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## 0498 Tax Handbook

# **COLORADO TAX HANDBOOK**



**Report to the  
Colorado General Assembly**

**A Brief Summary  
of State Taxes  
in Colorado**

*Colorado Legislative Council  
Research Publication No.498  
August 2002*

## Foreword

This booklet provides a brief summary of Colorado's tax system. Information is provided on total state taxes and each tax levied by the state. Rankings on a state-by-state basis are provided for Colorado's major tax sources to illustrate how specific taxes compare to similar taxes levied by other states. When applicable, federal tax rates are also provided.

Revenues collected from a variety of sources such as license and registration fees, permit fees, fines, court costs, interest earnings, Medicaid transfers, and the Colorado Lottery, are excluded from this report.

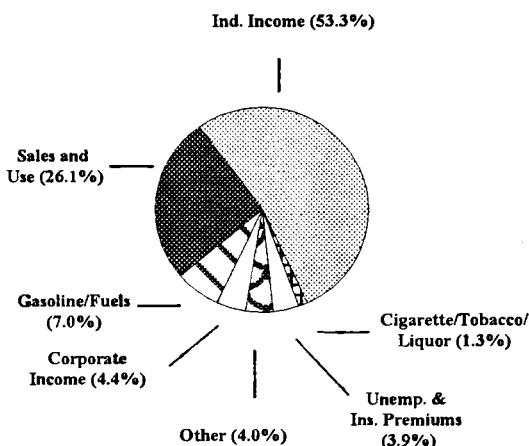
The 2002 version of the Colorado Tax Handbook was prepared by Legislative Council Staff. Questions or comments about the content of this report may be directed to Ron Kirk at (303) 866-3521. This booklet is also available via the Internet.

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## State Tax Collections FY 2000-01

### Graph 1: Total Taxes



Major Tax Source	Collections (in millions)
Individual Income . . . . .	\$4,017.8
Sales and Use . . . . .	1,969.1
Gasoline/Fuels . . . . .	526.1
Corporate Income . . . . .	329.7
Unemployment/Insurance Premiums . . . . .	291.6
Cigarette/Tobacco/Liquor . . . . .	97.3
Other . . . . .	304.5
<hr/>	
Total State Taxes . . . . .	\$7,536.1

### Comparison with Other States:

#### Total State Tax Collections (per \$1,000 income)

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Hawaii	1	\$102.13
U.S. Average	n/a	\$69.52
Colorado	46	\$55.29
New Hampshire	50	\$45.38

Source: U.S. Census Bureau data for FY 1999-00.

**Table 1: Ten-Year Comparison of Total  
Tax Revenues (\$ in millions)**

Tax Source	FY 1996-97		FY 1998-99	
	Revenues	Percent of Total	Revenues	Percent of Total
Sales	\$779.8	24.6%	\$1,811.2	24.0%
Use	66.9	2.1%	157.9	2.1%
Cigarette	57.5	1.8%	58.1	0.8%
Tobacco	3.9	0.1%	9.9	0.1%
Liquor	19.1	0.6%	29.3	0.4%
<b>Total Excise</b>	<b>\$927.2</b>	<b>29.2%</b>	<b>\$2,066.4</b>	<b>27.4%</b>
Individual	\$1,462.4	46.1%	\$4,017.8	53.3%
Corporate	115.0	3.6%	329.7	4.4%
<b>Total Income</b>	<b>\$1,577.4</b>	<b>49.7%</b>	<b>\$4,347.5</b>	<b>57.7%</b>
Gas/Special Fuels	\$342.8	10.8%	\$526.1	7.0%
Unemp. Ins.	166.6	5.2%	149.6	2.0%
Insurance	84.7	2.7%	142.0	1.9%
Gaming	0.0	0.0%	88.8	1.2%
Estate	15.3	0.5%	82.6	1.1%
Workers' Comp.	28.8	0.9%	43.0	0.6%
Severance	21.9	0.7%	68.9	0.9%
Pari-Mutuel	8.4	0.3%	6.1	0.1%
Aviation (gallon tax)	1.1	0.0%	2.5	0.0%
Aviation (sales /use)	0.0	0.0%	12.6	0.2%
<b>Total Other</b>	<b>\$509.5</b>	<b>21.1%</b>	<b>\$1,122.2</b>	<b>14.9%</b>
<b>Total Tax</b>	<b>\$3,174.2</b>	<b>100.0%</b>	<b>\$7,536.1</b>	<b>100.0%</b>

Totals may not sum due to rounding.

Source: State Controller's Office.

## Cigarette Tax

**Enacted:** 1964

**Citations:** Title 39, Article 28, Part 1, C.R.S.,  
and Section 39-22-623, C.R.S.

**Tax Base:** Cigarettes

**Rate:** 20 cents per pack of 20

**FY 2000-01 Collections:** \$58.1 million.

**Administration:** Department of Revenue.  
Wholesalers pay tax on or before the 10<sup>th</sup> day of  
the month following the month of purchase.

**Disposition of Revenue:** Credited to the Old Age  
Pension Fund (85 percent) and the General Fund  
(15 percent). Local governments receive 27  
percent of the gross proceeds from the tax.

