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0207-3 Recommendations for 1975, Committee On: State and Local Finance

Stacks
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no. 207
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**Report to the Colorado General Assembly:
RECOMMENDATIONS FOR 1975,
COMMITTEE ON:**

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STATE AND LOCAL FINANCE



VOLUME III

COLORADO LEGISLATIVE COUNCIL

RESEARCH PUBLICATION NO. 207

DECEMBER 1974

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OF THE
COLORADO GENERAL ASSEMBLY

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During the sessions, the emphasis is on supplying legislators, on individual request, with personal memoranda, providing them with information needed to handle their own legislative problems. Reports and memoranda both give pertinent data in the form of facts, figures, arguments, and alternatives.

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COLORADO LEGISLATIVE COUNCIL,
" RECOMMENDATIONS FOR 1975

(Volume III)

Committee on:

State and Local Finance

Legislative Council
Report To The
Colorado General Assembly

Research Publication No. 207
" December, 1974

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January 3, 1974

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To Members of the Fiftieth Colorado General Assembly:

The Committee on State and Local Finance during the past biennium has concentrated its attention on improving the equity of our existing state and local tax system. The recommendations resulting from the committee study this year are directed to that end.

The committee has not attempted to prioritize all of its recommendations. It is obvious from the table on page v that not all the recommendations can be implemented without state tax increases, and it is not the intent of the committee chairman, as stated in the presence of the committee, that such tax increases be forthcoming.

However, in keeping with previous committee recommendations concerning school finance, and with previous legislative actions concerning conforming the Colorado state income tax with the federal income tax, the committee recommends that the General Assembly consider the proposed changes in school finance programs and the state income tax. If general fund revenues are sufficient to absorb these changes without increasing other tax rates, then they would be enacted for the purpose of improving the equity of our tax system.

The table on page v is based on a number of assumptions listed in the footnotes. It is not intended to supplant offic-

ial revenue estimates, or to indicate what appropriations will be made in the upcoming session; however, it does give indications of what would happen, based on the assumptions, if all the major committee recommendations were adopted.

Very truly yours,

/s/ Senator Les Fowler
Chairman
Committee on State and
Local Finance

LF/mp

ERRATA

IMPACT OF COMMITTEE RECOMMENDATIONS
ON STATE GENERAL FUND
(Millions of Dollars)

<u>SUMMARY WITHOUT ANY CHANGES</u>	FY 1974-75	FY 1975-76	FY 1976-77
Surplus 7/1	\$ 93.1	\$ 81.5	\$ 70.3
General Fund Revenues	747.9 ^{1/}	838.6 ^{2/}	953.9 ^{2/}
Revenue Sharing Receipts	23.4	23.7	17.8 ^{3/}
Total Available	\$864.4	\$943.8	\$1,042.0
<u>Appropriations:</u>			
On-going Programs	\$451.2	\$509.4 ^{4/}	\$581.4 ^{4/}
New Programs	11.0	23.5 ^{5/}	37.8 ^{5/}
Capital Construction	35.5	27.6 ^{6/}	23.7 ^{6/}
School Finance Act (without change in current law)	276.2	299.5	312.1
School Transportation (without change in current law)	9.0	13.5	15.9
Total Appropriations	\$782.9	\$873.5	\$970.9
Surplus 6/30	\$ 81.5	\$ 70.3	\$ 71.1
<u>PLUS OR MINUS CHANGES RECOMMENDED BY COMMITTEE</u>			
I. Reductions in Revenues Only:			
Eliminate Surtax on Sub- chapter "S" Dividends	---	\$ 1.0	\$ 1.0
Conform State Low Income Allowance and Stand- ard Deduction with Fed.	---	18.8	12.5
New End of Year Surplus Figure With Revenue Adjustments Only	---	\$ 50.5	\$ 37.8
II. Increases in School Fin- ance Act, Transportation, and Change in Declining Enrollment Prov. Only:			
School Finance Act Incr.	---	\$ 11.7	\$ 25.3
Transportation Incr.	---	.5	---
Declining Enroll. Incr.	---	2.3	4.6
New End of Year Surplus Figure With Above Expenditure In- creases Only	---	\$ 55.8	\$ 26.7
III. Implementation of New Equalized Capital Re- serve Levy Program for Public Schools			
	---	\$ 18.2	\$ 36.3
New End of Year Surplus Figure With Addition of Capital Re- serve Program Only	---	\$ 52.1	\$ 16.6
IV. Summary of All Major Changes Recommended By Committee			
A. Eliminate surtax on Subchapter "S" Div.	---	\$ 1.0	\$ 1.0
B. Conform State Low In- come Allowance and Standard Dsduction with Federal	---	18.8	12.5
C. School Finance Act Increase	---	11.7	25.3
D. Transportation Incr.	---	.5	---
E. Declining Enroll. Incr.	---	2.3	4.6
F. Capital Reserve Levy Equalization Program	---	18.2	36.3
New End of Year Surplus Figure With All Major Recommendations Adopted		\$ 17.8	(\$61.1)

- ^{1/} This is current year official estimate but may be adjusted downward.
- ^{2/} Revenue projection based on average increase of past eight years.
- ^{3/} As of today, the federal revenue sharing program expires 6/30/77.
- ^{4/} Based on estimated increase of 14% per annum, less estimated \$5 mil-
lion reversions.
- ^{5/} Based on \$11 million in new programs each year and increased at 14%
per annum.
- ^{6/} Based on approximately \$18 million in revenue sharing funds going
for state assisted local sewer construction programs, with remain-
der for state capital construction needs.

IMPACT OF COMMITTEE RECOMMENDATIONS
ON STATE GENERAL FUND
(Millions of Dollars)

<u>SUMMARY WITHOUT ANY CHANGES</u>	FY 1974-75	FY 1975-76	FY 1976-77
Surplus 7/1	\$ 93.1	\$ 81.5	\$ 70.3
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Total Available	\$864.4	\$943.8	\$1,042.0
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On-going Programs	\$451.2	\$509.4 ^{4/}	\$521.4 ^{4/}
New Programs	11.0	23.5 ^{5/}	37.8 ^{5/}
Capital Construction	35.5	27.6 ^{6/}	23.7 ^{6/}
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Total Appropriations	\$782.9	\$873.5	\$970.9
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<u>PLUS OR MINUS CHANGES RECOMMENDED BY COMMITTEE</u>			
I. Reductions in Revenues Only:			
Eliminate Surtax on Sub- chapter "S" Dividends	---	\$ 1.0	\$ 1.0
Conform State Low Income Allowance and Stand- ard Deduction with Fed.	---	18.8	12.5
New End of Year Surplus Figure With Revenue Adjustments Only	---	\$ 50.5	\$ 57.6
II. Increases in School Fin- ance Act, Transportation, and Change in Declining Enrollment Prov. Only:			
School Finance Act Incr.	---	\$ 11.7	\$ 25.3
Transportation Incr.	---	.5	---
Declining Enroll. Incr.	---	2.3	4.6
New End of Year Surplus Figure With Above Expenditure In- creases Only	---	\$ 55.8	\$ 41.2
III. Implementation of New Equalized Capital Re- serve Levy Program for Public Schools			
	---	\$ 18.2	\$ 36.3
New End of Year Surplus Figure With Addition of Capital Re- serve Program Only	---	\$ 52.1	\$ 34.8
IV. Summary of All Major Changes Recommended By Committee			
A. Eliminate surtax on Subchapter "S" Div.	---	\$ 1.0	\$ 1.0
B. Conform State Low In- come Allowance and Standard Deduction with Federal	---	18.8	12.5
C. School Finance Act Increase	---	11.7	25.3
D. Transportation Incr.	---	.5	---
E. Declining Enroll. Incr.	---	2.3	4.6
F. Capital Reserve Levy Equalization Program	---	18.2	36.3
New End of Year Surplus Figure With All Major Recommendations Adopted		\$ 17.8	(\$ 8.6)

^{1/} This is current year official estimate but may be adjusted downward.

^{2/} Revenue projection based on average increase of past eight years.

^{3/} As of today, the federal revenue sharing program expires 6/30/77.

^{4/} Based on estimated increase of 14% per annum, less estimated \$5 million reversions.

^{5/} Based on \$11 million in new programs each year and increased at 14% per annum.

^{6/} Based on approximately \$18 million in revenue sharing funds going for state assisted local sewer construction programs, with remainder for state capital construction needs.

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LEGISLATIVE COUNCIL COMMITTEE
ON STATE AND LOCAL FINANCE

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COMMITTEE ON STATE AND LOCAL FINANCE

Having considered numerous subjects throughout the 1974 interim, the Committee on State and Local Finance recommends a total of 23 bills. Nine of the recommendations were based on proposals from the Department of Revenue and four from proposals of the Council on Educational Development (COED). The remaining ten recommendations of the committee concerned a variety of subjects, all designed to improve the equity of the existing state and local tax structure. In addition, the committee considered two joint resolutions referred by the 1974 General Assembly and recommends an interim study for the 1975-76 biennium. A specific budget request of the Department of Revenue received the committee's endorsement.

Bills 42 through 50, proposed by the Department of Revenue, would primarily clarify and correct language relating to the sales and income taxes. Several of the bills would simplify taxpayer compliance with the tax laws. The recurring problem of the taxation of movable structures (mobile homes) was addressed in Bill 51 which would provide for ad valorem taxation on the same basis as conventional homes.

Property tax exemptions for low income housing and certain charitable institutions would be modified under Bills 52 and 53. Bill 54 would reduce the assessment of livestock from the present 13 percent of actual value to five percent. Stored agricultural commodities would also be assessed at five percent under Bill 55.

Wine produced in the State of Colorado would be subjected to a lesser excise tax than those wines produced out-of-state under Bill 56. The long standing conflict concerning state assumption of court maintenance and facility costs would be subject to a study and some further state funding under Bill 57.

Bill 58 would expand the present statutes exempting some pensions from income taxation to include all pensions and the first \$5,000 of annuity income. Undistributed income from small business corporations (Subchapter "S") would be exempted from the surtax with Bill 59. Colorado's standard income tax deduction and low income allowance would be brought into conformance with existing federal levels under Bill 60.

Four proposals providing increased funding for public schools were endorsed by the committee. They would provide additional transportation aid, including funding for the purchase of buses, (Bill 61); grant additional state aid to school districts with declining enrollments (Bill 62); increase the equalization support levels and authorized revenue base of the 1973 School Finance Act (Bill 63); and bring the capital reserve levy under the state equalization program with a portion to be used for bonded debt retirement (Bill 64).

Priority Recommendations

At its December 6 meeting, the committee agreed that those proposals which would entail major fiscal impact, either requiring a large appropriation or significantly reducing revenue to state government, should be evaluated in terms of priorities. With regard to the COED proposals (Bills 61 through 64), the committee agreed that the first three items (transportation, declining enrollment, and equalization support level and authorized revenue base) should be considered as having higher priorities than Bill 64 (state equalization funding of capital reserve levies).

The committee recommends that the COED proposals, and that relating to the standard deduction and low income allowance (Bill 60), should be considered by the General Assembly in light of the status of general fund revenues. In addition, it was concluded that no proposal should be enacted which would require an increase in state taxes.

I. Joint Resolutions Referred to the Committee

The committee was directed to study the concepts of two joint resolutions and to report its recommendations to the General Assembly. S.J.R. 27 called for a study of the pros and cons concerning abolition of the general property tax, consideration of other methods of financing local government expenditures, and development of possible legislation relating thereto. It was determined that replacement of the property tax would require an approximate doubling of the individual income tax, corporate income tax, sales tax, use tax, and gasoline tax rates. It was the unanimous recommendation of the committee that the concept of S.J.R. 27 not be implemented.

H.J.R. 1039 directed that the committee study the feasibility of assessing land only for property tax in lieu of land and improvements thereon. After conducting a public hearing on site value taxation and homestead exemptions, the committee encouraged the sponsors of the resolution to pursue these concepts further. The committee took no position on the subject and has no recommendation to submit to the General Assembly.

