periodically adjust the tax rate in accordance with the wholesale or retail price of gasoline.

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

## 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:*

**TABLE 3.23**
**Aviation Fuel Tax 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 (Section 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.

**TABLE 3.24**
**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 | 1.4 |
| 1995-96 | 1.0 |
| 1996-97 | 1.0 |
| 1997-98 | 1.2 |

**TABLE 3.25**
**Aviation Fuel Sales Tax**
*($ in millions)*

| Fiscal Year | Collections |
|---|---|
| 1992-93 | $6.9 |
| 1993-94 | 8.0 |
| 1994-95 | 8.0 |
| 1995-96 | 8.3 |
| 1996-97 | 9.5 |
| 1997-98 | 9.9 |

***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:*** 14.1 cents per gallon – aviation fuel, other than gasoline if it contains ethanol

13.4 cents per gallon – gasoline used in noncommercial aviation that does not contain ethanol

## 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).

***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:***

**TABLE 3.26**
**History of Special Fuels Tax Rates**

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

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 December 31, 1989. The rate changed January 1, 1990, to 18.0 cents.
3. Effective January 1 of those years.

- 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 the Highway Users Tax Fund. (See gasoline tax, pages 42 through 44.)

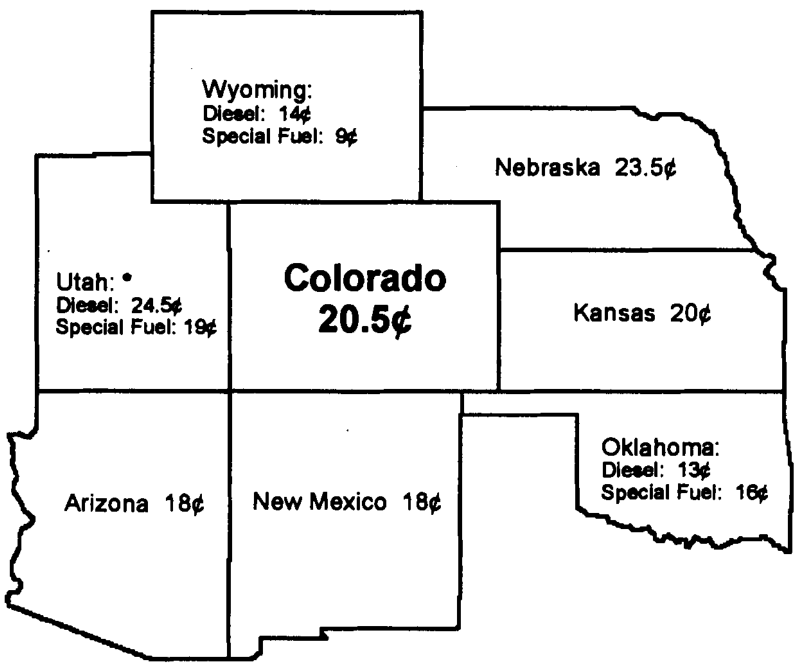
***Exemptions:***

- 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 43.)

***Other States:*** All 50 states impose a similar special fuel tax. Twenty-eight states impose the same state tax for diesel as for gasoline. Hawaii's tax rate is the highest at 32.5 cents per gallon. Nineteen states have higher special fuel gas rates than Colorado. Ten states have lower tax rates for diesel than for gasoline; Colorado, Connecticut, Delaware, Kentucky, Michigan, Oklahoma, Tennessee, Utah, Vermont, and Virginia. The tax rates in bordering states on special fuel are listed below (local taxes are not included).

**GRAPH 3.12**
**Special Fuel Tax Rates of Neighboring States**




• In addition, Utah imposes an environmental surcharge of 0.5 cents per gallon on all petroleum sold.
SOURCE: Commerce Clearing House, *State Tax Guide*.

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

# 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 — broadcasts of live races — is permitted at track and other facilities under provisions of Senate Bill 91-99.

*Present Rate and Distribution:*

**TABLE 3.27**
**Pari-Mutuel Racing Tax Rates**

| Type of Racing Operation | Rate | Distribution |
|---|---|---|
| Greyhound<br>Live and Simulcast | 4.5% on all wagers | General Fund |
| Horse Racing<br>Live and Simulcast | 0.75% on all wagers<br>Class B facilities: greater of actual cost of regulation, up to $2,500, or 0.75% of handle | General Fund |
| | 0.25% on exotic wagers<br>(wagers other than win, place, or show) | CSU Veterinary School for equine research |
| | 0.50% on win, place, or show<br>1.50% on exotic wagers<br>(total tax is 1.25% on win, place, or show, and 2.5% on other wagers) | Owners and Breeders' awards and supplemental purse fund |

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

*Collection Period:* Daily.

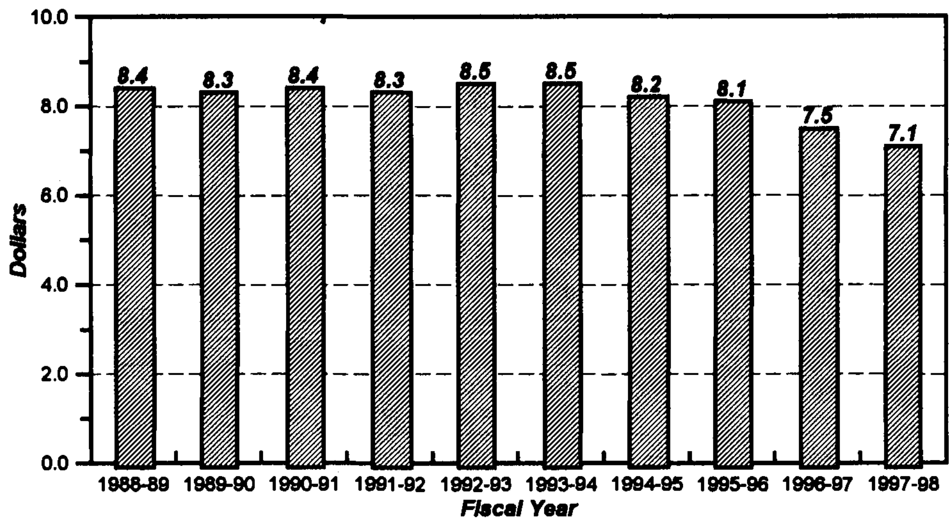
*History of Tax Rates:*

**TABLE 3.28**
**History of Pari-Mutuel Racing Tax Rates**
*(based on handle)*

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

**GRAPH 3.13**
**Pari-Mutuel Tax Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

**TABLE 3.29**
**Calendar Year 1996 Revenue by Type of Racing**

| | |
|---|---|
| Greyhound | $6,759,000 |
| Horse Racing | $435,000 |

***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.

## TABLE 3.30
## Pari-Mutuel Tax Rates of Neighboring States

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

*Collections:* FY 1997-98 collections were $483,222.