### **Comparison with Other States:**

#### **Cigarette and Tobacco Products (per \$1,000 income)**

<b><u>State</u></b>	<b><u>Rank</u></b>	<b><u>Tax</u></b>
Alaska	1	\$2.73
U.S. Average	n/a	\$1.08
<b>Colorado</b>	<b>45</b>	<b>\$0.53</b>
Virginia	50	\$0.07

Source: U.S. Census Bureau data for FY 1999-00.

### **Federal Tax Rates for 2002:**

Large Cigarettes . . . . . 71.4 ¢ per pack  
Small Cigarettes . . . . . 34.0 ¢ per pack



## **Estate Tax**

**Enacted:** 1980 (the estate tax replaced the inheritance tax, which was enacted in 1927).

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

**Tax Base:** Imposed on the transfer of the taxable estate of every deceased person who has a permanent home in Colorado.

**Rate:** Equals the federal estate tax credit for state death taxes.

**FY 2000-01 Collections:** \$82.6 million.

**Administration:** Department of Revenue. Taxes are due on or before the date the federal return is required to be filed.

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

### **Comparison with Other States:**

#### **Estate Tax Collections (per \$1,000 income)**

<b><u>State</u></b>	<b><u>Rank</u></b>	<b><u>Tax</u></b>
Wyoming	1	\$4.01
U.S. Average	n/a	\$1.03
Colorado	41	\$0.48
Alaska	50	\$0.14

Source: U.S. Census Bureau data for FY 1999-00.

**Federal Tax Rates for 2002:** The first \$1 million of the taxable estate is tax exempt.

## **Aircraft Fuel Tax**

**Enacted:** 1988.

**Citations:** Article X, Section 18, Colorado Constitution; Section 39-27-102 (1) (a) (IV); Sections 39-26-104 and 202, C.R.S.

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

**Rates:** Vary by fuel type as follows:

<b><u>Fuel</u></b>	<b><u>Tax Rate</u></b>
--------------------	------------------------

Gallonage Tax:

Non-turbo prop and non-jet fuel . . . . .	6¢ per gallon
Turbo prop and jet fuel . . . . .	4¢ per gallon

State Sales Tax:

Fuel used in interstate, intrastate, and foreign air transportation . . . . .	2.9%
Turbo prop and jet fuel . . . . .	2.9%

**FY 2000-01 Collections:** \$15.1 million.

**Administration:** Department of Revenue. Distributors and users pay tax on or before the 25<sup>th</sup> day of the month for the preceding month's sales.

**Disposition of Revenue:** Credited to the Aviation Fund.

### **Federal Tax Rates for 2002:**

Aviation Fuel . . . . .	21.9¢ per gallon
-------------------------	------------------

## **Motor Fuel Tax**

**Enacted:** 1919.

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

**Tax Base:** Gasoline, gasoline blends, and special fuels including diesel, kerosene, liquified petroleum gases, and natural gas.

**Rates:** Vary by type of fuel as follows:

<b>Motor Fuel</b>	<b>Tax Rate</b>
Gasoline .....	22¢ per gallon
Special Fuels .....	20.5¢ per gallon

**FY 2000-01 Collections:** \$526.1 million.

**Administration:** Department of Revenue. Distributors and users pay tax on or before the 25<sup>th</sup> day of the month for the preceding month's sales.

**Disposition of Revenue:** Credited to the Highway Users Tax Fund (HUTF). The General Assembly appropriates a portion of the receipts, known as off-the-top deductions, to the Colorado State Patrol and the Motor Carrier Services Division for administrative functions and capital construction projects. After off-the-top deductions and administrative expenses, which are limited to 6 percent annual growth, moneys are distributed as follows:

### First 7 cents

State Highway Fund (65%);  
counties (26%); and  
cities (9%).

### Above 7 cents

State Highway Fund (60%);  
counties (22%); and  
cities (18%).

### Comparison with Other States:

#### **Motor Fuel Tax Collections (per \$1,000 income)**

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Montana	1	\$9.69
U.S. Average	n/a	\$3.88
<b>Colorado</b>	<b>32</b>	<b>\$4.25</b>
New York	50	\$0.85

Source: U.S. Census Bureau data for FY 1999-00.

### Federal Tax Rates for 2002:

#### Gasoline:

gasohol (10% blend) ..... 13.0¢ per gallon  
gasoline ..... 18.4¢ per gallon

Special Fuels (diesel) ..... 24.4¢ per gallon

## **Gaming Tax**

**Enacted:** 1991.

**Citations:** Article XVIII, Section 9, Colorado Constitution; Title 12, Article 47.1, C.R.S.

**Tax Base:** Adjusted Gross Proceeds (AGP)

**Rates:** Tax rates are set by the Colorado Limited Gaming Control Commission.

<b><u>Adjusted Gross Proceeds</u></b>	<b><u>Tax Rate</u></b>
\$2,000,000 and less	0.25%
\$2,000,001 to \$4,000,000	2%
\$4,000,001 to \$5,000,000	4%
\$5,000,001 to \$10,000,000	11%
\$10,000,001 to \$15,000,000	16%
\$15,000,001 and over	20%

**FY 2000-01 Collections (gross):** \$88.8 million.

**Administration:** Division of Gaming within the Department of Revenue. Taxes are collected monthly and due by the 15<sup>th</sup> day of the month following the end of the tax month.