II. Tax Profile Study

The Colorado Tax Profile Study (CTPS), prepared for the Legislative Council by consultants Dean Coddington and Reuben Zubrow in 1972, has proved to be a valuable tool in the evaluation of present tax policy and consideration of revisions to existing laws. Using the data developed for the CTPS, the Council also authorized the establishment of a computer model for the purpose of projecting the effects of proposed revisions to the tax laws.

Although data were updated for the establishment of the predictive model, there are two major needs requiring a new sample of individual income tax returns. First, the 1973 General Assembly effected major tax revisions with adoption of the School Finance Act and modification of the senior citizen's circuit breaker (the latter also substantially expanded during the 1974 session). The analysis of a new sample would reflect the impact of these legislative actions. Second, the original sample was not large enough to provide analytical data on a regional basis. A larger sample could facilitate regional tax comparisons.

Two alternatives were evaluated for the preparation of a new tax profile study: the General Assembly, in 1975, could authorize and appropriate funds for such a study; or the Legislative Council could use existing research funds for the project. The problem with appropriation by the General Assembly is that the project would be delayed for as long as six months as contrasted to immediate commencement. In addition, if the project could be started immediately, the department would be able to pull the sample on the basis of current filings as contrasted to pulling previously processed and filed returns. The committee therefore recommends that the Legislative Council authorize the immediate initiation of the study by the consultants.

The cost for the study is estimated to be \$98,265. This cost includes \$62,200 to the consultants for the pro-

ject, and for responding to a reasonable number of questions under the predictive model (to be prepared as a part of the project), and \$36,065 to the Department of Revenue for pulling the sample. The cost of the 1972 study was approximately \$69,000. The major increase is for the department to pull and transcribe the larger sample.

The committee also reviewed the Business Tax Profile Study feasibility project authorized by the General Assembly in 1974.

This project was intended to develop information concerning the incidence of state and local taxes on business and agriculture, similar to the kind of information developed for households in the Colorado Tax Profile Study. The committee suggested that, for various reasons, a three-year average would be an appropriate period to cover in this study.

The consultants testified that business response to the pilot project indicated that the problems of providing the necessary information, on a one or three-year basis, including the substantial man-hours required to do so for each business, make the project infeasible. It appeared that farmers and ranchers would encounter fewer problems in complying with the request for information.

III. Recommendation for Further Study

Housing Study

A public hearing was held on proposed legislation, considered in the last session, which would have required the assessment of certain residential improvements at a lesser rate than other properties. In addition, testimony was received concerning the need for state aid in the form of grants or loans for improving residential properties and the committee discussed the concept of urban homesteading. As a result of the discussions, the committee recommends that the 1975 session of the General Assembly direct the Legislative Council to create an interim committee on housing to study the various methods by which state and local governments might assist in housing development and improvement.

IV. Department of Revenue

Accounting Machinery Needs of the Department of Revenue

During this interim, the committee considered several income tax revisions which cannot presently be accommodated by the data processing capabilities of the department. No additional data can be retrieved from the income tax forms with existing accounting machines. Not only is the equipment unable to record new information; it has hampered the department's efficiency and verification of existing data. Replacement parts to the NCR 41 machines are difficult to obtain since such machines are no longer produced.

The department requested "on line" accounting machines from the General Assembly in 1974, but the funding for the system was not included in the long appropriations bill. The committee strongly recommends that the General Assembly, in 1975, approve the department's request for ten new accounting machines.

School District Data on Income Tax Returns

The Department of Revenue was asked to consider the possibility of inserting a reminder that designation of the school district in which the taxpayer resides is now required by law (S.B. 314, 1973 session). Subsequent to the December 6 committee recommendation, the department determined that some 400,000 forms have been sealed for mailing and that printing of such an insert would be costly and would delay the mailing of remaining forms. The department indicated a willingness to pursue this recommendation for 1974 tax returns through a variety of publicity mechanisms, including the possibility of special notice to those professionally engaged in the preparation of tax returns.

V. Bills Relating to Department of Revenue Proposals

Special Fuel Permits -- Bill 42

The problem. Under current law, owners of vehicles which require special fuels for operation (e.g., propane, butane, and diesel) must annually obtain a special fuel permit to allow the purchase of such fuel from licensed dealers. Vehicles which are subject to the ton-mile or passenger-mile tax must also receive a permit, but such permits remain valid

as long as the vehicle remains in the same ownership. These two provisions have required commercial carriers to carry two permits at all times, one of which must be renewed annually, and passenger vehicles using special fuel must obtain a new permit every year. Taxpayer inconvenience and document processing by the Department of Revenue are both unnecessarily compounded because of these provisions.

Recommendation. The committee's recommendation would allow the issuance of special fuel permits which would be valid for the life of the vehicle within one ownership, thereby eliminating the annual reapplication procedure for affected taxpayers. Bill 42 would also enable the department to issue special fuel permits and ton-mile or passenger-mile tax permits on the same card for those vehicles subject to both requirements.

The provision requiring the display of the special fuel permit on the vehicle is proposed for change to allow the permit to be either carried in or displayed on the vehicle. This provision is primarily addressed to the owners of non-commercial vehicles which use special motor fuel who may not want to have a requirement different from gasoline vehicle owners; i.e., they must display a permit on their vehicle.

Fiscal impact. Because special fuel permits cost only one dollar, the fiscal impact of the bill is probably minimal (about 73,000 permits were issued in 1973). A significant number of permits would still be issued each year as vehicles change ownership. The reduction of documents required to be processed by the department and the applications for special fuel permits (when required) being spread throughout the year, and not concentrated in December, could result in increased departmental efficiency and decreased costs to at least partially offset decreased revenues. The ability of the department under the bill to issue both special fuel and ton-mile or passenger-mile tax permits on the same card could likewise be a source of savings and efficiency.

Liquor Licenses -- Bill 43

The problem. The Department of Revenue has experienced collection difficulties in the past because local licensing authorities acting as the state's agents are not required to forward the state's portion of liquor license fees to the department before a state license may be issued. Another problem encountered by the department results from all licenses expiring on December 31 of each year. This

causes a large increase in their workload during this renewal period and requires temporary personnel shifts from enforcement to license processing.

Recommendation. It is recommended that local licensing authorities be required to forward the state's share of the license fees to the Department of Revenue before the state license is issued. The committee also recommends that the licenses be valid for one year from date of issue in order to spread the workload of the department more evenly throughout the year. Testimony indicated that this change would result in an even spread of license applications throughout the year, within 4 or 5 years, due to the high rate of change in the ownership of such establishments. Because local licenses are issued concurrently with the state license, these changes should not conflict with local governments and may be of benefit to localities in spreading out their license processing duties.

Fiscal impact. No fiscal impact should result from adoption of this bill. However, improved efficiency to the department may accrue from leveling of yearly workloads.

Sales Tax on Returnable Containers -- Bill 44

The problem. As a result of a court case, Colorado is one of the few states which does not tax business on original purchases of returnable containers (e.g., pop bottles) for use in the business. A second problem is an area of uncertainty in Colorado law concerning whether sales tax can be charged for short-term rentals, such as daily ski rentals. Under current law and regulations, a business has the option of paying sales tax on a rental item when purchased or of collecting sales tax on each rental contract. The area of confusion centers on the ability of a business to collect the sales tax on short-term rentals.

Recommendations. Returnable containers are an asset of a business concern and it is an inequitable exemption not to subject original purchases to the sales tax. Accordingly, it is recommended that the sales tax be imposed on business purchases of containers that are returnable for use in their original condition. No sales tax is now imposed on consumer deposits paid for the use of returnable containers and the committee's recommendation would not change this situation. It is also recommended that the law be clarified to allow businesses to collect a sales tax on short-term rentals or pay the sales tax on their original purchase of the rental item if they so choose. The commit-

tee understands that this would be consistent with the wishes of most affected businesses.

Fiscal impact. The Department of Revenue has estimated that the changes recommended by the committee could result in increased state revenues of up to \$250,000 per year.

Sales and Use Tax on Corporate Transactions -- Bill 45

The problem. Under current law, sales and use taxes are levied against transactions when there is no true change in ownership. For example, a corporation that reorganized itself, formed a subsidiary, and transferred assets to that subsidiary would be subject to a sales or use tax on the physical assets transferred to the subsidiary. Another example would be that of a group of doctors or lawyers who changed their individual practice to a professional corporation. Their assets, such as office equipment and furniture, would be subject to the sales tax although they remained the owners of the new corporation and the ownership merely changed their legal status. Another aspect of this problem has been that the Department of Revenue has been inconsistent in the past about imposition of the sales tax on such transactions; generally applying the tax to corporate activities but exempting individuals or small professional corporations.

Recommendation. The committee concluded that the imposition of the sales tax a second time because of a change in the legal status of the owner, but without any true change in ownership, is inequitable. It is recommended that such transactions be exempt from the imposition of the sales and use tax when no true change of ownership occurs.

Fiscal impact. According to the Department of Revenue, the fiscal impact of this recommendation would be negligible due to the small number of situations of this nature which occur each year.

Income Tax - Filing of Withholding Returns -- Bill 46

The problem. Many small businesses object to submitting monthly withholding deposit reports plus tax returns for Colorado income taxes. Under current law, employers who withhold more than \$100 per month make deposits and file a report monthly and those who withhold less make deposits and file a report quarterly, both by the 15th of the month following the close of the appropriate period. In addition,

both must file quarterly tax returns by the 30th day of the month following the end of each quarter.

A related problem is that an employer is not required to notify the Department of Revenue when he changes from monthly to quarterly filing as often happens with seasonal businesses. As a result, the department may perceive an employers' failure to file a continued monthly return as a delinquency. Issuance of delinquent notices results in employer resentment because he rightly feels he is doing what the law requires.

Recommendations. The committee recommends that the requirement of monthly deposit of withholding taxes be made applicable to those employers withholding \$600 or more per quarter. Those collecting less than \$600 quarterly would file quarterly. This change would result in about 240,000 fewer documents each year for employers to file and pay postage on and for the department to process. The deposit requirement for small employers would be discontinued so that these employers will have a full month after the close of the period before they must file the return and pay the taxes. Employers filing monthly would still be required to make a deposit by the 15th of the following month, except that for the third month of each quarter the return and payment must be submitted. This change should relieve some of the filing pressures on small businesses and also would spread out the influx of returns to the department to allow greater efficiency.

In order to eliminate taxpayer and departmental confusion concerning which filing period system the employer is operating under, the committee further recommends that the employer be required to give the department 30 days written notice when changing from monthly to quarterly filing schedules. This change should reduce taxpayer friction and improve departmental control over delinquency.

Fiscal impact. The fiscal impact of the recommendation arises from allowing small employers to file quarterly and pay on the 30th day of the month. This change would result in some delay of \$8 or \$9 million revenues to the state on which interest income would be lost for approximately 30 days.

Income Tax Delinquent Penalties -- Bill 47

The problem. The current status of the national economy has caused loan interest rates to reach high levels. As

a result, the penalty provisions of the state income tax are, in some cases, less than it would cost a taxpayer to borrow similar amounts of money from a bank. It has become cheaper for some taxpayers to be delinquent on income taxes than to borrow that money conventionally, effectively putting the state in the position of being an unwilling and unintentional money lender. Although not a significant problem at this time, indications are that the federal government is now having this problem with the federal income withholding and social security taxes and that the problem is beginning to appear at the state level.

Recommendation. Under Bill 47 the penalty provisions relating to income taxes would be revised substantially, as follows:

- (1) Failure to file timely return with no intent to evade -- increase penalty from \$1 or 5% of the tax due (whichever greater) to \$5 or 5% per month up to a maximum of 25% (whichever greater);
- (2) Failure to pay tax when due -- change penalty from \$2 or 25% of tax due (whichever greater) to 5% plus 0.5% per month over one month to a maximum of 25%;
- (3) Failure to pay tax when due with no intent to evade -- \$1 or 5% (whichever greater) would be covered as (2) above; and
- (4) Failure to file return or pay tax due on demand of the executive director of the Department of Revenue -- would be covered in (1) and (2) above respectively.