# Sales and Use Taxes

## Sales Tax

*Enacted:* 1935.

*Constitutional and Statutory Citations:* 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 and certain services 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), and county local improvement districts are not included in the statutory limit on sales taxes. County rental taxes on the rental of personal property, county mass transit taxes, and local tourism taxes are also exempt from the statutory limit on sales taxes.

The combined sales tax rate for the state, counties, special districts, and municipalities is shown on the table presented on pages 85 through 87.

*Administration and Collection:* The Department of Revenue administers all state sales taxes collected by merchants. As of July 1998, the department also administers sales taxes for 157 municipalities, 44 counties, the Regional Transportation District, the Scientific and Cultural Facilities District, the Denver Metropolitan Major League Baseball Stadium District, and two county local improvement districts. There are 46 home rule cities that collect and administer their own sales tax. An incremental county sales tax for mass transit is collected for three counties.

*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:*

TABLE 3.31
History of Sales and Use 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 5 for OAPF, page 1 for General Fund, and page 12 for Aviation Fund.).

*Recent Colorado Changes:* Senate Bill 95-221 exempted steam when used as a fuel in any type of processing or manufacturing. House Bill 95-1145 exempted occasional sales by a charitable organization. House Bill 96-1359 defined the purchase price for wireless telecommunication equipment and exempted the charge for any sales commission or compensation from sales or use tax. House Bill 96-1333 defined any machinery which is used to move material from one production step to another in a continuous flow and testing process directly used in the manufacturing process. Precious metal bullion and coin sales are no longer exempted from sales taxes after April 17, 1995.

*Exemptions:* For FY 1997-98, the total value for state sales tax exemptions was $431 million. The following table includes all of the sale transactions which have been exempted from the state sales tax in FY 1997-98 (see Sections 39-26-102, 39-26-203, and 39-26-114, C.R.S.). The sales tax exemption with the greatest revenue impact is the sales of food for off-premises consumption valued at $169.9 million. Along with the corresponding revenue impact of each sales tax exemption, the year of enactment is also provided.

TABLE 3.32
Colorado Sales and Use Tax Exemptions

| Date Enacted | Sales Transaction | FY 1997-98 Revenue Impact (in millions) |
|---|---|---|
| 1935 | Tangible property as a component part of the product or service manufactured | $1.3 |
| 1935 | Special fuel defined as diesel, kerosene, liquified petroleum gases, and natural gas | $81.9 |
| 1937 | Energy used for industrial or manufacturing purposes | $6.2 |
| 1937 | Sales to charitable organizations | $19.7 |
| 1937 | Sales to governmental units | $25.5 |
| 1943 | Printers ink and newsprint | $5.0 |
| 1943 | Sales of livestock for breeding | < $0.1 |
| 1943 | Newspapers | $3.3 |
| 1943 | Sales and purchases of cattle, sheep, lambs, poultry, swine, goats | < $0.0* |

*(Continued on next page)*

TABLE 3.32 (Continued)

| Date Enacted | Sales Transaction | FY 1997-98 Revenue Impact (in millions) |
|---|---|---|
| 1943 | Sales for feed for livestock; seeds and orchard trees | < $0.0* |
| 1945 | Farm auction close-out sale | NA |
| 1959 | Cigarettes | $18.0 |
| 1959 | Lodging for permanent residents | NA |
| 1961 | Sales of straw for livestock bedding | < $0.1 |
| 1963 | Sales to residents of an adjoining state within a twenty-mile limit if the bordering state does not have a sales tax | $0.0 |
| 1965 | Sales of prescription drugs | $26.4 |
| 1969 | Sales to public and other nonprofit schools | NA |
| 1970 | Sales of live fish for stocking | < $0.1 |
| 1976 | New and used commercial trucks and trailers purchased in Colorado for use outside Colorado or in interstate commerce | $1.2 |
| 1977 | Certain sales of assets in business formation or dissolution | $2.8 |
| 1977 | Property brought into the state for testing, modification, or inspection if the use is outside of the state and the testing period is no longer than 90 days | $0.2 |
| 1977 | Sales of construction materials to a common carrier by rail | $0.0 |
| 1977 | Leases of personal property for three years or less if tax is paid upon original acquisition | $0.0 |
| 1977 | Special fuel for farm vehicles | $1.5 |
| 1977 | Sales of insulin (included with prescription drugs) | ** |
| 1977 | Sales of motor vehicles by nonresidents purchased for use by nonresidents outside Colorado | $0.1 |
| 1978 | Value of meals furnished to employees of food service establishments free or at reduced rates and considered part of their incomes | $0.1 |
| 1978 | Property transferred by a supplier to out of state vendors for use in selling products at wholesale by the supplier | $0.2 |
| 1978 | Sales of any article, containers or bags to a retailer or vendor of food if provided to the consumer without a separate charge | $0.2 |
| 1979 | Sales of construction and building materials for use by contractors on public works projects used by tax-exempt organizations | NA |
| 1979 | Sales of straw for poultry bedding | < $0.1 |
| 1979 | Purchase of machinery or machine tools used in the manufacturing process (and enterprise zones) | $22.4 |
| 1979 | Sales of glucose for treatment of insulin reactions and insulin measuring and injecting devices | ** |
| 1979 | Sales of fuel for residential heat, light, and power | $35.9 |
| 1979 | Forty-eight percent of purchase price of factory built housing | $0.1 |
| 1979 | Sales of food for off-premises consumption (net of food stamps) | $169.9 |
| 1980 | Certain medical supplies and equipment; eyeglasses contacts, and hearing aids; therapeutic devices, appliances or related accessories | $5.2 |
| 1982 | Property used for food manufacturing when such property becomes part of the product or is left unfit for further use | $0.4 |