**Disposition of Revenue:** After administrative expenses, moneys are credited to the Limited Gaming Fund. The state constitution provides that moneys in the fund be allocated as follows: 28 percent to the State Historical Fund; 12 percent to Gilpin and Teller Counties; 10 percent to Central City, Black Hawk, and Cripple Creek; and the remaining 50 percent to the General Fund or any other fund the legislature designates. Moneys for FY 2000-01 were distributed as follows:

<b><u>Distribution FY 2000-01</u></b>	<b><u>Amount</u></b>
	(in millions)
State Historical Fund (28.0%) . . . . .	\$23.6
Counties (12.0%) . . . . .	10.1
Towns (10.0%) . . . . .	8.4
General Fund (37.3%) . . . . .	31.4
Local Government Fund (5.5%) . . . . .	4.6
State Highway Fund (6.0%) . . . . .	5.1
Municipal Impact Fund (1.0%) . . . . .	0.8
Tourism Promotion Fund (0.2%) . . . . .	0.2
<hr/> Total Net Distributions (100.0%) . . . . .	<hr/> \$84.2
 Administrative Costs . . . . .	 4.6
<hr/> Total Collections . . . . .	<hr/> \$88.8

**Comparison with Other States:** Of the eight states that have gaming casinos, only Colorado and South Dakota have limited stakes gaming. Colorado's maximum single bet is \$5 and South Dakota's is \$100.

## Corporate Income Tax

**Enacted:** 1937

**Citations** Article X, Sections 17 and 19, Colorado Constitution; Title 39, Article 22, C.R.S.

**Tax Base:** Federal taxable income (exceptions apply to interstate corporations).

**Rate:** 4.63 percent.

**FY 2000-01 Collections:** \$329.7 million.

**Administration:** Department of Revenue. The tax return is due the 15<sup>th</sup> day of the fourth month following the close of the corporation's fiscal year.

**Disposition of Revenue:** Credited to the General Fund.

### **Tax Credits:**

<u>Credit</u>		<u>Amount</u>
Alternative fuel vehicle conversion	—	50% - 85% of differential or actual cost.
Alternative fuel refueling facility	—	Up to 62.5% of construction or acquisition cost limited to \$400,000 over 5 yrs.
Child care facilities	—	10% of investment in tangible property.

<u>Credit</u>	<u>Amount</u>
Colorado coal	— \$1 per ton purchased in excess of 1988 purchases. <sup>1</sup>
Colorado Works Program	— 20% of employer's expenses.
Conservation easement	— Fair market value up to \$100,000.
Contaminated land redevelopment (municipalities with a population of 10,000)	— Investment up to \$300,000 as follows: 50% of first \$100,000; 30% of next \$100,000; and 20% of next \$100,000.
Crops or livestock	— 25% of charitable contribution up to \$1,000. <sup>1</sup>
Historic preservation	— 20% of costs up to \$50,000.
Low-income housing	— 30% of costs.
New business facilities	— \$50 per new employee and for each \$100,000 of investment up to 50% of tax liability. <sup>1</sup>
New investment	— 1% of investment. <sup>1</sup>
Old investment	— 10% of the federal investment tax credit. <sup>1</sup>
Plastic recycling	— 20% of expenditures up to \$2,000.



## Enterprise Zone Credits:

<u>Credit</u>	<u>Amount</u>
Economic development plan	— 50% of the contribution up to \$100,000 for economic development, including promoting child care, assistance for homeless persons, or a non-profit or government-funded community development project. <sup>2</sup>
Investment	— 3% of investment.
Job training	— 10% of training costs.
New business facility	— \$500 for each new employee hired (\$2,500 if facility is located in an enhanced rural enterprise zone) plus \$200 for each employer-paid health policy. <sup>3</sup>
New business agricultural processing facility	— \$1,000 for each new employee hired (\$1,500 if facility is located in an enhanced rural enterprise zone). <sup>3</sup>
Research and development	— 3% of increased research and development costs.
Rehabilitation of vacant buildings	— 25% of the cost up to \$50,000 per building at least 20 years old and vacant for two years.
Rural technology	— 10% of investment up to \$100,000 to provide Internet access.

## Comparison with Other States:

### **Corporate Income Tax Collections** (per \$1,000 income)

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Alaska	1	\$24.76
U.S. Average	n/a	\$4.16
<b>Colorado</b>	<b>36</b>	<b>\$2.62</b>
4 States	50	\$0.00

Source: U.S. Census Bureau data for FY 1999-00.

## Federal Tax Rates for 2002:

**Table 2: Corporate Tax Rates**

<b>Taxable Income</b>		<b>Tax</b>
First \$50,000		15 percent
<b>Above:</b>	<b>Up to:</b>	
\$50,000	\$75,000	\$7,500 + 25% for amount above \$50,000
\$75,000	\$100,000	\$13,750 + 34% for amount above \$75,000
\$100,000	\$335,000	\$22,250 + 39% for amount above \$100,000
\$335,000	\$10,000,000	\$113,900 + 34% for amount above \$335,000
\$10,000,000	\$15,000,000	\$3,400,000 + 35% for amount above \$10,000,000
\$15,000,000	\$18,333,333	\$5,150,000 + 38% for amount above \$15,000,000
Over \$18,333,333		35 percent

**Enacted:** 1937.

**Citations:** Article X, Sections 17 and 19, Colorado Constitution; Title 39, Article 22, C.R.S.

**Tax Base:** Colorado taxable income is determined by adding or subtracting the following modifications from federal taxable income.