Interest rates on delinquent taxes would remain unchanged at 1.5% per month.

Fiscal impact. The Department of Revenue estimates that the fiscal impact of this recommendation would not be great, but positive.

Use of Income Tax Tables -- Bill 48

The problem. Under current law, resident individuals are allowed to compute their normal state income tax from tax tables prepared by the Department of Revenue. The limit

on the tax tables is adjusted gross income of \$10,000 or less. Information received by the committee indicated that the federal government may soon increase the use of tax tables by taxpayers with adjusted gross income up to \$20,000 per year. If this occurs, it would place some taxpayers in the position of being able to use tax tables for their federal returns but having to compute their tax on state returns. Since Colorado generally follows federal procedures, the department indicated a need for flexibility to conform with federal changes in this area.

Recommendation. The committee concluded that it would be appropriate to give the executive director discretionary authority in the preparation of tax tables so that conformity with the federal income tax provisions could be continuous.

Fiscal impact. In the event that the federal government allows an increased level in the use of tax tables and the executive director so adjusts the Colorado forms, printing costs for additional pages and columns of tables would be the only increased cost. This cost is not expected to be significant.

Corporate Income Tax - Director Discretion -- Bill 49

The problem. Under existing law, the executive director of the Department of Revenue may allocate income and deductions between corporations owned or controlled by the same interests in order to prevent evasion of taxes and to clearly reflect income. The committee received testimony that this law requiring that both conditions must be present in order for the director to act results in some instances where the director had concluded it would be in the best interest of the state to be able to consolidate income but is not now allowed to do so.

Recommendation. Bill 49 would give the director authority to allocate income to either prevent tax evasion or clearly reflect income.

Fiscal impact. The committee's recommendation is not anticipated to have a significant impact on state revenues.

Definition of Camper Trailer -- Bill 50

The problem. Under current law, "camper trailer" is defined as being less than 26 feet long, and taxed under Class D specific ownership classification. "Trailer coach" or

"mobile home" are defined to be between 26 and 32 feet long, and taxed as Class E. The effect of this statute is to cause two separate classes of property for the administration of the specific ownership tax by the Department of Revenue and the county clerks when there is little actual difference between them.

Recommendation. Bill 50 is recommended which would consolidate the above mentioned classes into a single Class D of vehicles for specific ownership taxation under the definition of "camper trailer", "trailer coach", and "mobile home". Class E would be repealed.

Fiscal impact. The effect of this bill would be to place all vehicles presently classified as "trailer coaches" and "mobile homes" and subject to Class E specific ownership tax into the Class D category. As Class D rates are lower than Class E, there would be a tax reduction for certain vehicles and an approximate revenue loss of \$77,000 to local governments. The rates for the two classes are as follows:

CLASS D

<u>Year of Service</u>	<u>Rate of Tax</u>
First year	2.10% of taxable value
Second year	1.50% of taxable value
Third year	1.20% of taxable value
Fourth year	.90% of taxable value
Fifth, sixth, seventh, eighth, and ninth years	.45% of taxable value
Tenth and each later year	.45% of taxable value or three dollars, whichever is greater

CLASS E

<u>Year of Service</u>	<u>Rate of Tax</u>
First year	2.30% of taxable value
Second year	2.00% of taxable value
Third year	1.90% of taxable value
Fourth year	1.70% of taxable value
Fifth year	1.50% of taxable value

(continued)

<u>Year of Service</u>	<u>Rate of Tax</u>
Sixth year	1.25% of taxable value
Seventh year	1.10% of taxable value
Eighth year	1.00% of taxable value
Ninth year	.90% of taxable value
Tenth and later years	.85% of taxable value
Minimum annual tax	\$25.00

VI. Bills Relating to the Property Tax

Taxation of Movable Structures -- Bill 51

The problem. Mobile home taxation legislation adopted by the General Assembly in 1973 (S.B. 365) was addressed to five problem areas identified by a 1972 interim committee. These problems were:

- (1) Dual responsibility for tax collection (assessor and clerk);
- (2) Equity of taxation ("fair share" of taxes vis-a-vis conventional home owners in the same geographical area);
- (3) Inflexibility of a statutory taxation rate;
- (4) Deduction of mobile home tax revenues from the school finance act; and
- (5) Mobile home valuation for assessment and bonded indebtedness capacity.

The latter three problem areas appear to have been resolved by S.B. 365, which created a new ad valorem class of movable structures, and the 1973 school finance act. The question of tax equity has remained of concern to some movable structure owners who object to the provision for determination of actual value, the depreciation schedule prepared by the Department of Revenue, and the use of 30 percent of actual value for determination of assessed value when some counties use, in effect, a lesser figure for conventional homes. The problem of the assessment authority divided between the county assessor and county clerk was not resolved by S.B. 365, as indicated by an Attorney General's opinion to the committee chairman.

On November 12, 1974, a Denver District Court decision (Civil Action #C-44198) found that: (1) the statutory requirement that the Department of Revenue value movable structures at 30 percent of actual value, contrasted with a lesser percentage used by the various assessors for other property, violates the uniformity requirement of Article X, Section 3, Constitution of Colorado; and (2) the depreciation formula is arbitrary and capricious and violates the requirement that property be assessed with relation to its true value.

Recommendations. As recommended, Bill 51 would provide for the ad valorem taxation of movable structures under the jurisdiction of the county assessor. The proposal, to be effective for taxable year 1975, would provide treatment for movable structures similar to other ad valorem properties, with payment dates, appeals, and assessment procedures the same as for conventional homes.

The proposal would repeal all registration requirements, including fees, for movable structures. Another provision would extend the duration of the lien on the mortgage of any movable structure for the full term of the mortgage. (H.B. 1563 adopted by the 1973 General Assembly extended the lien to full term for all liens after July 1, 1973). Further, the bill would require that a copy of a moving permit be submitted to the lending institution.

Fiscal impact. Movable structures are presently taxed on a current year's use basis. As ad valorem taxation would be on previous year's use, there would be a one-year period (calendar 1975) in which local governments would receive no tax revenues from movable structures. The result would be as follows:

<u>Tax Year</u>	<u>Taxes Due</u>
1974	February 28, 1974
1975	April 30, 1976
1976	April 30, 1977

Because of the one-year delay in tax revenues from movable structures, counties, municipalities, school districts, and special districts with large percentages of movable structures could experience funding problems. The staff will prepare an analysis of the fiscal implications.

Property Tax Exemption - Elderly Residents of Low Income Housing -- Bill 52

The problem. Under existing law, portions of housing projects for qualified low income, elderly persons are exempt from property taxation. Residents of each unit of the project are questioned as to their qualification for exemption. The tax exemption is computed as a percentage of the structure equal to the percent of the project occupied by qualified residents. Qualifications are set at 62 years of age or older with asset and income limits of 150 percent of the limits prescribed for the nearest federally assisted low income public housing. This procedure has resulted in widely divergent exemption levels, ranging from a low of \$11,250 in assets (Pueblo) and \$5,813 in income (Salida) to highs of \$22,500 in assets (Salida) and \$8,438 in income (Denver) for single persons.

A related problem is that some of the housing projects receiving partial exemptions under the current law use this decrease in property tax liability to reduce the rent of all residents, not just those whose qualification under the law results in the partial exemption. This situation apparently arose because of misunderstandings about federal regulations governing some projects.

Representatives of the U.S. Department of Housing and Urban Development testified that they do not require the allocation of benefits to all residents. The committee concluded that this action was unintentional and did not represent an attempt to circumvent the law.

Recommendation. It was concluded that the divergence in income and asset limits resulting from the present statute was not justified by differences in local living costs and the committee therefore recommends that the asset and income limits be set uniformly throughout the state. The proposed limits are \$3,500 for income and \$18,000 for assets.

In order to clarify the law and prevent a recurrence of past problems, it is further recommended that an amendment requiring that the exemption from property taxes be passed on directly in the form of lower rents to those persons qualified and not spread across-the-board to all residents of a project.

Fiscal impact. The fiscal impact of the bill to local governments whose jurisdictions contain such units would not exceed the total taxes paid by non-exempt units at the present time. The total loss would therefore be less than the approximately \$500,000 tax liability estimated for 1974.

Property Taxation - Exempt Charitable Property -- Bill 53

The problem. As a result of a recent court decision, multi-unit residential properties associated with church or eleemosynary hospitals, health care facilities, schools, and institutions are totally tax exempt, whereas others are only partially exempt under the law dealing with low income housing for the elderly (discussed under Bill 52). In many cases, these residences are totally exempt, even though they are not occupied by persons utilizing the associated facilities.

Recommendation. These units are in direct competition with public projects so their tax situation should be consistent with low income, federally assisted housing projects for the elderly. Such residential properties should be totally exempt only when occupied by persons using the related care facilities. If not occupied by persons utilizing such facilities, the residence should come under the statute which provides partial exemptions for housing projects for low income elderly. (See Bill 52 for committee's findings and recommendations relating to this partial exemption.) Bill 53 is a companion measure to Bill 52 to improve tax equity and consistency.

Fiscal impact. The fiscal impact of the committee's recommendation on local governments should be small but positive. Eight totally exempt projects exist in the state at this time. Five of these are located in Denver.

Assessment of Livestock -- Bill 54

The problem. Current law provides that business stocks of merchandise be assessed on the basis of five percent of the average inventory of the previous year. Livestock are assessed in the same manner but at a level of 13 percent. In many respects there is little difference between a businessman's inventory and a rancher's livestock -- both are essentially the inventory of a business enterprise.

Recommendation. Bill 54 would set the assessed value of livestock at five percent of actual value, based on the owner's average inventory for the previous year, which would make livestock assessment consistent with the assessment of other stocks of merchandise. Also recommended is a technical amendment to allow assessors to use market values in the determination of actual values of livestock for assessment in cases where data are not available from the Colorado Crop and Livestock Reporting Service.

Fiscal impact. The fiscal impact of the recommendation, if it had been in effect for the property tax year 1974, would have meant a statewide reduction in assessed values of \$52,856,068 and a statewide loss of \$3,699,925 in local property tax revenues, based on the assumption of an average levy of 70 mills.

Assessment of Agricultural Commodities -- Bill 55

The problem. Under existing law, agricultural commodities, e.g., grain and grease wool, are assessed at 30 percent of actual value of the amount on hand on the assessment date. These products are not substantially dissimilar in nature to business stocks of merchandise which are assessed at five percent of the preceeding year's inventory. Another provision of existing law states that agricultural commodities shall not be subject to assessment when owned by the grower or producer until held for a period of one year.

One problem encountered with the existing law is that assessors are not always able to determine who in fact owns the commodity, particularly grain, on the assessment date. This problem of assessors is a result of elevator accounting procedures and the nature of agricultural marketing.

Recommendation. Under Bill 55, agricultural commodities would be assessed at five percent of actual value based on the amount on hand on the assessment date. The committee concluded that the existing one-year exemption from taxation of such products, when held by the grower or producer, should be retained and expanded to cover persons holding agricultural products for livestock feed.

It is also recommended that the existing law be amended to provide that the taxes due on the assessment of agricultural products will be the responsibility of the person holding the warehouse receipt on such products or, if no receipt exists, the person in actual possession. The suggested language should resolve the ownership problems encountered in the past.

Fiscal impact. Because so few counties have been assessing agricultural commodities in the past, the fiscal impact of the bill on local governments should be minimal. The total assessed value of agricultural products for 1974 was \$379,900 which yielded \$28,596 in revenue. If reduced to a five percent assessment rate, the total assessed value for the year would have been \$63,316 and the revenue yielded would have been \$4,432 -- a decrease of \$22,161 (assume 70

mill average levy). It is possible that clarification of the statute relative to ownership could result in the assessment of some stored commodities which have not been previously assessed.