*(Continued on next page)*

## TABLE 3.32 (Continued)

| Date Enacted | Sales Transaction | FY 1997-98 Revenue Impact (in millions) |
|---|---|---|
| 1982 | Refractory materials and carbon electrodes used in manufacturing iron and steel, and inorganic chemicals used in processing uranium-vanadium ores | $0.2 |
| 1982 | Nuclear fuel when deemed a wholesale sale | $0.0 |
| 1984 | Sales of aircraft used or purchased for use in interstate commerce | $0.0 |
| 1985 | Newspaper advertising supplements | $1.6 |
| 1986 | Sales of personal property through vending machines of 15 cents or less | $0.0 |
| 1987 | Food purchased with federal food stamps or funds from the supplemental food program for woman, infants, and children | $0.0 |
| 1990 | Direct mail advertising materials distributed by persons engaged solely and exclusively in providing cooperative direct mail advertising | < $0.1 |
| 1991 | Sales of aircraft component parts | $0.5 |
| 1992 | Sale of railroad capital equipment | $0.9 |
| 1992 | Sales of materials used in the printing process | $0.2 |
| **Total** | | **$431.0 million** |

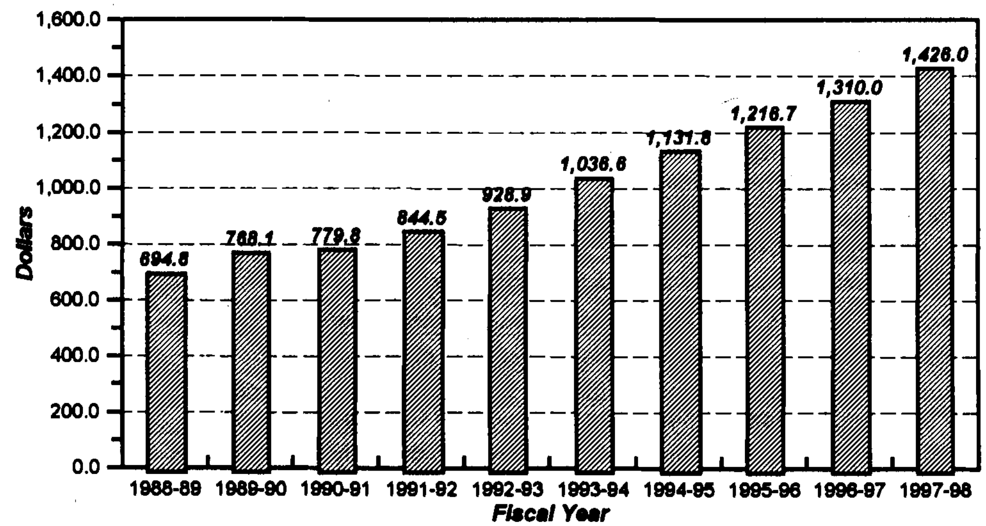
SOURCE: Department of Revenue.

* Without specific exemptions, these goods yield very little in tax revenues; a considerable amount would be shipped out of state, used as a component in the production of food or would be sold at wholesale. If these goods could be taxed under these conditions, their value would be $72.4 million and $19.6 million respectively.

** Included in the estimate of the value of the exemption for prescription drugs.

*Collections:* This chart does not reflect sales taxes collected on aviation fuel after FY 1992-93.

**GRAPH 3.14**
**Sales Tax Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

***Other States:*** Currently, 45 states and the District of Columbia 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. Of the states which impose a sales tax, the average state sales tax is 5.2 percent and the median is five percent. 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.

**GRAPH 3.15**
**State Sales Tax Rates of Neighboring States**

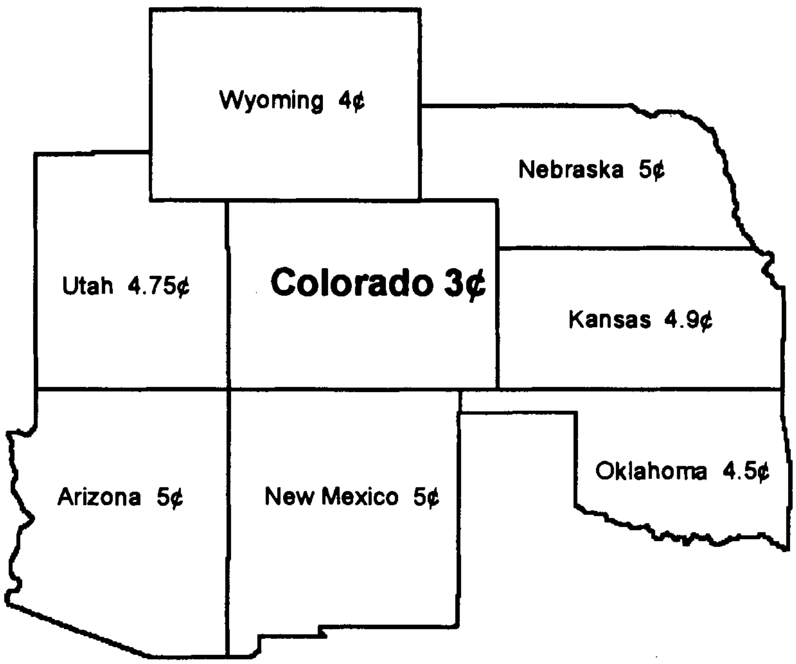



**TABLE 3.33**
**Local Option Sales Tax and Food and Prescription Drug Exemption Policies of Neighboring States**

| State | Local Taxes Allowed | Food Exemption | Prescription Drugs Exemption |
|---|---|---|---|
| Arizona | Yes | Yes (exempt) | Yes (exempt) |
| Colorado | Yes | Yes | Yes |
| 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.*
* Exempt after January 1, 1999.

## 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:*

**TABLE 3.34**
**History of Use Tax Rates**

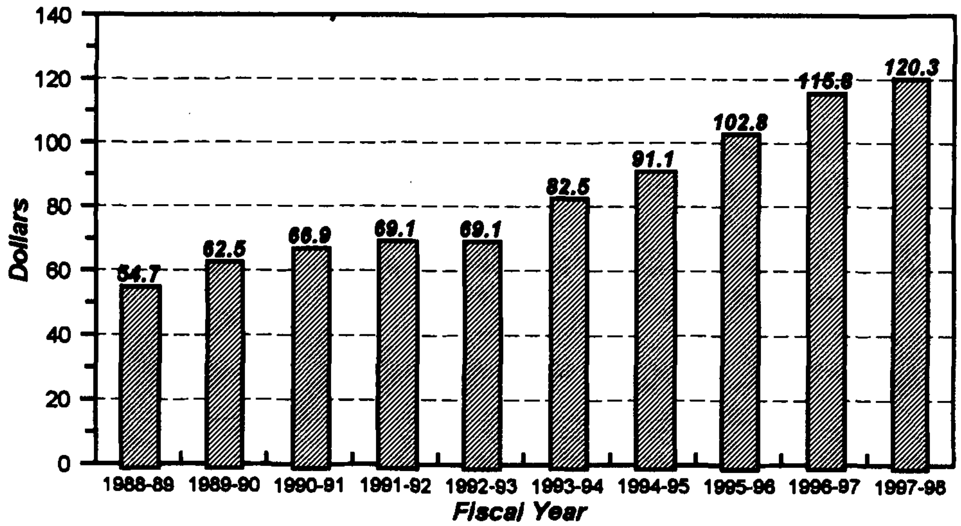
| 1937 | 1965 | May 1, 1983 through July 31, 1984 | Since August 1, 1984 |
|---|---|---|---|
| 2% | 3% | 3.5% | 3% |

*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 54).