***Additions:***

- + amounts withdrawn from Medical Savings Accounts (MSAs);
- + federal deduction for conservation easements and high tech scholarships when Colorado credits are claimed;
- + federal deduction for expenses at certain clubs;
- + interest income from non-Colorado state or local bonds;
- + lump-sum distributions from pension plans; and
- + state income tax included in federal itemized deductions.

Three of the following modifications are TABOR refund mechanisms and are only allowed for years when the TABOR surplus exceeds a certain amount.

### *Subtractions:*

- capital gains from Colorado sources (TABOR refund mechanisms):
  - assets purchased prior to May 5, 1994;
  - assets held for one to five years;
- charitable contributions in excess of \$500 for individuals who claim the federal standard deduction (TABOR refund mechanism);
- contributions to qualified state tuition programs;
- contributions to a state MSA if not claimed as a deduction on the federal return;
- gain or loss from the sale of property having a higher Colorado basis than federal basis;
- interest, dividend, and capital gains up to \$1,500 and \$3,000 for joint returns (TABOR refund mechanism);
- interest income from state "investment deposits" up to \$20,000;
- marriage penalty of \$1,500 (adjustment applies to a joint return where the federal standard deduction is claimed);
- pension, annuity, and self-retirement income for persons 65 and older up to \$24,000; \$20,000 for persons age 55-64;

- portion of the federal net operating loss allocated to Colorado in the taxable year the loss is sustained (applies to losses incurred and carried forward prior to January 1, 1987);
- state income tax refund or credit for overpayment; and
- United States government interest.

Table 3 lists the TABOR refund mechanisms (subtractions) and shows the tax years each is expected to be available.<sup>4</sup>

**Table 3: TABOR Refund Mechanisms  
(CY 2001-2006)**

TABOR Mod. (sub.)	Tax Years Modification Are Available (✓)					
	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006
Capital Gains Before May 1994	✓					
Charitable Gifts > \$500	✓					
Interest, Dividends and Capital Gains	✓					
Capital Gains 1 to 5 Years	✓					

**Rate:** 4.63 percent.

**Alternative minimum tax:** In addition to the 4.63 percent flat tax, an alternative minimum tax (AMT) is imposed at a rate of 3.47 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.

**FY 2000-01 Collections:** \$4,017.8 million.

**Administration:** Department of Revenue. The due date is April 15<sup>th</sup> unless an extension is granted by the Department of Revenue.

**Disposition of Revenue:** Credited to the General Fund.

**Tax Credits:** Many of the corporate tax credits are also available to individuals. In addition to these credits, other individual credits include the following:

Credit	Amount
Child care contribution	— 50% of the monetary donation up to \$100,000.
Child care/child tax	— The larger of up to 50% of the federal credit claimed or \$200 for each qualified child age 5 and under. <sup>5</sup>
Child care facilities	— 20% of investment in tangible property.
Colorado minimum tax	— 12% of the federal credit.
Long-term care	— 25% of insurance amount paid up to \$150 per policy.

Credit	Amount
--------	--------

Livestock	— 4.63% of the income deferred pursuant to federal law for the sale of livestock due to weather-related conditions.
Other state taxes	— Percentage based on taxes paid to another state(s).
School-to-Career Program	— 10% of investment in qualified program.

**TABOR Credits:** Each of the following credits partially refund the TABOR surplus.

Earned income	— 10% of the federal credit claimed.
Foster care home	— \$500 for the operation of each qualifying home.
Individual development account (IDA)	— 25% of the contribution up to \$100,000.
Rural health care professional	— Up to one-third of the student loan amount.
Child care/child tax	— Up to 70% of the federal credit claimed plus \$300 for each qualifying child age 5 and under. <sup>5</sup>
Child care operator	— \$300 for each qualifying home child.
High technology scholarship	— 25% of the contribution up to 15% of tax owed.
Telecommunication education	— 15% of the contribution up to \$10,000.
Agriculture Value-Added Cash Fund	— The lesser of \$15,000 or 50% of investment for each project up to \$100,000 for all projects.

Private health  
benefit plan

— Amount paid for plan up to  
\$500.

The preceding TABOR credits are allowed for years only when the surplus exceeds a certain amount. Table 4 lists the TABOR credits and shows the tax years each is expected to be available.<sup>6</sup>

**Table 4: TABOR Credits**  
(CY 2001-2006)

TABOR Credit	Tax Years Credits Are Available (✓)					
	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006
Earned Income	✓				✓	✓
Foster Care	✓					
IDA	✓					
Rural Prof.	✓					
Child Care	✓					
High Tech Sch.	✓					
Telecom. Edu.						
Ag. Value	✓					
Health Plan	✓					



# Comparison with Other States:

## Individual Income Tax Collections (per \$1,000 income)

State	Rank	Tax
Oregon	1	\$45.72
U.S. Average	n/a	\$25.05
Colorado	18	\$28.42
7 States	50	\$0.00

Source: U.S. Census Bureau data for FY 1999-00.