VII. Revision of Wine Tax

Taxation of Locally Produced Wine -- Bill 56

The problem. It was noted by Ivancie Wines, Inc., that an effort is under way to establish a wine industry in the state with grape production in the Grand Mesa area. Establishment of sufficient winery capacity in the area would encourage the production of grapes if current experiments prove feasible in that climate. Grape production is potentially of substantial benefit to the local agricultural economy.

Some states, such as California, tax wine produced in-state at a lower level than wine imported to the state. Ivancie requested that similar treatment be established in Colorado.

Recommendation. The establishment of an in-state wine industry is of benefit to both industry and agriculture in the state and the committee recommends that the tax rates for locally produced wines be reduced to correspond to the level of taxation on fermented malt beverages.

Fiscal impact. The tax rate for in-state wines would be reduced from either 5 or 7½ cents per quart to 1½ cents per quart. Revenue loss to the state at this time would be approximately \$1,000 annually. However, this figure would increase in the event that a large domestic wine industry proves feasible and becomes established.

VIII. Maintenance of Trial Courts

Facility and Maintenance Costs of State Court System -- Bill 57

The problem. Under current law, counties are responsible for providing "adequate courtrooms and other court facilities including janitorial service" for the county and district courts of the state. The interpretation of the word "adequate" has been a source of friction between the counties

and the state court system for some time. The courts contend that they should define what is adequate because they are the users of the facilities; counties contend that, because they are paying these expenses, that they should make this determination. A court case on this matter is currently in litigation between Pueblo County and the State Court Administrator.

A related problem involves state funding of court facility needs. Under current law, the court administrator is required to determine a capital construction budget each year and to prepare a long range capital construction master plan for consideration by the Governor and the General Assembly. This law has neither been funded nor its provisions carried out. There is no state inventory of existing facilities or needs at the present time.

An additional problem is that the General Assembly is the body which determines whether additional judgeships are to be added. The counties feel that, because the state is the source of facilities' needs in these instances, the state should pay for them.

Recommendation. A start should be made toward determining a solution to all of these problems without waiting for the outcome of the court case. It was determined that the lack of a sufficient inventory of existing facilities, their adequacy, and a clear idea of long-range capital needs prevents a responsible state takeover of the system's total costs at this time. Accordingly, it is recommended that a Legislative Council study be directed with the cooperation of the court administrator. It is recommended that the study be completed by September 30, 1976, and include the following:

- A development of criteria and standards to measure the adequacy of existing facilities and needs for the system for the next ten years;
- An inventory of existing facilities and an evaluation of their adequacy;
- A determination of the rental and replacement value of existing facilities;
- The cost of remodeling or otherwise modifying existing facilities found to be inadequate;
- Additional facilities needed by the system and their estimated cost;

- Recommended standards and guidelines for determining court facility space needs;
- Capital construction requirements for each court and court-related agency for the ten-year period and the cost;
- Alternative proposals for the assumption by the state of all court facilities; and
- An evaluation of alternate methods of funding present and future court facility needs, including 100 percent state, 100 percent county, or some combination of the two.

Because the General Assembly will make the ultimate determination of the state's role in paying for court facilities, the study should be by a legislative agency rather than by the court administrator who is a party to the existing problem. Since the legislature will not be able to act upon the results of the study until the 1977 session, the following interim action is recommended to reduce existing state and county friction:

- (1) As of January 1, 1976, the state would pay counties for all maintenance costs of the court system, including cleaning services, heat, power, and light, and operation of air conditioning. Such payment would be determined by the court administrator and the county commissioners acting jointly;
- (2) Until July 1, 1977, the counties would continue to be responsible for the provision of courtrooms and court-related facilities and their maintenance, with maintenance costs reimbursed by the state;
- (3) No new facilities, major alterations to existing facilities, additions to existing facilities, or new air conditioning projects could be undertaken by the counties after July 1, 1975. Those projects planned and funded or in the process of construction prior to that date could be completed by the counties; and
- (4) After January 1, 1975, and until July 1, 1977, the state would be responsible for

paying 50 percent of the facility costs necessitated by the creation of new judgeships by the legislature. This would include new facilities and remodeling, additions, or alterations to existing facilities for these new judges.

Fiscal impact. The court administrator estimated, in early 1974, that the cost to the state of paying for maintenance costs for the court system would be between \$1,417,500 and \$2,084,559, depending on whether net square footage (direct court use) or gross square footage (including corridors, lobbies, and other common space) were used as the basis for state payment. This estimate was based on a 1970 estimate of square footage and actual maintenance costs of several counties in the Denver area for calendar year 1973. The cost estimate for administration of this proposal came to \$51,400.

No estimate is available for the state's 50 percent share of the cost of facilities for new judgeships that may be created by the General Assembly in the 1975 and 1976 sessions. It is likely, however, that the Supreme Court will recommend several new judgeships to the 1975 session. Administrative costs in addition to the maintenance proposal would be incurred under this program.

IX. Bills Relating to the Income Tax

Income Tax - Pensions and Annuities -- Bill 58

The problem. Retirement income is exempted from present income taxation in two ways. First, Colorado uses the federal definition of "adjusted gross income" for purposes of calculating state income taxes. As a result, any type of retirement income which is excluded from the federal definition and not added back into that definition by state law is effectively exempted from state income taxation. Second, certain types of retirement income are specifically excluded from taxation by Colorado law.

Examples of presently excluded pensions include: social security; federal railroad retirement; Veterans Administration retirement; disability retirement for employees of state and local governments; pensions and annuities for injury or sickness received in the armed forces of any county, the Coast and Geodetic Survey, or Public Health Service; disability annuities under the federal Foreign Service Act; re-

tirement payments under a purchased annuity, endowment, pension, or profit-sharing contract (taxpayer's contribution only); labor union welfare funds; pensions by agreement between employers and labor unions; Public Employees' Retirement Association; public school teacher's pensions established by state law; emeritus retirement of Colorado universities; policemen's and firemen's pensions established by state law; federal civil service retirement; and retirement pay from the U.S. armed forces up to \$2,000.

Examples of presently taxable pensions include: retirement plans not a part of a labor contract; Teachers Insurance Annuity Association; pensions for teachers and public employees, including policemen and firemen, from other states; and that portion of annuity benefits paid for by the carrying agent.

Recommendation. The committee concluded that the state income tax is inequitable in its treatment of pensions because some pensions are partially or entirely exempt while others are fully taxed. Therefore, the committee recommends that all pension income be exempt from the income tax, regardless of source or age received.

It was also concluded that the taxation of annuities is inconsistent with the exemption of all pensions since persons who purchase annuities are serving a useful social purpose by providing for their own retirement. Many people, for example, management-level persons, professionals, and self-employed, are not covered by a pension plan, due to the nature of their employment, but purchase or receive an annuity.

Bill 56 would provide that annuities up to \$5,000 per year be exempt from the income tax. This level was chosen to provide a degree of equity, without creating a subsidy, for the taxpayers who are not in need of special tax treatment for their standard of living. The total amount of annuity payments on the recipients' contribution would remain exempt; the \$5,000 limit would apply only to that portion received in addition to his contribution. The partial annuity exemption would be limited to those persons of age 60 or over.

To avoid penalizing persons with both pensions and annuities, the bill provides that if a person receives less than \$5,000 in a pension, he may exclude that portion of annuity benefits equal to the difference between his pension and \$5,000.

Fiscal impact. The loss of revenue that would result from the full exemption of all pensions was estimated by the

Department of Revenue to be \$500,000 annually. No estimate of the revenue loss from the partial exemption of annuities was made due to the lack of data. It is possible that the impact from this action would be an increasing amount as taxpayers become aware of the exemption and perceive it as an attractive benefit of purchasing annuities rather than other types of retirement investments.

Surtax on Subchapter "S" Undistributed Income -- Bill 59

The problem. A Subchapter "S" corporation is a small business corporation whose shareholders have made an election under Subchapter "S" (Sections 1371-1379 of Chapter 1, of Sub-title A, of the Internal Revenue Code of 1954) to the effect that they shall pay the income tax on their respective shares of the corporation's net taxable income in lieu of the corporation paying a tax thereon.

The Colorado surtax (Section 39-22-105, C.R.S. 1973) is imposed at the rate of two percent upon that part of each Colorado resident's gross taxable income in excess of \$5,000 which consists of or is derived from interest and dividends. The surtax on such dividend and interest income is in lieu of any state or municipal ad valorem tax that would otherwise be levied on the stocks and bonds held by a Colorado resident.

Colorado gross income is specifically defined to mean federal gross income with certain modifications. Since \$100 of dividends is excluded from federal gross income and if a husband and wife jointly own stock, no surtax is due on the first \$10,200 of dividends and the two-percent surtax applies on any excess. If a husband and wife jointly own a bank savings account, no surtax is due on the first \$10,000 of interest and the two-percent surtax applies to the excess.

For the period 1965 through 1972, most Subchapter "S" income was not subject to the imposition of the Colorado surtax. The Department of Revenue, in the first rewriting of the Income Tax Regulations since 1965, amended regulation 138-1-6 (1) to read in part:

The terms "interest" and "dividends" and the phrase "intangible income" as used in this section are not limited to the items which are commonly known as dividends and interest but, also, include such items of federal gross income as total unstated interest on certain deferred payments and the stockholder's share of the taxable income of an electing

small business corporation (except that portion treated as a long-term capital gain) whether or not such income was distributed during the taxable year of the corporation which ends with or within the taxable year of the shareholder.

Committee evaluation of this surtax included the following from a 1964 article in the Denver Law Center Journal:

This writer submits that the surtax is a discriminatory tax and should be abolished especially since its revenue impact is negligible. It discriminates against residents in favor of non-residents, against holders of stock and interest-paying securities or accounts in favor of holders of other types of investments such as rented property, against individuals who either are not in the business of receiving dividends and interest or are in such business as sole proprietors in favor of those who receive their dividends or interest through partnerships, trusts, or estates.

The proponents of the new statute had more urgent problems to contend with than those which would be created had they attempted to defend the repeal of the surtax. Accordingly, they adopted the existing statute verbatim except where it was necessary to adopt new concepts such as "Colorado gross income" and "Colorado net income." We strove to keep Colorado revenues from this "discriminatory" tax constant -- neither substantially increasing nor decreasing such revenues. Accordingly, it seems clear that the undistributed taxable income in Subchapter S shareholders (which is not treated as a dividend for federal purposes) should not be construed a quasi-dividend subject to the surtax. 1/

The department testified in favor of retention of the tax and contended that determination of whether undistributed Subchapter "S" income is subject to the surtax will likely need to be resolved by the courts.

1/ Melvin A. Coffee, "Colorado Income Tax Act of 1964", Denver Law Center Journal, Volume XLI, No. 6, November-December 1964, pp. 342-343.

Recommendation. The imposition of the surtax on Subchapter "S" undistributed interest and dividend income is discriminatory, inconsistent with the intent of the law, and should be abolished. Bill 59 contains clarifying language to effect this purpose.

Fiscal impact. The department has estimated that the elimination of the surtax on Subchapter "S" undistributed income would cause a loss in state revenue of approximately one-fourth of the yield of the surtax, or \$1,000,000.

Colorado Standard Deduction and Low Income Allowance -- Bill 60

The problem. The Colorado standard income tax deduction is presently ten percent of adjusted gross income or the state low income allowance, whichever is greater, not to exceed \$1,000 for a single or joint return or \$500 for a married separate return, plus federal income tax liability. The federal standard deduction is the higher of the low income allowance or 15 percent of adjusted gross income, not to exceed \$2,000 for a single or joint return, \$1,000 for a married separate return.

The Colorado low income allowance is the sum of a basic allowance of \$200 plus \$100 for each exemption and other factors. The maximum allowance is \$1,000. For married taxpayers filing separately, the basic allowance is \$100 plus \$100 for each exemption. The maximum allowance for married taxpayers filing separately is \$500. In effect, the low income allowance in Colorado is \$1,000 (\$500 for married taxpayers filing separately) and declines as income increases to the minimum basic allowance. Upon reaching the minimum basic allowance, the standard deduction becomes effective. The federal low income allowance is \$1,300 for a single or joint return, \$650 for a married separate return.