*Collections:*

**GRAPH 3.16**
**Use Tax Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

***Other States:*** See "Other States" discussion of sales tax on page 57.

# Severance Taxes

*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 five 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. Because of the constitutional provisions of Article X, Section 20, the tax rate has not been increased; however, it may decrease. 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 lignitic 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 deduction for these expenses 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. The tax rate on molybdenum ore was 15 cents per ton prior to 1986. The base tax rate on coal was 60 cents per ton prior to July 1, 1988.

*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 10 for discussions of these funds.)

*Collections:*

**TABLE 3.35**
**State Severance Tax Receipts**
*($ in millions)*

| Fiscal Year | Oil and Gas Production | Coal | Metallic Minerals and Molybdenum | Total Collections | Percent Change |
|---|---|---|---|---|---|
| 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% |
| 1995-96 | 7.6 | 6.9 | 0.4 | 14.9 | 39.3% |
| 1996-97 | 18.7 | 10.8 | 0.7 | 30.2 | 102.7% |
| 1997-98 | 22.6 | 9.3 | 0.6 | 32.6 | 7.9% |

SOURCE: Department of Revenue, Cash Basis.

*Other States:* Thirty-nine 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 the 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.

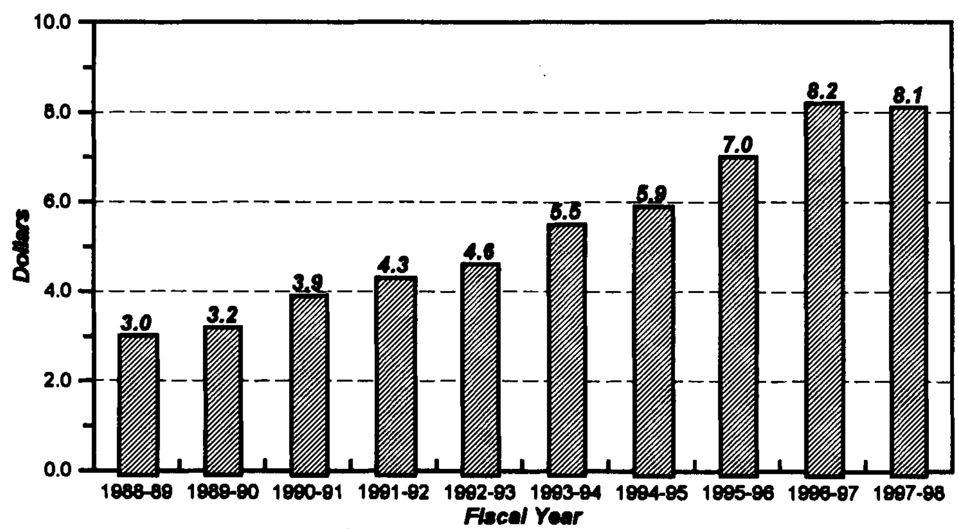
*Collection Period:* Distributors file a return every quarter containing the amount of tobacco products purchased during the preceding quarter and the amount of tax due. Taxes are paid by the twentieth day of the month following the quarterly report.

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

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

*Collections:*

**GRAPH 3.17**
**Tobacco Products Receipts**
*($ in millions)*




SOURCE: Division of Accounts and Control.

***Other States:*** Forty-three 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. Aside from Wyoming, the District of Columbia and other states that do not tax tobacco include: Kentucky; Maryland; Pennsylvania; Virginia, and West Virginia. The rates for neighboring states imposing the tax are listed below.

**TABLE 3.36**
**Tobacco Products Tax Rates of Neighboring States**

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

SOURCE: Commerce Clearing House, *State Tax Guide, July 1997.*

***Federal Tax:***

**TABLE 3.37**
**Federal Tobacco Product Tax Rates**

| Tobacco Product | Tax Rate | Federal Increase 1996 to 1998 |
|---|---|---|
| Snuff | 36 cents per pound | 50 percent |
| Chewing Tobacco | 12 cents per pound | 50 percent |
| Small Cigars (weighing less than 3 pounds per 1,000) | $1.125 to $48.75 per thousand | 50 percent |
| Large Cigars (weighing more than 3 pounds per 1,000) | 12.75 percent of wholesale price but not more than $30 per thousand | 50 percent |

# 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 1.7 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 12 consecutive calendar months, 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. The rate was reduced to 1.7 percent in 1997 by House Bill 1159.

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.

**TABLE 3.38**
**Taxable Wage Base for Colorado Unemployment Insurance Tax**
*(Changes from 1936 – 1988)*

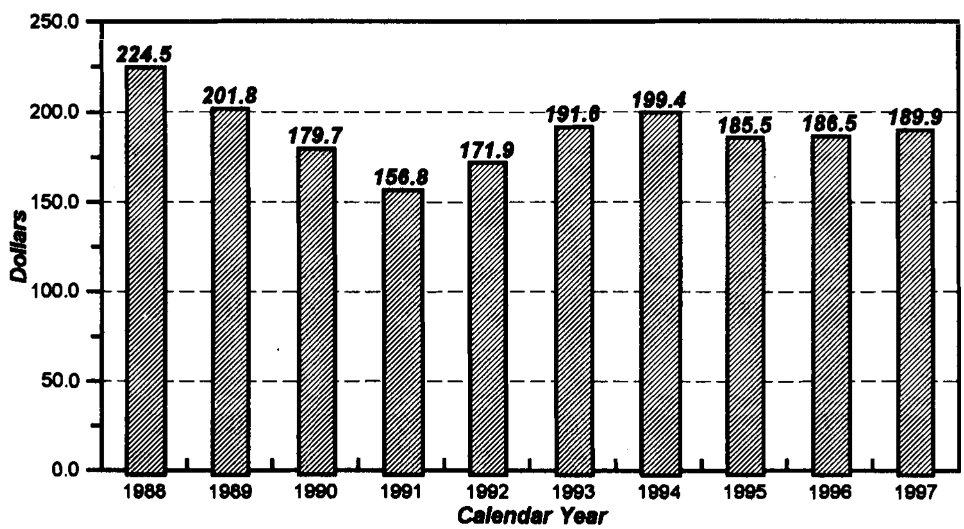
| 1936 | 1974 | 1978 | 1983 | 1984 | 1987 | 1988 |
|---|---|---|---|---|---|---|
| $3,500 | $4,200 | $6,000 | $7,000 | $8,000 | $9,000 | $10,000 [1] |

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:***

**GRAPH 3.18**
**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.

# SECTION 4

## 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*, 1995 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, 1998.