## Federal Income Tax Rates for 2002:

Table 5: Federal Tax Rates

Single Filers		Tax is:	
First \$6,000		10 percent	
Above:		Up to:	
\$6,000	\$27,950	\$600 + 15% for amount above \$6,000	
\$27,950	\$67,700	\$3,893 + 27% for amount above \$27,950	
\$67,700	\$141,250	\$14,625 + 30% for amount above \$67,700	
\$141,250	\$307,050	\$36,690 + 35% for amount above \$141,250	
Over \$307,050		\$94,720 + 38.6% for amount above \$307,050	
Married Filers		Tax is:	
First \$12,000		10 percent	
Above:		Up to:	
\$12,000	\$46,700	\$1,200 + 15% for amount above \$12,000	
\$46,700	\$112,850	\$6,405 + 27% for amount above \$46,700	
\$112,850	\$171,950	\$24,266 + 30% for amount above \$112,850	
\$171,950	\$307,050	\$41,996 + 35% for amount above \$171,950	
Over \$307,050		\$89,281 + 38.6% for amount above \$307,050	

**Personal Exemption:** \$3,000.

**Basic Standard Deduction:**

<u>Filing Status</u>	<u>Amount</u>
Head of household . . . . .	\$6,900
Married filing jointly & surviving spouse . . . . .	\$7,850
Married filing separately . . . . .	\$3,925
Single . . . . .	\$4,700

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

## Insurance Premiums Tax

**Enacted:** 1913.

**Citations:** Sections 10-3-209, 10-3.5-105, 10-5-111, and 10-6-128, C.R.S.

**Tax Base:** This tax is imposed on the gross amount of all premiums.

**Rates:** Vary by type of company and insurance as follows:

<u>Company/Insurance Type</u>	<u>Tax Rate</u>
Captive companies . . . . .	minimum of \$5,000
Companies maintaining a home office in Colorado . . . . .	1%
Other companies not exempted . . . . .	2%
Surplus line insurance . . . . .	3%

**FY 2000-01 Collections:** \$142.0 million.

**Administration:** Division of Insurance, Department of Regulatory Agencies. Taxes are due March 1<sup>st</sup> for the preceding calendar year.

**Disposition of Revenue:** Credited to the General Fund.

**Tax Credit:** Applied toward the state insurance premiums tax due.

<u>Credit</u>	<u>Amount</u>
Certified Capital Companies —	Up to 10% annually for <i>each</i> investment of certified capital in capital companies (CAPCOs).

## Comparison with Other States:

### **Insurance Premiums Tax Collections** (per \$1,000 income)

<u>State</u>	<u>Rank</u>	<u>Tax</u>
West Virginia	1	\$2.67
U.S. Average	n/a	\$1.26
<b>Colorado</b>	<b>40</b>	<b>\$1.02</b>
Oregon	50	\$0.49

Source: U.S. Census Bureau data for FY 1999-00.

## **Liquor Tax**

**Enacted:** 1935.

**Citations:** Section 12-47-503, C.R.S.

**Tax Base:** Alcoholic beverages.

**Rates:** Vary by type of beverage as follows:

<b><u>Beverage</u></b>	<b><u>Tax Rate</u></b>
Beer .....	8.00¢ per gallon
Colorado vinous liquors (1 <sup>st</sup> 9,000 liters) .....	13.33¢ per liter
Hard cider .....	8.00¢ per gallon
Malt liquors .....	8.00¢ per gallon
Other vinous liquors .....	8.33¢ per liter
Spirituuous liquors .....	60.26¢ per liter

### **Exemptions:**

- fermented malt beverages or vinous liquor made for family use (not for sale);
- sacramental wines sold and used for religious purposes;
- up to one gallon of an alcoholic beverage brought from a foreign country; and
- wines sold at public auctions.

**FY 2000-01 Collections:** \$29.3 million.

**Administration:** Department of Revenue. Taxes are due (from the manufacturer or first wholesaler) on the 20<sup>th</sup> day of each month for the preceding month's sales.

**Disposition of Revenue:** Credited to the Old Age Pension Fund and the General Fund. A portion of the excise taxes (surcharges) on wines

is credited to the Colorado Wine Industry Development Fund.

### **Comparison with Other States:**

#### **Liquor Tax Collections (per \$1,000 income)**

<b><u>State</u></b>	<b><u>Rank</u></b>	<b><u>Tax</u></b>
South Carolina	1	\$1.41
U.S. Average	n/a	\$0.53
<b>Colorado</b>	<b>43</b>	<b>\$0.21</b>
Wyoming	50	\$0.09

Source: U.S. Census Bureau data for FY 1999-00.