The effect of Colorado's standard deduction and low income allowance being lower than the federal is that some taxpayers must pay state income taxes when there is no federal tax obligation.

In addition, there are inequities under the Colorado formula. For example, a family of four would effectively have a \$1,000 tax exemption when adjusted gross income is \$4,000 or less. As the family income increased from \$4,000 to \$4,800, the exemption would decrease from \$1,000 to \$600. From \$4,800 to \$6,000 family income, the exemption remains constant to \$600 then increases after \$6,000 income until it again reaches the maximum (\$1,000) exemption at \$10,000 income.

Recommendation. Bill 60 would provide conformity of Colorado law with the present federal standard deduction (15 percent of adjusted gross income, maximum \$2,000) and the federal low income allowance (\$1,300 maximum) starting with the 1975 taxable year.

Fiscal impact. The consultants for the Tax Profile Study estimated the fiscal impact of the recommendation would have been a \$12,500,000 revenue loss for fiscal year 1974. In addition, the bill would cause a cash flow reduction of approximately \$6,250,000 during the first year of implementation.

X. Bills Relating to School Finance

Public School Transportation Act -- Bill 61

The problem. The Public School Transportation Act (as amended by H.B. 1466, 1973 session) provides the following four factors for state reimbursement to school districts for pupil transportation expenditures:

- (1) School districts are reimbursed by the state at the rate of 24 cents per bus-mile traveled in transporting pupils to and from school;
- (2) If the district's pupil transportation expenditures exceed three percent of the district's total current operating expense by a greater amount than 24 cents per mile will provide, the state reimburses transportation costs in excess of the three percent;
- (3) No district receives state reimbursement for more than 90 percent of its transportation costs;
- (4) Notwithstanding any other provision, no district is entitled to less state support than it was entitled to receive in the previous year.

The Council on Educational Development (COED) observed that several problems have been encountered under the 1973 formula. These problems are:

- Districts reimbursed under the factor (2) provision receive state payment for all transportation expenditures which are in

excess of three percent of the district's general fund current operating expense. Therefore, all increases in pupil transportation expenditures, including the cost of bus purchases, are accommodated at state expense for these districts. Districts reimbursed under the 24 cent per mile provision, factor (1), are reimbursed for mileage only. The effect is that factor (2) districts can receive state funding for the purchase of bus replacements and additions, while factor (1) districts are not eligible for such aid.

- The factor (4) provision, which provides that no district receive less state transportation reimbursement than it did in the previous year, in some cases permits a district to receive more than 100 percent reimbursement for transportation costs in a given year.
- A county treasurer's fee is collected on state reimbursement dollars to school districts, whereas the sponsors of H.B. 1466 indicated to COED this was not their intention. As a general rule, county treasurers are not authorized to collect a fee on state dollars allocated to school districts.

COED explained the problem of increased transportation costs to the committee. It is the opinion of COED that:

the cost of buying buses is a necessary part of the process of providing transportation services and it is proper that a plan to equalize cost burdens should consider school bus costs.

Recommendation. The recommendation of the committee is that items (1) and (2) of the present formula be combined to provide state reimbursement at the rate of 24 cents per bus-mile traveled in transporting pupils, plus 25 percent of the district's current operating expense which is in excess of 24 cents per bus-mile traveled. Under this recommendation the 90 percent limit in item (3) would be expanded to include the purchase of buses, and item (4), no less state support than the previous year, would be repealed.

In addition, the recommendation would provide state reimbursement for 50 percent of the costs of the purchase of buses, subject to the overall 90 percent limit in item (3). State payments would be exempted from the county treasurer's collection fee.

Fiscal impact. COED estimated the revised pupil transportation legislation would require a state appropriation of \$13,990,000 for fiscal year 1975-76. The Department of Education estimated that the present act would require \$13,500,000 for full funding during the 1975-76 fiscal year; thus the new proposal would result in an increase of \$490,000. Included in the cost projection for the proposed program is a reduction of \$360,000 which would occur if item (4), no less state support than the previous year, were repealed. These estimates are based on the following calculations:

37,812,500 miles @ 24¢ per mile		\$ 9,075,000
Current Operating Expense	\$ 19,675,000	
Less amount for mileage	- 9,075,000	
Excess over current operation	\$ 10,600,000	
Twenty-five percent of excess		\$ 2,650,000
Cost of vehicles	4,400,000	
Fifty percent of vehicle costs		\$ 2,200,000
Estimated support		\$13,925,000
BOCS		65,000
APPHOPRIATION REQUIREMENT		\$13,990,000

The General Assembly appropriated \$9,000,000 for funding the act for fiscal year 1974-75. COED estimates that this appropriation will fall some \$1.5 million short of direct entitlements and will require a supplemental appropriation or proration of payments.

School Finance Act, Declining Enrollments -- Bill 62

The problem. Data presented by COED indicated that 102 of the state's 181 school districts experienced a decline in enrollment between the fall of 1973 and the fall of 1974. The problem for such districts is that the decline, when spread

among classrooms and schools, does not necessarily facilitate a reduction in costs. For example, the drop of three fourth grade students does not result in fewer teachers being hired or in significant reductions in equipment.

The School Finance Act of 1973 aided declining enrollment districts by providing for the option of current or previous year's enrollment in the computation of attendance entitlement. For some districts the enrollment decline may be prolonged and gradual and thus the limit to previous year's enrollment may pose a hardship on the district. As an example, the Las Animas School District has declined over the past four years as follows: 1,109 (1971), 1,063 (1972), 1,054 (1973), and 1,021 (1974).

Recommendation. It is recommended that the School Finance Act be amended to allow the districts to compute attendance entitlement (AE) on the average of the four years preceeding the budget year or the present provision for first or second preceeding year. In the example of Las Animas School District, the 1974 AE was 1,021, the 1973 AE 1,045, and the average over four years of 1,060. Under present law, that district would use the figure of 1,045. Under the proposal, the district would use 1,060, or, in effect, 15 bonus pupils.

Fiscal impact. COED has estimated the cost of the declining enrollment provision to be \$2,340,000 for fiscal year 1975-76; \$4,640,000 for calendar year 1976 when computed on the basis of the state equalization formula recommended in Bill 63.

School Finance Act - Increase of Equalization Support Level and Authorized Revenue Base -- Bill 63

The problem. Among the objectives of the 1973 School Finance Act were substantially increased state aid to education, some equalization of expenditures per pupil among the 181 school districts, and reduced and stabilized mill levies. To a large degree, the goals of the act have been met, particularly during the first year of implementation.

The following formulae were included in the 1973 act:

(1) State guaranteed power equalization support level per mill, per student:

1974 --	\$25
1975 --	\$27
1976 --	\$29

(2) Minimum state support level per mill, per student:

1974 -- \$ 8
1975 -- \$ 9
1976 -- \$10

(3) Authorized revenue base:

<u>If the revenue base for the preceding budget year was:</u>	<u>The authorized revenue base, per pupil of attendance en- titlement, for the budget year shall be the following percent of the revenue base for the preceding budget year</u>
Over \$ 750 but not over \$ 800	112%
Over \$ 800 but not over \$ 850	111%
Over \$ 850 but not over \$ 900	110%
Over \$ 900 but not over \$ 950	109%
Over \$ 950 but not over \$1,000	108%
Over \$1,000	107%

Increases in the authorized revenue base are provided through appeal to the State Budget Review Board or a vote of the local electorate.

COED testified that inflationary pressures and state legislation requiring increased expenditures, including contributions under the Public Employees' Retirement Act, caused some 70 school districts to appeal to the state Budget Review Board for mill levy increases for 1975. Some mill levy increases for 1975 are in excess of ten mills. Other districts anticipate the expenditure of all surpluses during the next year and may find mill levy increases necessary if there is no adjustment in the School Finance Act.

When the 1973 law was enacted, seven percent increases in the revenue base were assumed adequate for most districts. Recent inflation has been far in excess of seven percent, thus outstripping the ability of many districts to meet expenditures without levy increases above those automatically allowed by the act.

Recommendations. The committee recommends the COED proposal that calls for:

- (1) The state equalization support level per mill, per student be increased for 1976 from \$29 to \$30.25;
- (2) The minimum state support level per mill, per student be increased for 1976 from \$10 to \$10.60; and
- (3) The 1976 authorized revenue base for all school districts be increased by \$50.

The increase in the authorized revenue base, provision (3), would be necessary to authorize districts to increase their 1976 budgets. Provisions (1) and (2) would provide the revenue needed to fund the increased expenditures and maintain mill levy stabilization.

Fiscal impact. COED testified that, as compared with the amounts needed to fund the act without amendments, the increased appropriation required for fiscal 1975-76 would be \$11,700,000. The state's fiscal year 1975-76 appropriation covers the commitment to school districts for the last half of 1975 and the first half of 1976. For calendar year 1976, the increased cost is estimated to be \$23,400,000. The 1974-75 state cost was \$288,000,000, of which about \$10,000,000 was anticipated to come from state school lands and mineral leases.

The 1975-76 appropriation requirement to fund the act without amendments, but recognizing increased commitments resulting from review board actions, would amount to an estimated \$313,500,000. Of this amount, approximately \$14,000,000 would come from school land and mineral lease revenue sources. The recommended provisions would thus require approximately \$311,200,000 from the state's general fund in 1975-76, for an increase of \$33,200,000 over 1974-75.

For local school districts, the proposal would provide an increase in their authorized revenue base, and it would foster the state's commitment to mill levy stabilization. In addition to amounts authorized through provisions of existing law, districts would be permitted to spend an additional \$50 per pupil in 1976. The increase in state funding would permit this to be accommodated with no general increase in mill levy rates.

The following example illustrates the case of a school district which realized a 30-mill levy decrease between 1973 and 1974 under the School Finance Act. Under the formula of the act, the mill levy would have remained constant for 1975,

but was increased by 4.58 mills through appeal to the Budget Review Board. For 1976, the state equalization program will include that portion of the authorized revenue base increased by the Budget Review Board in 1975. With no change in the \$29 equalization formula, the levy would be 39.69 mills. With the \$50 increase in the revenue base and the \$30.25 equalization formula, the levy will remain stable at 39.68.

<u>Year</u>	<u>Assessed Valuation</u>	<u>AE</u>	<u>Auth. Rev. Base</u>	<u>G.F. Mill Levy</u>
1973	30,142,750	4,022.2	N.A.	68.67
1974	35,872,530	4,055.8	954.75	38.19
1975	39,784,660	4,165.0	1,075.00	42.77
1976	44,000,000	4,200.0	1,200.25	39.68

Capital Reserve and Bond Redemption Fund Equalization Program
-- Bill 64

The problem. One of the objectives of the 1973 School Finance Act was to stabilize school district general fund mill levies (through revenue base limitations) and to achieve some equalization of property tax revenues to the districts (through the state equalization program). Capital reserve and bond redemption levies were not affected by the 1973 act. For taxpayers, it is the total school mill levy, not merely the general fund levy, which is of concern. In most cases, the capital reserve levies have increased from two to four mills since 1973 when the state-imposed limit was similarly increased. This has resulted in lessened property tax relief.

A problem of inequity continues to exist in the capital reserve fund and the bond and interest fund of school districts. For example, a four-mill capital reserve levy in one district will produce less than \$10 per pupil while, in another district, the same levy will produce more than \$300 per pupil. This disproportion in ability to raise revenue through property tax resources is significantly reflected in mill levy variations in school districts for the bond and interest fund.

Testimony received from COED stated that as more school districts experience declines in enrollment, the need may be greater for alteration of existing facilities as contrasted to construction of new schools. The increased cost of maintaining and remodeling structures and purchasing equipment has been the major factor requiring the increased capital reserve levies. As a method of providing more revenue under the levy,

COED proposed that the state equalization formula apply to the capital reserve levy in the same manner as the general fund levy.