Currently, there are 269 incorporated municipalities. In 1996, Colorado municipalities accounted for 71.2 percent of the total state population. The structure of municipal governments in 1998 included 77 Home Rule Cities or Towns, 16 Statutory Cities, two Territorial Charters, and 174 Statutory Towns.

# Accommodations or Lodger's Tax

***Constitutional and Statutory Authority:*** Article XX, Colorado Constitution.

***Description of Tax:*** Ordinarily municipalities apply their general sales tax to the price for renting or leasing of accommodations for less than 30 consecutive days. Some cities impose a separate lodger's tax.

***Rates:*** In 1998, 197 cities or towns reported imposing their sales tax or an equivalent rate, while 28 reported levying rates ranging from 0.7 to 8 percent in addition to their sales tax rates.

# 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 and is collected when a ticket is sold. The tax applies to tickets sold for entertainment, athletic, or theater events, as well as ski lift tickets. 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:*** As of July 1, 1998, 26 municipalities reported admissions taxes, ranging from 2 to 15 percent.

# 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, authorized 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-four counties impose a county lodging tax. As of July 1, 1998, 20 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 and San Juan counties.

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.

# Occupational Taxes

## 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.

**TABLE 4.1**
**Municipalities Levying General Occupations Tax and Tax Rates**

| Municipality | Rate (Annual Rate Unless Noted) |
|---|---|
| Aspen | Firms with:<br>0-5 employees – $150<br>6-15 employees – $200<br>16-49 employees – $400<br>50 or more employees – $750 |
| Aurora | $2 per employee per month paid by employer and employee |
| Avon | $75 per business |
| Bayfield | $25 per business, plus $5 per employee over 2 |
| Breckenridge | $200 plus $10 per employee<br>$50 for in-home businesses<br>$100 for regular vendors<br>$50 for seasonal vendors |
| Calhan | $5.50 per business |
| Crested Butte | Firms with:<br>0-2 employees – $100<br>3-7 employees – $275<br>8-15 employees – $475<br>16-24 employees – $1,000<br>25 or more employees – $1,500<br>$100 for seasonal vendors<br>$200 for regular vendors |
| Denver | $4 per employee per month paid by employer<br>$5.75 per employee per month paid by employee |
| Dillon | $60 per business |

*(Continued on next page)*

## Municipalities Levying General Occupations Tax and Tax Rates – *(Continued)*

| Municipality | Rate (Annual Rate Unless Noted) |
|---|---|
| Dinosaur | $25 per business |
| Dove Creek | $15 per business |
| Durango | Business license based on number of employees |
| Eagle | $50 per business |
| Estes Park | $100 for in-home businesses<br>$150 – $375 for lodging businesses, based on number of units<br>$200 for other businesses |
| Fruita | $25 per business |
| Garden City | $10 for service businesses<br>$25 for retail businesses<br>$75 for pawn shops<br>$25 per vending machine |
| Gilcrest | $15 per business |
| Green Mountain Falls | $35 per business |
| Greenwood Village | $2 per month per employee paid by employer and employee |
| La Salle | $10 for local sales tax license |
| Leadville | $50 per business owner |
| Lyons | $25 per business |
| Pueblo | $5 for local sales tax license |
| Severance | $25 per business |
| Sheridan | $2 per employee |
| Silverton | Firms with:<br>1-4 employees – $125<br>5-9 employees – $145<br>10 or more employees – $180<br>$60 for in-home businesses<br>$1 for cigarette sales permit |
| Snowmass Village | $50 per business |
| Telluride | Firms with:<br>0 to 1.5 employees – $100<br>1.6 to 4 employees – $275<br>5 to 6 employees – $375<br>7 to 9 employees – $475<br>10 to 15 employees – $775<br>More than 15 employees – $1,250 |
| Vail | Amount varies depending on number of employees, type of business, type of profession, and amount of square footage |
| Victor | $75 per business |
| Winter Park | $60 per business |
| Woodland Park | $50 per business |

SOURCE: Colorado Municipal League, *Municipal Taxes, 1995.*

## 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 1998, 111 cities reported imposing this tax. Annual fees range from $3.75 to $2,280.

**TABLE 4.2**
**Number of Municipalities Levying Liquor and Beer Occupation Taxes**

| Type of License | Total | Under $100 | $100-$499 | $500-$999 | $1,000 or more |
|---|---|---|---|---|---|
| Retail liquor store | 71 | 23 | 41 | 7 | 0 |
| Drug store | 49 | 15 | 28 | 6 | 0 |
| Hotel and Restaurant | 66 | 21 | 25 | 13 | 7 |
| Club | 54 | 18 | 28 | 6 | 2 |
| Tavern | 65 | 21 | 22 | 14 | 8 |
| Beer and wine | 55 | 19 | 28 | 6 | 2 |
| Race track | 16 | 8 | 7 | 0 | 1 |
| Arts | 21 | 11 | 10 | 0 | 0 |
| Extended Hours | 30 | 20 | 9 | 1 | 0 |
| 3.2% beer | | | | | |
| On premises | 51 | 18 | 22 | 8 | 3 |
| Off premises | 52 | 21 | 27 | 4 | 0 |
| On and off premises | 40 | 15 | 15 | 7 | 3 |

SOURCE: Colorado Municipal League, *Municipal Taxes, 1995.*

## 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, 138 municipalities; gas, 143; cable TV, 152; telephone, 117. According to the Colorado Municipal League's 1995 survey, more than 45 percent of municipal gas and electric franchises are typically awarded for shorter duration — 15 years or less. Less than 15 percent of cable television franchises are for 20 years or longer.

# 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 14, C.R.S.

*Tax Base:* The property tax is applied to the assessed value of all taxable real and personal property within a taxing jurisdiction.