### **Federal Tax Rates for 2002:**

Beer (any alcohol content) . . . . . \$18.00 per barrel  
(about 33¢ per 6-pack)

Distilled spirits . . . . . \$13.50 per proof gallon

Hard cider . . . . . \$0.226 per 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

wine . . . . . \$3.30 per wine gallon

Champagne and other

sparkling wines . . . . . \$3.40 per wine gallon

## **Pari-Mutuel Racing Tax**

**Enacted:** 1947.

**Citations:** Title 12, Article 60, Part 7, C.R.S.

**Tax Base:** Gross receipts from wagering on horse and greyhound racing events (handle) prior to the distribution of the winnings.

**Rates and Disposition of Revenue:** Vary by event as follows:

<b><u>Distribution and Event</u></b>	<b><u>Tax Rate</u></b>
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Distribution to the General Fund:

Greyhound - Simulcast and Live

all wagers	4.5%
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Horse Racing - Simulcast

all wagers	0.75%
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Horse Racing - Live, the greater of:

all wagers	0.75%
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per race day	\$2,500
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Distribution to CSU School of Veterinary Medicine (to be used for equine research):

Horse Racing - Simulcast

all "exotic" wagers	0.25%
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Held in escrow for the Horse Owners and Breeders Fund:

Horse Racing - Simulcast

all "win, place, or show" wagers	0.50%
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all "exotic" wagers	1.50%
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**EY 2000-01 Collections:** \$6.1 million.

**Administration:** Department of Revenue. Operators must remit taxes on the day of the event. Horse breeders fund moneys are remitted on the 15<sup>th</sup> day of each month for the preceding month's events. Distributions to CSU are due on the 10<sup>th</sup> of each month, for the preceding month.

**Comparison with Other States:**

**Pari-Mutuel Tax Collections**  
(per \$1,000 income)

<b><u>State</u></b>	<b><u>Rank</u></b>	<b><u>Tax</u></b>
Montana	1	\$0.23
U.S. Average	n/a	\$0.04
<b>Colorado</b>	<b>15</b>	<b>\$0.05</b>
15 States	50	\$0.00

Source: U.S. Census Bureau data for FY 1999-00.



## **Passenger-Mile Tax**

**Enacted:** 1931.

**Citations:** Section 42-3-134 (21), C.R.S.

**Tax Base:** Passenger miles traveled by passenger buses with a capacity of 15 or more passengers.

**Rates:** One mill for each passenger mile traveled (\$0.001 multiplied by the number of passengers multiplied by the number of Colorado miles).

In lieu of the passenger-mile tax, a temporary certificate of public convenience and necessity can be obtained for a \$7.50 fee. Passenger buses registered in another state making occasional trips to Colorado may obtain a trip permit for a \$18.75 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.

**FY 2000-01 Collections:** \$0.6 million.<sup>7</sup>

**Administration:** Department of Revenue. A quarterly tax return is due on the last day of the month for the preceding quarter.

**Disposition of Revenue:** Revenues are credited to the Highway Users Tax Fund.

## Sales and Use Tax

**Enacted:** Sales Tax, 1935; Use Tax, 1937

**Citations:** Title 39, Article 26, Part 1 (Sales Tax), Part 2 (Use Tax), C.R.S.

**Tax Base:** Gross receipts from sales of tangible personal property and a limited number of services and from charges or costs of storing, using, or consuming articles of tangible personal property purchased at retail.

**Rate:** 2.9 percent.

**Exemptions:** Since 1935, 62 types of sales/use tax exemptions have been enacted. These exemptions reduced tax revenues by \$502.8 million in FY 2000-01. The following 11 types of sales accounted for 94 percent of the total revenue impact.<sup>88</sup>

<b><u>Exemptions</u></b>	<b><u>Revenue Impact</u></b> (in millions)
Food for off-premises consumption .....	\$186.2
Gasoline and special fuel .....	99.6
Fuel for residential heat, light, and power .....	39.3
Prescription drugs .....	28.9
Governmental units .....	28.0
Cigarettes .....	26.4
Machinery or tools used in manufacturing.. ..	24.5
Sales to charitable organizations .....	21.6
Energy used for industry or manufacturing. ....	6.8
Certain medical supplies and equipment .....	5.7
<u>Printers ink and newsprint .....</u>	<u>5.5</u>
Sub-total .....	\$472.5
Other types of sales .....	30.3
<b>Total Revenue Impact of Exemptions .....</b>	<b>\$502.8</b>

**FY 2000-01 Collections:** Sales: \$1,811.2 million; Use: \$157.9 million.

**Administration:** Department of Revenue. State sales and use taxes are collected by merchants when a transaction occurs. Whenever taxes due are \$300 or more, the tax is paid monthly on the 20<sup>th</sup> day of the following month. Taxpayers with liabilities less than \$300 per month pay quarterly and the tax is paid by the 20<sup>th</sup> day after the quarter ends. Wholesalers file annually. Retailers are entitled to retain 3.33 percent of the taxes to cover collection expenses.

**Disposition of Revenue:** Old Age Pension Fund, as required by the Colorado Constitution; General Fund; and the Highway Users Tax Fund.

**Comparison with Other States:**

**State Sales and Use Tax Collections**  
(per \$1,000 income)

<b><u>State</u></b>	<b><u>Rank</u></b>	<b><u>Tax</u></b>
Hawaii	1	\$47.05
U.S. Average	n/a	\$22.47
<b>Colorado</b>	<b>42</b>	<b>\$14.45</b>
5 States	50	\$0.00

Source: U.S. Census Bureau data for FY 1999-00.