As a further total mill levy stabilization program, it was proposed by COED that school districts having a debt against the entire school district (as contrasted to the re-organized portions of old districts) would be required to use at least one-fourth of the equalized revenue from four mills for the bond redemption fund, thereby reducing the bond and interest levy.

Recommendation. The committee recommends the COED capital reserve and bond redemption fund equalization program. This recommendation, however, is secondary to the three previous education bills submitted in this report. In conjunction with Bill 63 (to increase the equalization support level and the authorized revenue base), the state equalization support level for each of the four mills, per student would be, for 1976, \$30.25, with a minimum state support level of \$10.60.

Fiscal impact. It was estimated by COED that the proposed legislation would require state funding of \$16,950,000 for fiscal year 1975-76 under the current state guarantee formula of \$29 per mill, per student and a minimum of \$10. The increased support level proposed in Bill 63 would increase the cost of this proposal by an additional \$1,200,000. The proposal was estimated to require \$33,900,000 for calendar year 1976, a figure which would be correspondingly increased by \$2,400,000 in conjunction with Bill 63.

As for local school districts, the proposal will aid total mill levy stabilization. Using the example provided in the fiscal impact section of Bill 63, a district with an assessed valuation of \$44,000,000 would presently realize \$176,000 from a four-mill levy. In the example, a one-mill levy would provide \$10.48 per student. With a state guarantee of \$30.25, the state share would be \$19.77 for each of the four mills for each student. As a result, the state share would provide \$332,136 additional revenue to the district.

Of the total \$508,136 revenue, one-fourth or \$127,034 would be applied to reduction of outstanding bonded debt. If that district currently requires eight mills to retire bonded debt and interest, the levy would be reduced to 5.11 under the proposal. In the case of this district, the levy comparison between the present law and the proposals would be as follows:

	<u>1975</u>	<u>1976</u>
General Fund	42.77	39.68
Capital Reserve	4.00	4.00
Bond Redemption	<u>8.00</u>	<u>5.11</u>
Total Levy	54.77	48.79

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 42

A BILL FOR AN ACT

1 CONCERNING SPECIAL FUEL, AND RELATING TO THE PERMITS ISSUED
2 THEREFOR.

Bill Summary

Deletes requirement for an annual permit to use special fuels. Allows permit to remain in effect until the vehicle is sold or the owner fails to file a report or pay the special fuel tax. States that the permit may be carried in the vehicle.

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

4 SECTION 1. 39-27-102 (4) (a), Colorado Revised Statutes
5 1973, is amended to read:

6 39-27-102. Tax imposed - special licenses - deposits -
7 penalties. (4) (a) ~~All-owners-or-operators--of--motor--vehicles~~
8 EXCEPT AS PROVIDED IN PARAGRAPH (b) OF THIS SUBSECTION (4), EVERY
9 OWNER OR OPERATOR OF A MOTOR VEHICLE using special fuels subject
10 to the tax provided by subsection (3) of this section shall apply
11 ~~each-year~~ for a permit from the department of revenue for each
12 motor vehicle unit in which special fuel is used, unless payment
13 of tax provided by SAID subsection (3) is made by the alternative
14 method provided in subsection (7) of this section. The
15 application for permit shall indicate such information as the

1 executive director OF THE DEPARTMENT OF REVENUE deems advisable.
2 The applicant shall pay a fee of one dollar for each permit
3 desired to the department of revenue which shall collect and pay
4 the same to the state treasurer to be credited to the highway
5 users tax fund. ~~All-permits-shall-expire--December--thirty-first~~
6 ~~each--year.~~ THE PERMIT SHALL REMAIN EFFECTIVE UNTIL THE OWNER
7 THEREOF ADVISES THE DEPARTMENT OF REVENUE OF A CHANGE OF
8 OWNERSHIP, A DISCONTINUANCE OF BUSINESS, OR A DISCONTINUANCE OF
9 THE OPERATION OF THE VEHICLE OR UNTIL HE HAS FAILED TO FILE THE
10 REPORTS AND PAY THE SPECIAL FUEL TAX, IF ANY IS DUE, WITHIN
11 THIRTY DAYS AFTER ISSUANCE OF WRITTEN DEMAND BY THE EXECUTIVE
12 DIRECTOR OF THE DEPARTMENT OF REVENUE. THE UNIT PERMITS PROVIDED
13 FOR IN THIS SECTION MAY BE ISSUED IN COMBINATION WITH PERMITS
14 ISSUED PURSUANT TO SECTION 42-3-126, C.R.S. 1973. The permit
15 shall be CARRIED IN OR displayed at all times on the motor
16 vehicle unit to which it is assigned. No permit shall be
17 transferred from one motor vehicle to another nor assigned to any
18 other person.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 43

A BILL FOR AN ACT

1 CONCERNING INTOXICATING LIQUORS, AND RELATING TO LICENSES FOR THE
2 SALE THEREOF.

Bill Summary

Prohibits the issuing of a license until eighty-five percent of the license fee has been forwarded to the department. Declares that licenses are valid for one year from the date of issuance.

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

4 SECTION 1. 12-47-116 (3), Colorado Revised Statutes 1973,
5 is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 12-47-116. When license issued - term. (3) No local
7 licensing authority shall issue a license provided for in this
8 article until eighty-five percent of the license fee has been
9 forwarded to the department of revenue for deposit into the old
10 age pension fund. All licenses granted pursuant to the
11 provisions of this article shall be valid for a period of one
12 year from the date of their issuance unless revoked or suspended
13 pursuant to section 12-47-120.

14 SECTION 2. Effective date. This act shall take effect July
15 1, 1975.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 44

A BILL FOR AN ACT

1 CONCERNING REUSABLE ITEMS, AND IMPOSING THE SALES AND USE TAX
2 THEREON.

Bill Summary

Declares that reusable containers, labels, and shipping cases are to be subject to the sales and use tax.

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

4 SECTION 1. 39-26-102 (20) and (23), Colorado Revised
5 Statutes 1973, are amended to read:

6 39-26-102. Definitions. (20) Sales to and purchases of
7 tangible personal property by a person engaged in the business of
8 manufacturing OR compounding for sale, profit, or use any
9 article, substance, or commodity, which tangible personal
10 property enters into the processing of or becomes an ingredient
11 or component part of the product or service which is
12 manufactured, compounded, or furnished, and the container, label,
13 or the furnished shipping case thereof, NOT RETURNABLE FOR REUSE,
14 shall be deemed to be wholesale sales and shall be exempt from
15 taxation under this part 1.

16 (23) When right to ~~continuous~~ possession or use of any

1 article of tangible personal property is granted under a lease or
2 contract and such transfer of possession OR USE would be taxable
3 if outright sale were made, such lease or contract shall be
4 considered the sale of such article and the tax shall be computed
5 and paid by the vendor upon the rentals paid.

6 SECTION 2. 39-26-203 (1) (f), Colorado Revised Statutes
7 1973, is amended to read:

8 39-26-203. Exemptions. (1) (f) To the storage, use, or
9 consumption of tangible personal property by a person engaged in
10 the business of manufacturing OR compounding for sale, profit, or
11 use any article, substance, or commodity, which tangible personal
12 property enters into the processing of or becomes an ingredient
13 or component part of the product or service which is
14 manufactured, compounded, or furnished, and the container, label,
15 or the furnished shipping case thereof, NOT RETURNABLE FOR REUSE;

16 SECTION 3. Effective date. This act shall take effect
17 January 1, 1976.

18 SECTION 4. Safety clause. The general assembly hereby
19 finds, determines, and declares that this act is necessary for
20 the immediate preservation of the public peace, health, and
21 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 45

A BILL FOR AN ACT

1 CONCERNING THE SALES TAX, AND RELATING TO THE DEFINITION OF
2 "SALE" OR "SALE AND PURCHASE".

Bill Summary

Exempts certain transfers of business assets from the definition of "sale" or "sale and purchase" and also exempts the repossession of personal property by a chattel mortgage holder from said definitions.

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

4 SECTION 1. 39-26-102 (10), Colorado Revised Statutes 1973,
5 is amended to read:

6 39-26-102. Definitions. (10) "Sale" or "sale and
7 purchase" includes installment and credit sales, and the exchange
8 of property as well as the sale thereof for money, every such
9 transaction, conditional or otherwise, for a consideration,
10 constituting a sale, and also includes the sale of furnishing of
11 electrical energy, gas, steam, telephone, or telegraph services
12 taxable under the terms of this article. NEITHER TERM INCLUDES
13 THE FOLLOWING:

14 (a) A DIVISION OF PARTNERSHIP ASSETS AMONG THE PARTNERS
15 ACCORDING TO THEIR INTERESTS IN THE PARTNERSHIP;

1 (b) THE FORMATION OF A CORPORATION BY THE OWNERS OF A
2 BUSINESS AND THE TRANSFER OF ALL THEIR BUSINESS ASSETS TO THE
3 CORPORATION IN EXCHANGE FOR ALL THE CORPORATION'S OUTSTANDING
4 STOCK, EXCEPT QUALIFYING SHARES, IN PROPORTION TO THE ASSETS
5 CONTRIBUTED;

6 (c) THE TRANSFER OF ASSETS OF SHAREHOLDERS IN THE FORMATION
7 OR DISSOLUTION OF PROFESSIONAL CORPORATIONS;

8 (d) THE DISSOLUTION AND THE PRO RATA DISTRIBUTION OF ALL
9 THE CORPORATION'S ASSETS TO ITS STOCKHOLDERS;

10 (e) THE REPOSSESSION OF PERSONAL PROPERTY BY A CHATTEL
11 MORTGAGE HOLDER;

12 (f) THE TRANSFER OF ASSETS FROM A PARENT CORPORATION TO A
13 WHOLLY OWNED SUBSIDIARY CORPORATION OR CORPORATIONS IN EXCHANGE
14 FOR STOCK IN THE SUBSIDIARY;

15 (g) THE TRANSFER OF ASSETS FROM A WHOLLY OWNED SUBSIDIARY
16 CORPORATION OR CORPORATIONS TO A PARENT CORPORATION IN EXCHANGE
17 FOR STOCK IN THE PARENT CORPORATION.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 46

A BILL FOR AN ACT

1 AMENDING SECTION 39-22-604 (4), COLORADO REVISED STATUTES 1973,
2 RELATING TO THE WITHHOLDING OF TAXES.

Bill Summary

Directs employers withholding less than six hundred dollars each quarter to file a quarterly return on or before the last day of the month following the close of the quarter. Employers withholding more than six hundred dollars in any quarter are to file a return for the first month by the fifteenth day of the following month and for the second month by the fifteenth day of the following month, and requires said employers to file a quarterly return on the fifteenth day of the month following the close of the quarter. Allows employer to change from a monthly to a quarterly filing period if he withholds less than six hundred dollars in two successive quarters and gives thirty days notice to the executive director.

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

4 SECTION 1. 39-22-604 (4), Colorado Revised Statutes 1973,
5 is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 39-22-604. Withholding tax. (4) (a) Except as provided in
7 paragraph (b) of this subsection (4), every employer subject to
8 the provisions of this section and withholding less than six
9 hundred dollars each quarter shall file a quarterly return on or
10 before the last day of the month following the close of the
11 quarter and remit therewith to the department the amount which is

1 required to be deducted and withheld by said employer from the
2 wages paid to any employee during the preceding quarter.

3 (b) Every employer subject to the provisions of this
4 section and withholding more than six hundred dollars in any
5 quarter shall file a deposit return in such form as shall be
6 determined by the department and shall deposit with the
7 department the amount stated in the deposit return as due for the
8 first month of the quarter by the fifteenth day of the following
9 month and for the second month of the quarter by the fifteenth
10 day of the following month. Said employer shall file a quarterly
11 return on or before the fifteenth day of the month following the
12 close of the quarter and remit therewith any underpayment on the
13 three months of the preceding quarter that may be due and which
14 is required to be deducted and withheld by the employer from the
15 wages paid to any employee during the preceding quarter.