*Tax Rate:* Subject to limitations on rates and revenues, the property tax rate is set by the governing body of the local government levying the tax. 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.

*Administration:* The administration of the property tax system involves both state and local agencies and officials.

- The **county assessor** is responsible for establishing the value of most property within the county. 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 board of county commissioners, acting as the **county board of equalization**, reviews the valuations and raises, lowers, or adjusts them 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 **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 property taxes and disperses them to the appropriate taxing entities.
- 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 providing assistance to assessors on valuation and appraisals methodologies, reappraisals, and property tax law; approving applications for exemptions for school, charitable, and religious properties; preparing research and 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.

*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. Energy development operations and mineral extraction or conversion operations may prepay property taxes for credit against property taxes to be levied in the future.

*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 not used for exempt purposes are taxable.

**Property Classes.** For valuation purposes, property is placed in one of ten categories based on the property's use. Land is classified as **agricultural** if it produces agricultural products and the primary purpose of the production is monetary profit. Land is classified as **residential** if a residential dwelling exists; mobile homes and apartment buildings are included in this property class. **Vacant** land is land which has no structures, buildings, or fixtures on it, whether the land is platted or unplatted. **Commercial** property includes all property used primarily as a commercial enterprise, while property that is used to add value (e.g., manufacturing and refining) is classified as **industrial**.

Of the remaining five property classes, three relate to the earth's resources. The **producing mines** category includes metalliferous (e.g., copper, gold, and silver) mine operations whose gross proceeds exceeded $5,000 in the preceding calendar year. **Oil and gas** lands, leaseholds, improvements, and personal property are assigned to their own property class, while all other property that involves the earth's resources, including non-metallic and coal producing mines, are classified as **natural resource** property. The **state assessed** class includes public utilities: railroad companies, airlines, electric companies, telephone and telegraph companies, and pipeline companies, among others. Finally, a classification exists for property that is **exempt** from taxation.

**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 is valued using the market approach only. The value of agricultural land is determined by considering the productive capacity of the land over the preceding ten years, capitalized at a rate of 13 percent.

**Reassessment Cycle.** Since 1987, the law has required vacant, residential, commercial, industrial, and agricultural property to be assessed biennially 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 date, frequently referred to as the data gathering period. Thus, the assessed values for these property classes in 1999 and 2000 are based on estimated values as of June 30, 1998. 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.

**Assessed Value.** The assessed value of property is equal to the actual value multiplied by the appropriate assessment rate. The assessment rate for residential property fluctuates to comply with Article X, Section 3 of the Colorado Constitution. This constitutional provision requires the General Assembly to adjust the rate whenever there is a reassessment to ensure that the percentage of the total statewide valuation for assessment attributed to residential real property remains the same as in the preceding year. Rate changes make pursuant to Article X, Section 3 are summarized below.

**TABLE 4.3**
**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 |
| 1997-98 | 9.74% | | S.B. 97-26 |

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

Commercial, industrial, vacant, agricultural, natural resource, and state assessed property are assessed at 29 percent of actual value. Oil and gas lands and leaseholds and producing mines are assessed based on production. Producing mines are valued for assessment at the greater of 25 percent of gross proceeds or 100 percent of net proceeds. Oil and gas lands and leaseholds are assessed at 87.5 percent of the selling price of oil and gas sold or transported from the wellhead during the preceding calendar year unless secondary or tertiary recovery is used. In these latter instances, the assessment rate is reduced to 75 percent.

**Taxpayer Notification of Value.** A notice of valuation (NOV) is mailed to property owners annually. This notice states the actual, rather than the assessed, value of property 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.

***Property Tax Revenues:***

**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 property tax needs by its total assessed value, subject to maximum mill levy and property tax revenue limitations. 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 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.

**Limitations on Property Tax Revenues.** Article X, Section 20 of the Colorado Constitution limits both the growth of property tax revenues and property tax rates for all local governments. Regarding property tax rates, local governments must have prior voter approval for a mill levy above that for the prior year. The percentage change in property tax revenue is limited to inflation in the prior calendar year plus local growth. This limit may also be exceeded with voter approval. "Local growth" is defined differently for school districts than it is for all other taxing entities. For school districts, local growth is the percentage change in student enrollment; for all remaining local governments, local growth is the net percentage change in the entity's actual value created by additions to or deletions from the tax base. Given that both rate and revenue limits exist, the limitation that generates the lesser amount of property taxes would be applicable.

A statutory property tax revenue limitation also exists for counties, cities, and towns not chartered as home rule. If this limitation is more restrictive than the constitutional restriction, taxing entities are required to follow it. Colorado law limits these 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. 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. In addition to property taxes excluded from the limit, certain property valuations (e.g., annexations, new construction, increases in value that will cause increases in services) are also excluded when computing the 5.5 percent revenue limit. All taxing entities must obtain voter approval to raise additional property taxes above the 5.5 percent revenue limit. Special districts may submit a request to the Division of Local Government for additional property taxes but must also gain approval from the electorate before property taxes can be raised.

***Exemptions:***

Article X, Sections 3, 4, 5, and 6 of the Colorado Constitution exempts the following property from 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 (this property is 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 exemptions set forth in statute are:

- nonprofit domestic water companies;

- intangible property, such as stocks, bonds, and computer software (the intangible property of public utilities, such as franchises, contract rights, and rights-of-way are taxable);
- 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 when charges for services are based on the ability to pay;
- transitional housing for homeless or abused persons or persons whose incomes are below the poverty line;
- 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; and
- personal property if it is listed on a single tax schedule and the actual value of the personal property is $2,500 or less (effective January 1, 1997).

The statutes also specify the extent to which religious organizations are exempt from property taxation when the organization receives limited rental income from the property or the property is used for ancillary activities such as day care for children.

***Taxation of Possessory Interests in Exempt Properties.*** Possessory interests in exempt real or personal property are not subject to the property tax unless there are specific statutory provisions enacted that direct such taxation. Prior to January 1, 1996, a lessee or user of real property that was exempt from property taxation was generally subject to paying property tax. Exceptions to this general rule were 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 because they were not authorized by Article X of the constitution. State law provides for specific standards for the appropriate consideration of the cost, market, and income approaches to appraisal if the Colorado Constitution is found to require that possessory interests in government-owned land, improvements, or personal property be taxed.

***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, town home, 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 year 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.

**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. Tax/rent grants claimed after January 1, 1999, increase to $600; heat/fuel grants claimed after January 1, 1999, increase to $192. These grants are in the form of rebates filed with the Colorado Department of Revenue (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 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 a personal residence or have paid rent on 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. Participation in the program is limited by income.