## Severance Tax

**Enacted:** 1977

**Citations:** 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.

**Rates:** Vary by mineral type as follows:

<b>Mineral, Ore, or Other</b>	<b>Tax Rate</b>
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Coal (assessed on tons per quarter):

First 300,000 tons .....	exempt
Over 300,000 tons .....	\$0.54 per ton

Metallic Minerals (assessed on gross income):

First \$19 million .....	exempt
Over \$19 million .....	2.25%

Molybdenum:

First 625,000 tons .....	exempt
Over 625,000 tons .....	5¢ per ton

Oil and Gas (assessed on net producer gains):

15 barrels or less per day (oil) or 90,000 cubic feet or less (gas) per producing day .....	exempt
Under \$25,000 .....	2%
\$25,000 - \$99,999 .....	\$500 + 3% over \$25k
\$100,000 - \$299,999 .....	\$2,750 + 4% over \$100k
Over \$300,000 .....	\$10,750 + 5% over \$300k

Oil Shale (gross proceeds; based on years of operation beginning 180 days after production):

First 15,000 tons per day or the first 10,000 barrels per day, whichever is greater .....	exempt
First year .....	1%
Second year .....	2%
Third year .....	3%
Fourth year .....	4%

**FY 2000-01 Collections:** \$68.9 million.

**Administration:** Department of Revenue. Taxes are collected annually on or before the 15<sup>th</sup> day of the fourth month following the end of the taxable

year, except for molybdenum which must be filed by the 15<sup>th</sup> day of the month following the end of a quarter.

**Disposition of Revenue:** Credited to the State Severance Tax Fund, Local Government Severance Tax Fund, and General Fund (percentages vary by mineral type or fuel).

### **Tax Credits:**

<u>Credit</u>		<u>Amount</u>
Coal	—	50% of tax liability for coal produced by underground mines and for lignitic coal.
Impact assistance	—	Contributions to local governments to mitigate social and economic impacts of development activities.
Metallic minerals	—	Up to 50% of tax liability toward property taxes paid.
Oil and gas	—	87.5% of all property taxes paid (some restrictions apply).

### **Comparison with Other States:**

#### **Severance Fuel Tax Collections (per \$1,000 income)**

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Alaska	1	\$40.01
U.S. Average	n/a	\$0.56
<b>Colorado</b>	<b>19</b>	<b>\$0.25</b>
16 States	50	\$0.00

Source: U.S. Census Bureau data for FY 1999-00.

## Specific Ownership Tax

**Enacted:** 1937.

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

**Tax Base:** Motor vehicles operated on any highway in the state.

**Rates:** Vary by Class A, B, or C and age of vehicle as follows:<sup>9</sup>

<b><u>Vehicle Class and Age</u></b>	<b><u>Tax Rate</u></b>
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Trucks (A & B) and passenger motor vehicles (C):

1 <sup>st</sup> year	2.10%
2 <sup>nd</sup> year	1.50%
3 <sup>rd</sup> year	1.20%
4 <sup>th</sup> year	0.90%
5 <sup>th</sup> - 9 <sup>th</sup> year:	
trucks	the greater of 0.45% or \$10.00
passenger motor vehicles	0.45%
10 <sup>th</sup> year and over	\$3

Above percentages are applied as follows:

Trucks:

empty wt. >16,000 lbs. . . . . actual purchase price  
empty wt. 16,000 lbs or less . . . . . 75% of MSRP

Passenger motor vehicles . . . . . 85% of MSRP

**Exemptions:**

- farm tractors and implements used in agricultural operations;
- firefighting and police ambulances and patrol wagons;
- mobile homes;

- mobile machinery and self-propelled construction equipment not operated on highways if the equipment is listed with and assessed by the county assessor;
- one Class B and one Class C vehicle weighing less than 6,500 pounds owned by a disabled veteran or P.O.W.
- U.S. and Colorado government vehicles including vehicles leased by the state; and
- vehicles displaying plates issued by the U.S. Armed Forces in a foreign country (45-day exemption).

**FY 2000-01 Collections:** \$12.1 million state; \$399.4 million local government revenue for CY 2000.<sup>10</sup>

**Administration:** Class A vehicle taxes (interstate commercial carriers) are collected by the Colorado Department of Revenue and are due no later than January 1<sup>st</sup> of each year. Counties collect taxes for all other motor vehicles classes, which are due at the time of registration each year.

**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. Revenues from all other vehicle classes are collected by counties and apportioned annually among the county and each political subdivision located within the county based upon the proportion of property taxes levied within the county during the preceding calendar year.

## **Tobacco Products Tax**

**Enacted:** 1986.

**Citations:** Title 39, Article 28.5, C.R.S.

**Tax Base:** Smoking and chewing tobaccos, such as cigars, pipe tobacco, cheroots, snuff, and plug or twist tobacco. Cigarettes are excluded.

**Rates:** Twenty percent of the manufacturer's list price or the invoice price paid by the distributor to a manufacturer or supplier.