16 (c) Failure to deposit within one hundred dollars of the
17 withholding taxes due within the time required therefor shall
18 make them delinquent and shall subject the employer to an
19 additional penalty of five percent of the underpayment due.

20 (d) An employer may change from monthly to quarterly if he
21 withholds less than six hundred dollars in two successive
22 quarters and he gives thirty days written notice to the executive
23 director before making such change.

24 SECTION 2. Effective date. This act shall take effect July
25 1, 1975.

26 SECTION 3. Safety clause. The general assembly hereby
27 finds, determines, and declares that this act is necessary for

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 47

A BILL FOR AN ACT

1 CONCERNING THE INCOME TAX, AND PROVIDING FOR THE IMPOSITION OF
2 PENALTIES FOR FAILURE TO PAY OR FILE INCOME TAX.

Bill Summary

Increases penalty and interest payments for failure to pay
or file Colorado income tax.

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

4 SECTION 1. 39-22-621 (2), Colorado Revised Statutes 1973,
5 is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 39-22-621. Interest and penalties. (2) (a) If any person
7 fails to file a return at the time required by the provisions of
8 this article and no intent to evade the tax exists, there shall
9 be collected as a penalty the sum of five dollars for such
10 failure or five percent of the proper amount of tax on such
11 return if the failure is for not more than one month, with an
12 additional five percent for each additional month or fraction
13 thereof during which such failure continues, not exceeding
14 twenty-five percent in the aggregate, whichever is greater.

15 (b) If any person fails to pay any tax when due under the
16 provisions of this article, there shall be collected as a penalty

1 for such failure five percent of the amount of such tax if the
2 failure is for not more than one month, with an additional
3 five-tenths of one percent for each additional month or fraction
4 thereof during which such failure continues, not exceeding
5 twenty-five percent in the aggregate.

6 (c) As used in paragraphs (a) and (b) of this subsection
7 (2), "tax" means the net amount of tax required to be shown on
8 the return reduced by any amount paid on or before the date
9 prescribed for payment of the tax and by the amount of any credit
10 against the tax which may be claimed on the return. It does not
11 include any estimated tax required to be paid by or under the
12 provisions of sections 39-22-605 and 39-22-606. If the penalties
13 provided for in paragraphs (a) and (b) of this subsection (2)
14 both apply, then only the larger of the two penalties will be
15 assessed.

16 (d) If any person fraudulently or willfully fails to file
17 any return, there shall be collected as a penalty for such
18 failure the sum of twenty-five dollars or fifty percent of the
19 amount of the tax, if any, whichever is greater.

20 (e) If any person files a fraudulent or willfully false
21 return, there shall be collected as a penalty the sum of fifty
22 dollars or one hundred percent of the amount of the tax, if any,
23 whichever is greater.

24 (f) If, after determination and assessment of any tax
25 imposed by this article, any person fails to pay the same within
26 the time limited by any notice and demand sent to him by the
27 executive director, there shall be collected as a penalty for

1 such failure a sum equal to five percent of the amount of the tax
2 demanded.

3 (g) If any person fraudulently fails to pay any tax when
4 due under the provisions of this article or willfully seeks to
5 evade the payment thereof, there shall be collected as a penalty
6 for such failure a sum equal to fifty percent of the amount of
7 the tax.

8 (h) If any part of any deficiency is due to negligence or
9 disregard of the laws or rules or regulations but without intent
10 to defraud, twenty-five percent of the total amount of the
11 deficiency, in addition to such deficiency, shall be assessed,
12 collected, and paid in the same manner as if it were a
13 deficiency.

14 (i) All of the penalties provided in paragraphs (a) to (h)
15 of this subsection (2) shall be cumulative and shall be collected
16 at the same time and in the same manner as the tax.

17 (j) Whenever, in the judgment of the executive director,
18 the failure which may have subjected a person to the penalties
19 provided in paragraph (a), (b), (f), or (h) of this subsection
20 (2) was due to reasonable cause, the executive director, in his
21 discretion, may waive or reduce any of such penalties upon making
22 a record of his reasons therefor.

23 SECTION 2. Effective date. This act shall take effect July
24 1, 1975.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 48

A BILL FOR AN ACT

1 CONCERNING THE OPTIONAL COMPUTATION OF TAX FOR CERTAIN RESIDENT
2 INDIVIDUALS.

Bill Summary

Allows the executive director of the department of revenue more discretion in the promulgation of tax tables.

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

4 SECTION 1. 39-22-105 (1), Colorado Revised Statutes 1973,
5 is amended to read:

6 39-22-105. Optional computation of normal tax for certain
7 resident individuals. (1) Resident individuals may compute
8 their normal tax in accordance with tables promulgated by the
9 executive director on the basis of their Colorado adjusted gross
10 income. ~~of-net-ever-ten-thousand-dollars.~~

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 49

A BILL FOR AN ACT

1 CONCERNING THE INCOME TAX, AND PROVIDING FOR AN ALLOCATION OF
2 CERTAIN CORPORATE INCOME FOR TAX PURPOSES.

Bill Summary

Permits the executive director of the department of revenue to distribute or allocate gross income among wholly owned corporations to prevent tax evasion or unclear reporting.

3 SECTION 1. 39-22-303 (5), Colorado Revised Statutes 1973,
4 is amended to read:

5 39-22-303. Allocation of income - domestic and foreign.

6 (5) In case of two or more corporations, whether domestic or
7 foreign, owned or controlled directly or indirectly by the same
8 interests, the executive director may distribute or allocate the
9 gross income and deductions between or among such corporations or
10 may require returns on a consolidated basis, if deemed necessary,
11 in order to prevent evasion of taxes and OR to clearly reflect
12 income.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 50

A BILL FOR AN ACT

1 CONCERNING THE UNIFORM MOTOR VEHICLE LAW, AND PROVIDING FOR THE
2 CLASSIFICATION OF PERSONAL PROPERTY THEREUNDER.

Bill Summary

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

Combines in one definition "camper trailer", "trailer coach", and "mobile home". Classifies each as Class D personal property. Repeals Class E personal property.

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

4 SECTION 1. 42-1-102 (10), Colorado Revised Statutes 1973,
5 is amended to read:

6 42-1-102. Definitions. (10) "Camper trailer" OR "TRAILER
7 COACH" OR "MOBILE HOME" means a wheeled vehicle having an overall
8 length ~~of--less--than--twenty-six--feet~~ NOT EXCEEDING THIRTY-TWO
9 FEET, EXCLUDING TOWING GEAR AND BUMPERS, without motive power,
10 which is designed to be drawn by a motor vehicle over the public
11 highways and which is generally and commonly used for temporary
12 living or sleeping accommodations.

13 SECTION 2. 42-3-105 (1) (d), Colorado Revised Statutes
14 1973, is amended to read:

1 42-3-105. Classification - taxable value - imposition of
2 tax. (1) (d) Every utility trailer, ~~and~~ camper trailer, TRAILER
3 COACH, AND MOBILE HOME shall be Class D personal property.

4 SECTION 3. 42-3-106 (18), (21), (23), and (26) (b),
5 Colorado Revised Statutes 1973, are amended to read:

6 42-3-106. Taxable value of classes of property - rate of
7 tax - when and where payable - department duties - apportionment
8 of tax collections. (18) The department shall designate
9 suitable compilations of the factory list prices of all items of
10 Class B, Class C, AND Class D ~~and Class E~~ personal property and
11 shall provide each authorized agent with copies thereof, which
12 compilations shall be uniformly used, without exception, by every
13 authorized agent to compute the annual specific ownership tax
14 payable on any item of such classified personal property. The
15 department shall further provide continuing supplements of such
16 compilation to each authorized agent in order that he may have
17 available current information relative to the factory list price
18 of newly manufactured items.

19 (21) The annual specific ownership tax on each item of
20 Class B, Class C, Class D, ~~Class E;~~ and Class F personal property
21 shall become due and payable on January 1 of each year to the
22 authorized agent in the county wherein such item is to be
23 registered, shall be paid at the time of registration of such
24 item, and if not paid by the last day of February of each year
25 shall become delinquent.

26 (23) No later than March 20 of each year, each authorized
27 agent shall advise the owner of any item of ~~Class E and~~ Class F

1 personal property **respectively** upon which the annual specific
2 ownership tax is delinquent, by notice mailed to such owner
3 indicating the amount of delinquent tax, and demand payment of
4 the same within twenty days from the date of such notice. If
5 payment is not made within such twenty-day period, the authorized
6 agent shall report such fact to the county treasurer, who shall
7 thereupon proceed to collect the amount of delinquent tax by
8 distraint, seizure, and sale of the item upon which the tax is
9 payable, in the same manner as is provided in section 39-10-113,
10 C.R.S. 1973, for the collection of ad valorem taxes on personal
11 property.

12 (26) (b) On the tenth day of each month, the aggregate
13 amount of specific ownership taxes on Class A, B, C, D, and F
14 personal property received or collected by the county treasurer
15 during the preceding calendar month shall be apportioned between
16 the county and each political and governmental subdivision
17 located within the boundaries of the county according to the
18 percentages calculated in the manner prescribed in paragraph (a)
19 of this subsection (26), and the respective amounts so determined
20 shall be credited or paid over to the county and each such
21 subdivision. ~~On--the--tenth--day--of--each--month;--the--aggregate~~
22 ~~amount--of--specific--ownership--taxes--on--Class--E--personal--property~~
23 ~~received---or---collected---by---the---county---treasurer---during---the~~
24 ~~preceding--calendar--month--shall--be--apportioned--between--the--county~~
25 ~~and--each--political--and--governmental--subdivision--located--within~~
26 ~~the--boundaries--of--the--county--according--to--the--address--or--location~~
27 ~~of--each--such--vehicle--as--shown--by--its--registration;--and--the~~

1 ~~amounts--se--determined--shall--be--credited--or--paid--over--to--the~~
2 ~~county--and--each--such--subdivision:~~ The treasurer shall compute
3 the allocation of the amounts so credited or paid over between
4 the various funds of the county and of each such subdivision in
5 the proportion that the levy for each fund bears to the total
6 levy for all funds of the county and of each such subdivision.

7 SECTION 4. Repeal. 42-1-102 (82) (a) and (82) (c),
8 42-3-105 (1) (e), and 42-3-106 (16) and (17), Colorado Revised
9 Statutes 1973, are repealed.

10 SECTION 5. Effective date. This act shall take effect
11 July 1, 1975.

12 SECTION 6. Safety clause. The general assembly hereby
13 finds, determines, and declares that this act is necessary for
14 the immediate preservation of the public peace, health, and
15 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 51

A BILL FOR AN ACT

1 CONCERNING MOVABLE STRUCTURES.

Bill Summary

Provides that, on and after January 1, 1975, movable structures are subject to ad valorem taxation in the same manner as other property and are to be valued for assessment by the county assessors of each county. Deletes registration requirements for movable structures, and declares that a lien of any mortgage on a movable structure shall be for the full term of the mortgage.

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

3 SECTION 1. 39-1-102 (8), Colorado Revised Statutes 1973, is
4 amended to read:

5 39-1-102. Definitions. (8) "Movable structure" means any
6 wheeled vehicle, ORIGINALLY DESIGNED TO CONTAIN TOWING GEAR AND
7 WHEELS, exceeding either eight feet in width or thirty-two feet
8 in length excluding towing gear and bumpers, without motive
9 power, which is designed and commonly used for occupancy by
10 persons for residential purposes, in either temporary or
11 permanent locations, and which may be drawn over the public
12 highways by a motor vehicle.

13 SECTION 2. Part 1 of article 5 of title 39, Colorado
14 Revised Statutes 1973, is amended BY THE ADDITION OF THE

1 FOLLOWING NEW SECTIONS to read:

2 39-5-109.5. Movable structures - apportionment of value.

3 (1) Any person owning a movable structure which is moved from
4 one county to another county during the calendar year shall pay
5 the taxes due on said structure before moving said structure.
6 The assessor of the county in which the movable structure is
7 located on the assessment date shall determine its value pursuant
8 to this part 1 and shall apportion such value between the
9 counties affected and the school districts thereof in the
10 proportion that the periods of time during which the movable
11 structure may be located in such counties bear to the full
12 calendar year.