**TABLE 4.4**
**Income Limitations for Property Tax and Heat Grants**

| Marital Status | Income |
|---|---|
| Single person | less than $11,000 |
| Married couple | less than $14,700 |

A property tax grant may not 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. Prior to January 1, 1999, the maximum property tax grant and heat/fuel grant are $500 and $160, respectively. After January 1, 1999, the heat/fuel grant increases to $192. Neither grant may exceed the actual amounts paid. If the heating bill is included as part of the rental payments, the grant is based on ten percent of the total rent. Each grant is reduced by a percentage of income above $5,000 for a single person and over $8,700 for a married couple. The percentage reduction is 20 percent for the property tax expense and 6.4 percent for the heat expense.

**TABLE 4.5**
**Sample Calculations of Property Tax and Heat Grants**
*(for grants claimed after January 1, 1999)*

| | |
|---|---|
| **Examples for a single person:** | |
| (a) | Income of $5,000 equals a grant of $792. ($600 for property tax and $192 for heat/fuel.) |
| (b) | Income of $6,000 equals a grant of $660 ($792 less $100, or 10% of the $1,000 of income over $5,000 for the property tax, and $32, or 3.2% of the $1,000 of income over $5,000 for the heat expense). |
| **Examples for a married couple:** | |
| (a) | Income of $8,700 equals a grant of $792. |
| (b) | Income of $10,200 equals a grant of $594. ($792 less $150, or 10% of the $1,500 of income over $8,700 for the property tax, and $48, or 3.2% of the $1,500 of income over $8,700 for the heat expense). |

The Department of Revenue administers the property tax and heat grant program. The amount refunded in FY 1996-97 was $10.4 million. The department processed 33,351 grant requests with an average grant of $312.

**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 cannot be income-producing. A local ordinance or resolution to adopt such a program must include procedures for application for the program, the maximum number of persons that may participate, and work verification procedures. The maximum number of hours that may be worked is determined by dividing the amount of property taxes by the federal minimum wage (Title 39, Article 3.7, C.R.S.).

**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.

**Personal Property Tax Credits.** Article X, Section 20 of the Colorado Constitution permits the state or any local government to enact cumulative uniform exemptions and credits to reduce or end business personal property taxes.

**Abatements and Refunds.** Property owners may petition for an abatement or refund of taxes for the prior two years if they believe 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 first year of an assessment cycle are precluded from filing abatement petitions for overvaluation in the following year.

### *History of Property Tax Revenues:*

Table 4.6 illustrates property taxes collected in the state since 1930. Article X, Section 20 of the Constitution prohibits the imposition of a new state real property tax.

**TABLE 4.6**
**Property Tax Revenue for Selected Years by Types of Governmental Units and Total State Assessed Valuation, 1930-1997 [1]**
*($ 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 |
| 1965 | -- | 53.3 | 34.3 | 27.8 | 158.4 | 10.3 | 284.2 | 4,087.5 |
| 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 | 248.9 | 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 | 29,761.2 |
| 1995 | -- | 679.3 | 129.6 | -- | 1,530.5 | 329.0 | 2,668.2 | 32,428.0 |
| 1996 | -- | 706.9 | 135.3 | -- | 1,597.8 | 344.8 | 2,784.8 | 33,606.8 |
| 1997 | -- | 763.2 | 151.9 | -- | 1,732.9 | 385.0 | 3,033.1 | 38,536.7 |

1. Division of Property Taxation, *Twenty-Seventh Annual Report, 1997.*
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. Twelve Colorado municipalities impose a real estate transfer tax. Several have earmarked the receipts for specific purposes. Aspen and Crested Butte impose two separate taxes with the revenues dedicated for different purposes.

*Rates:*

**TABLE 4.7**
**Municipalities and Real Estate Transfer Taxes**

| Municipality | Rate | Municipality | Rate |
|---|---|---|---|
| Aspen | 1.5% | Minturn | 1.0% |
| Avon | 2.0% | Ophir | 4.0% |
| Breckenridge | 1.0% | Snowmass Village | 1.0% |
| Crested Butte | 3.0% | Telluride | 3.0% |
| Frisco | 1.0% | Vail | 1.0% |
| Gypsum | 1.0% | Winter Park | 1.0% |

SOURCE: Colorado Municipal League, *Municipal Taxes, 1995.*

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. 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 for off-premise consumption.

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), Scientific and Cultural Facilities District (SCFD), Denver Metropolitan Major League Baseball Stadium District (BSD), 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 pages are the sales and use tax rates in the cities and counties of the state. The RTD, SCFD, and BSD taxes are included where applicable.

**TABLE 4.8**
**Sales Taxes in Colorado – Rates for Counties, Municipalities, Special Taxing Districts, and State**
*(rates in effect July 1, 1998)*

| 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% |
| Foxfield | 2.00% | 0.80% | 5.80% |
| 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 | 3.00% | 1.00% | 7.00% |
| **BOULDER** 2/ | | 1.15% | 4.15% |
| Boulder | 3.11% | 1.15% | 7.26% |
| Broomfield (part) | 3.75% | 1.15% | 7.90% |
| Erie (part) | 3.50% | 1.15% | 7.65% |
| Lafayette | 3.25% | 1.15% | 7.40% |
| 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 | 3.00% | 1.15% | 7.15% |
| Ward | 2.00% | 1.15% | 6.15% |
| **BROOMFIELD** | * | * | * |

| County / City | City Rate | RTD, SCFD, Stadium, & County Rate | 1/ Total Including State Rate |
|---|---|---|---|
| **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% |
| **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 | 4.00% | 0.00% | 7.00% |
| **DOUGLAS** 2/ | | 1.80% | 4.80% |
| Castle Rock | 3.60% | 1.00% | 7.60% |
| Larkspur | 4.00% | 1.00% | 8.00% |
| Parker | 3.00% | 1.80% | 7.80% |