**FY 2000-01 Collections:** \$9.9 million.

**Administration:** Department of Revenue. Distributors must file a "Tobacco Products Tax Return" on a quarterly basis. The return and tax payment must be filed by the 20<sup>th</sup> day of the month following the reporting quarter. Distributors are entitled to retain 3.33 percent of taxes to cover collections.

**Disposition of Revenue:** Credited to the Old Age Pension Fund (85 percent) and the General Fund (15 percent). After the requirements of the Old Age Pension Fund are satisfied, the remainder is credited to the General Fund.

**Comparison with Other States:** See cigarettes.

### **Federal Tax Rates for 2002:**

Chewing Tobacco	17¢ per pound
Cigars	
Large (more than 3 lbs. per 1,000):	
12.75% of wholesale capped at \$30 per 1,000	
Small (3 lbs. or less per 1,000):	
\$1.59 to \$42.50 per 1,000	
Pipe Tobacco	95.67¢ per pound
Snuff	51¢ per pound



## **Unemployment Insurance Tax**

**Enacted:** 1936.

**Citations:** Title 8, Article 76, and Section 8-70-103 (26), C.R.S.

**Tax Base:** The first \$10,000 of annual earnings paid by public and private employers to employees.

**Rates:** Based on employer history and balance in the Unemployment Insurance Trust Fund.

**FY 2000-01 Collections:** \$149.6 million.

<b><u>Employer</u></b>	<b><u>Tax Rate</u></b>
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Regular rates (based on the history of benefits paid to the employer's former employees relative to taxes paid):

First-year employers	1.70%
Other employers	0.0% to 5.4%
Solvency tax <sup>11</sup>	0.000% to 0.006%
Surcharge tax rate	0.22%

**Administration:** Division of Employment and Training, Department of Labor and Employment. Employers pay taxes quarterly for each calendar year the employer is subject to the tax.

**Disposition of Revenue:** Credited to the Unemployment Insurance Trust Fund.

**Tax Credit:**<sup>12</sup>

<b><u>Credit</u></b>	<b><u>Amount</u></b>
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Employer surcharge/ wage	—	20% of taxes otherwise due on taxable wages.
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## **Workers' Compensation Tax**

**Enacted:** 1945.

**Citations:** Title 8, Article 46, Part 1, C.R.S. - Subsequent Injury Fund; Part 2, C.R.S. - Colorado Major Medical Insurance Act.

**Tax Base:** Insurance premiums paid by persons, partnerships, associations, corporations, captive insurance companies/carriers, and employers acting as self insurers who insure their employees against liability for personal injury or death.

**Rates and Disposition of Revenue:** Annually adjusted. The total tax, with surcharges, beginning July 1, 2001, is 3.818 percent and distributed as follows:

<b><u>Distribution</u></b>	<b><u>Tax Rate or Surcharge</u></b>
Premium Cost Containment Fund: <sup>13</sup>	
assessed on premiums . . . . .	0.030%
Subsequent Injury and Major Medical Insurance Fund:	
\$15,000 per death and	
assessed on premiums . . . . .	2.318%
Workers' Compensation Cash Fund	
assessed on premiums . . . . .	1.470%
<hr/>	
Total assessed on premiums . . . . .	3.818%

**FY 2000-01 Collections:** \$43.0 million.

**Administration:** Department of Labor and Employment, Division of Workers' Compensation Employer Services. Taxes are paid biannually and are due 30 days after the close of the employment periods (January 1 through June 30, and July 1 through December 31).

## End Notes

1. Credit is only available to corporations.
2. Credits for contributions toward nonprofit or government-funded community development projects become available January 1, 2003.
3. Credits that apply to facilities in enhanced rural enterprise zones become available January 1, 2003.
4. Availability is based on the June 2002 LCS forecast. The tax year is the year for which taxes are owed.
5. This credit is subject to income limitations.
6. See End Note 4.
7. Collection amount is excluded from Table 1 in this report because a portion of these revenues is fee-based.
8. List of exemptions include only those that had a revenue impact in excess of \$5.0 million (Department of Revenue estimates).
9. For tax purposes, a truck, truck tractor, trailer, or semitrailer that is classified as an interstate commercial carrier and used to transport persons or property over public highways in the state is a Class A motor vehicle. Trucks not included in Class A (non-interstate commercial carriers) are Class B motor vehicles. Passenger automobiles are Class C motor vehicles. Utility and camper trailers and certain mobile machinery are Class D and F motor vehicle types and are not included in this report. There is no longer a Class E category.
10. Collection amounts are excluded from revenues in Table 1 of this report because counties and local governments within a county's jurisdiction retain the revenues generated from the tax.
11. Based on the June 2002 LCS forecast, the solvency tax will be effective in CYs 2003, 2004, and 2005.
12. Even though this tax credit was recently made permanent by House Bill 02-1401, it is triggered by the balance in the Unemployment Insurance Trust Fund. Based on the June 2002 LCS forecast, this tax credit will be available in CY's 2001, 2002, 2006, and 2007. It will not be available in CY's 2003, 2004, and 2005.
13. Self-insured employers can opt-out of this surcharge and pay a total rate equal to 3.788 percent.