| County / City | City Rate | RTD, SCFD, Stadium, & | 1/ Total Including |
|---|---|---|---|
| EAGLE | | 1.50% 3/ | 4.50% 3/ |
| Avon | 4.00% | 1.50% | 8.50% |
| Basalt (part) | 2.00% | 1.50% | 6.50% |
| Eagle | 4.00% | 1.50% | 8.50% |
| Gypsum | 3.00% | 1.50% | 7.50% |
| Minturn | 4.00% | 1.50% | 8.50% |
| Red Cliff | 3.00% | 1.50% | 7.50% |
| Vail | 4.00% | 1.50% | 8.50% |
| 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 | 2.10% | 1.00% | 6.10% |
| Fountain | 3.00% | 1.00% | 7.00% |
| Green Mtn Falls (part) | 2.00% | 1.00% | 6.00% |
| Manitou Springs | 3.60% | 1.00% | 7.60% |
| 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 | | 1.00% | 4.00% |
| Carbondale | 3.50% | 0.25% | 6.75% |
| Glenwood Springs | 3.25% | 0.25% | 6.50% |
| 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% |

| County / City | City Rate | RTD, SCFD, Stadium, & | 1/ Total Including |
|---|---|---|---|
| JEFFERSON 2/ *(continued)* | | | |
| Mountain View | 3.00% | 1.30% | 7.30% |
| Westminster (part) | 3.25% | 1.30% | 7.55% |
| Wheat Ridge | 2.00% | 1.30% | 6.30% |
| 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 | | 0.25% | 3.25% |
| Berthoud | 2.00% | 0.25% | 5.25% |
| Estes Park | 4.00% | 0.25% | 7.25% |
| Fort Collins | 3.00% | 0.25% | 6.25% |
| Loveland | 3.00% | 0.25% | 6.25% |
| Wellington | 2.00% | 0.25% | 5.25% |
| 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 | | 0.50% | 3.50% |
| Sterling | 3.00% | 0.50% | 6.50% |
| 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 | 3.50% | 1.00% | 7.50% |
| Naturita | 3.00% | 1.00% | 7.00% |
| Nucla | 3.00% | 1.00% | 7.00% |
| 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% |
| OTERO | | 1.00% | 4.00% |
| Fowler | 2.00% | 1.00% | 6.00% |
| La Junta | 3.25% | 1.00% | 7.25% |
| Manzanola | 2.00% | 1.00% | 6.00% |
| Rocky Ford | 3.00% | 1.00% | 7.00% |

| County / City | City Rate | RTD, SCFD, Stadium, & County Rate | 1/ Total Including State Rate |
|---|---|---|---|
| **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** | | 3.50% 3/ | 6.50% 3/ |
| Aspen | 1.70% | 3.50% | 8.20% |
| Basalt (part) | 2.00% | 2.50% | 7.50% |
| Snowmass Village | 1.00% | 3.50% | 7.50% |
| **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** | | 2.00% | 5.00% |
| Center (part) | 2.00% | 2.00% | 7.00% |
| Del Norte | 2.00% | 2.00% | 7.00% |
| Monte Vista | 2.00% | 2.00% | 7.00% |
| South Fork | 2.00% | 2.00% | 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% |
| Crestone | 1.00% | 0.00% | 4.00% |
| Saguache | 3.00% | 0.00% | 6.00% |
| **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% |
| **SEDGWICK** | | 2.00% | 5.00% |
| Julesburg | 1.00% | 1.00% | 5.00% |
| Ovid | 1.00% | 1.00% | 5.00% |
| Sedgwick | 1.00% | 1.00% | 5.00% |

| County / City | City Rate | RTD, SCFD, Stadium, & County Rate | 1/ Total Including State Rate |
|---|---|---|---|
| **SUMMIT** | | 2.50% 3/ | 5.50% 3/ |
| Breckenridge | 2.50% | 2.50% | 8.00% |
| 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% |
| Nunn | 2.00% | 0.00% | 5.00% |
| 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 | 2.00% | 0.00% | 5.00% |
| Yuma | 2.00% | 0.00% | 5.00% |

SOURCE: Department of Revenue.

* Referendum C, approved by voters in November 1998, created the City and County of Broomfield.

1. Total includes the combined sales tax rate for the state, municipalities, the counties, the Regional Transportation District (RTD), Scientific and Cultural Facilities District (SCFD), and Denver Metropolitan Major League Baseball Stadium District (BSD) where applicable.
2. 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.).
3. County total includes .5 of 1 percent (0.5%) for county mass transit system. (Section 29-2-103.5, C.R.S.).

***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 six-tenths 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 for the planning, design, and construction of the major league baseball stadium (Coors Field). It is estimated that the stadium could be paid for by calendar year 2001. In November of 1998, the voters approved an extension of the one-tenth of one percent (0.1%) tax to fund the construction of a new football stadium to replace Mile High Stadium. In FY 1998, the Department of Revenue collected $28.4 million from the stadium tax. Completion of the football stadium is estimated for the opening of the 2001 season and a revenue forecast indicates that the tax will need to be extended through 2012.

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, Eagle, and Pitkin counties currently impose this tax with a 0.5 percent tax rate.

The southeastern portion of Jefferson County and Old Town Niwot in Boulder County have formed local improvement districts in which a sales tax of one-half of one percent (0.5%) is imposed. Section 30-20-604.5, 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:

**TABLE 4.9**
**Motor Vehicle Class Categories**

| 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:

**TABLE 4.10**
**Schedule of Taxable Value for Motor Vehicles**

| 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<br>F | 1.20%<br>1.25% |
| 4th | A,B,C,D<br>F | 0.90%<br>1.00% |
| 5th | F | 0.75% |
| 5th - 9th | A,B<br>C,D | 0.45% or $10.00 whichever is greater<br>0.45% |
| 6th and over | F | 0.50% but not less than $5.00 |
| 10th and over | A<br>B,C<br>D | $10.00<br>$3.00<br>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:

**TABLE 4.11**
**History of Specific Ownership Tax Rates**

| 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 42-1-213.1, 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:***

**TABLE 4.12**
**Specific Ownership Tax Receipts**
*($ in millions)*

| Calendar Year | Collection | Percent Change | Calendar Year | Collection | Percent Change |
|---|---|---|---|---|---|
| 1982 | $ 105.1 | | 1990 | 160.6 | 8.1% |
| 1983 | 118.6 | 12.8% | 1991 | 163.2 | 1.6% |
| 1984 | 129.4 | 9.1% | 1992 | 174.0 | 6.6% |
| 1985 | 131.9 | 1.9% | 1993 | 195.6 | 12.4% |
| 1986 | 143.3 | 8.6% | 1994 | 213.2 | 9.0% |
| 1987 | 138.7 | -3.2% | 1995 | 238.4 | 11.8% |
| 1988 | 154.1 | 11.1% | 1996 | 266.3 | 11.7% |
| 1989 | 148.6 | -3.6% | 1997 | 290.5 | 9.1% |

SOURCE: Department of Revenue and Division of Property Taxation.