13 (2) If, after the making of such apportionment of value,
14 any such movable structure is moved to a county not initially
15 included in such apportionment or if any such movable structure
16 is located in any county for a period of time different from that
17 used in the initial apportionment, an amended apportionment of
18 value shall be requested by the assessor of the county so
19 affected. Such assessor shall furnish a copy of the requested
20 amended apportionment to the owner of the movable structure or
21 his agent and shall also transmit a copy thereof to the assessor
22 of each county affected, as his authority to list such
23 reapportioned value on the assessment roll of his county.
24 Failure of a county assessor to request such an amended
25 apportionment shall permit the original apportionment of value to
26 stand and no other county assessor shall assess such movable
27 structure as is listed in the original apportionment for any

1 period during the year of the original apportionment. If such
2 amended apportionment of value is received by any assessor after
3 he has filed his annual abstract of assessment with the
4 administrator, either an abatement or an additional assessment
5 shall be made, as the case may be.

6 (3) If, during any calendar year, any movable structure is
7 moved to another state, the value to be placed upon such movable
8 structure shall be that proportion of value for the full calendar
9 year which the period of time during which the movable structure
10 was located in such county bears to the full calendar year. The
11 taxes due on said structure shall be paid before it is moved, and
12 the treasurer shall proceed to collect said taxes pursuant to
13 section 39-10-113.

14 39-5-109.6. Taxation of movable structures - effective
15 date. Commencing January 1, 1975, the taxation of movable
16 structures shall be as provided in this part 1. The authorized
17 agent shall provide to the county assessor a list of all movable
18 structures located within the county and the name and address of
19 the owner of said structure. All taxes on movable structures
20 collected prior to the effective date of this section shall be
21 refunded to the owners of said movable structures.

22 SECTION 3. 39-1-103 (4) (b), Colorado Revised Statutes
23 1973, is amended to read:

24 39-1-103. Actual value determined - when. (4) (b) The
25 valuation for assessment of movable structures shall be
26 determined as provided in part 2 1 of article 5 of this title.
27 The time and place of assessment and payment of taxes upon such

1 property shall likewise be as provided in said part 2 1 of
2 article 5.

3 SECTION 4. 39-5-101, Colorado Revised Statutes 1973, is
4 amended to read:

5 39-5-101. Duties of assessor. The assessor shall list all
6 taxable real and personal property located within his county on
7 the assessment date, other than that comprising the property and
8 plant of public utilities. ~~and-except-movable-structures;--which~~
9 ~~shall-be-assessed--in--the--manner--specified-in-part-2-of-this~~
10 ~~article;--In-any-case-in-which-the-actual-value-of-a-movable~~
11 ~~structure-cannot-be-determined-by-the-schedules-furnished-a~~
12 ~~county-clerk-and-recorder-by-the-department-of-revenue;--the~~
13 ~~county-assessor-shall-determine-such-actual-value-and-its~~
14 ~~valuation-for-assessment;~~

15 SECTION 5. 39-5-107 (1), Colorado Revised Statutes 1973, is
16 amended to read:

17 39-5-107. Personal property schedule. (1) ~~Except-for~~
18 ~~movable-structures;~~ All taxable personal property shall be listed
19 on a form of schedule approved by the administrator and prepared
20 and furnished by the assessor. Such schedule shall ~~be--so~~
21 ~~designed--as-to-show~~ INCLUDE the owner's name and address and the
22 location and general description of his taxable personal
23 property, divided into the various subclasses, and shall provide
24 sufficient space for the furnishing of such information, derived
25 from the books of account, records, or Colorado income tax
26 returns of the owner of such property as may be required by the
27 assessor to determine the actual value of such property.

1 SECTION 6. 42-1-102 (82) (b), Colorado Revised Statutes
2 1973, is amended to read:

3 42-1-102. Definitions. (82) (b) "Movable structure" means
4 any wheeled vehicle, ORIGINALLY DESIGNED TO CONTAIN TOWING GEAR
5 AND WHEELS, exceeding either eight feet in width or thirty-two
6 feet in length excluding towing gear and bumpers, without motive
7 power, which is designed and commonly used for occupancy by
8 persons for residential purposes, in either temporary or
9 permanent locations, and which may be drawn over the public
10 highways by a motor vehicle.

11 SECTION 7. 42-3-101 (3), Colorado Revised Statutes 1973, is
12 amended to read:

13 42-3-101. Legislative declaration. (3) It is further
14 declared that the unique nature of movable structures requires
15 that ~~while the registration requirements of this article are~~
16 ~~appropriate for the identification of such structures, the~~
17 ~~continued development of such structures into residential housing~~
18 ~~of a more permanent and immobile nature requires that~~ such
19 structures be made subject to the ad valorem method of taxation
20 in a manner similar to the taxation of other more permanent
21 structures used for residential purposes.

22 SECTION 8. 42-3-102 (1), (2), and (3), Colorado Revised
23 Statutes 1973, are amended to read:

24 42-3-102. Registration required - exemptions. (1) Every
25 owner of a motor vehicle, trailer, semitrailer, or vehicle which
26 is primarily designed to be operated or drawn upon any highway of
27 this state, or any owner of a trailer coach, a mobile home, a

1 ~~movable--structure~~; or mobile machinery whether or not it is
2 operated on the highways, except such vehicles as are
3 specifically exempted by section 42-3-103, shall, on January 1 of
4 each calendar year or within ten days after the purchase of any
5 of the vehicles described in this subsection (1), apply to the
6 department of revenue and shall obtain registration therefor,
7 except when an owner is permitted to operate a vehicle under the
8 special provisions of this article relating to lienholders,
9 manufacturers, dealers, and nonresidents.

10 (2) An owner of a foreign vehicle operated within this
11 state for the transportation of persons or property for
12 compensation or for the transportation of merchandise shall
13 register such vehicle and pay the same fees and tax therefor as
14 are required in subsection (1) of this section with reference to
15 like vehicles. This provision shall not be construed so as to
16 require registration or reregistration in this state of any motor
17 vehicle, including trucks and buses, trailers, semitrailers,
18 trailer coaches, OR mobile homes, ~~or-movable-structures~~; where
19 such vehicle, truck, bus, trailer, semitrailer, trailer coach, OR
20 mobile home ~~or-movable-structure~~ is used in interstate commerce,
21 but registration or reregistration shall be required in
22 accordance with or to the extent that reciprocity exists between
23 the state of Colorado and any foreign country or another state, a
24 territory, or a possession of the United States.

25 (3) Every nonresident, including any foreign corporation,
26 carrying on business within this state and owning and operating
27 in such business any motor vehicle, trailer, semitrailer, trailer

1 coach, OR mobile home ~~or--movable-structure~~ within this state
2 shall be required to register each such vehicle and pay the same
3 fees and tax therefor as are required with reference to like
4 vehicles owned by residents of this state. This provision shall
5 not be construed so as to require registration or reregistration
6 in this state of any motor vehicle, including trucks and buses,
7 trailers, trailer coaches, OR mobile homes, ~~or--movable~~
8 ~~structures~~; where such vehicle is used in interstate commerce,
9 but registration or reregistration shall be required in
10 accordance with or to the extent that reciprocity exists between
11 the state of Colorado and any foreign country or another state, a
12 territory, or a possession of the United States.

13 SECTION 9. 42-3-104 (2), Colorado Revised Statutes 1973, is
14 amended to read:

15 42-3-104. Application for registration - tax. (2) The
16 owner of such vehicle or his agent shall, upon filing the
17 application for registration, pay such fees as are prescribed by
18 section 42-3-123, together with the annual specific ownership tax
19 on the motor vehicle, trailer, semitrailer, trailer coach, or
20 mobile home for which the license is to be issued. ~~The-owner-of~~
21 ~~a-movable-structure-shall-at-that-time-pay-the-ad-valorem-taxes~~
22 ~~imposed-on-such-vehicle-pursuant-to-part-2-of-article-5-of-title~~
23 ~~39-C.R.S.-1973.~~

24 SECTION 10. 42-3-105 (6), Colorado Revised Statutes 1973,
25 is amended to read:

26 42-3-105. Classification - taxable value - imposition of
27 tax. (6) Movable structures shall not be classified for

1 purposes of imposing specific ownership taxes but shall be
2 subject to the imposition of ad valorem taxes in the manner
3 provided in part 2 1 of article 5 of title 39, C.R.S. 1973.

4 SECTION 11. 42-3-122 (1) (a), Colorado Revised Statutes
5 1973, is amended to read:

6 42-3-122. Violation of registration provisions - penalty.

7 (1) (a) To operate, or for the owner thereof knowingly to permit
8 the operation of, upon a highway any vehicle subject to
9 registration under this article or to possess or to have in
10 custody or control any trailer coach OR mobile home, ~~or-movable~~
11 ~~structure~~; whether operated on the highway or not, except mobile
12 homes, OR trailer coaches ~~or--movable--structures~~ owned by a
13 licensed dealer or licensed manufacturer while being held for
14 sale or resale or while operated on the streets or highways with
15 dealer plates or depot tags in accordance with laws applicable to
16 such use for motor vehicle dealers and manufacturers, which is
17 not registered or which does not have attached thereto and
18 displayed thereon the number plate or plates assigned thereto by
19 the department for the current registration year;

20 SECTION 12. 42-3-123 (5) (a), Colorado Revised Statutes
21 1973, is amended to read:

22 42-3-123. Registration fees - passenger-mile and ton-mile
23 taxes. (5) (a) Trailer coaches AND mobile homes, ~~and-movable~~
24 ~~structures~~ three dollars;

25 SECTION 13. 42-3-129 (4), Colorado Revised Statutes 1973,
26 is amended to read:

27 42-3-129. Additional registration fees - apportionment of

1 fees. (4) Two dollars and fifty cents of each annual vehicle
2 registration fee prescribed in section 42-3-123, exclusive of the
3 annual registration fees prescribed in said section for
4 motorcycles, motorscooters, motorbicycles, trailer coaches,
5 mobile homes, ~~movable---structures~~; mobile machinery and
6 self-propelled construction equipment, and trailers having an
7 empty weight of two thousand pounds or less and exclusive of any
8 registration fee paid for a fractional part of a year, shall not
9 be transmitted to the department but shall be paid over by the
10 authorized agent, as collected, to the county treasurer, who
11 shall credit the same to an account entitled "apportioned vehicle
12 registration fees". On the tenth day of each month, the county
13 treasurer shall apportion the balance in such account existing on
14 the last day of the preceding month between the county and the
15 cities and incorporated towns located within the boundaries of
16 the county, on the basis of the record of rural and urban
17 registrations kept by the authorized agent to indicate the place
18 of residence of each vehicle owner.

19 SECTION 14. 42-4-409 (2) (b) (III), Colorado Revised
20 Statutes 1973, is amended to read:

21 42-4-409. Permits for excess size and weight. (2) (b)
22 (III) Copies of all such permits shall be transmitted promptly
23 by the issuing agency to the ~~authorized-agent-of-the-department~~
24 ~~in~~ COUNTY ASSESSOR OF both the county from which the move is
25 being made and, if within the state, the county of destination,
26 and a copy shall also be transmitted to the ~~department~~ MORTGAGEE,
27 IF ANY, OF THE MOVABLE STRUCTURE.

1 SECTION 15. 42-6-126 (3), Colorado Revised Statutes 1973,
2 is amended to read:

3 42-6-126. Duration of lien of mortgage - extensions. (3)
4 The duration of the lien of any mortgage on a mobile home or
5 movable structure, as defined in section 42-1-102 (82), shall be
6 for the full term of the mortgage. ~~but-the-lien-of-the-mortgage~~
7 ~~may-be-extended-beyond-the-original-term-thereof-for-succcessive~~
8 ~~three-year-periods-by-following-the-procedure-prescribed-in~~
9 ~~subsection-(1)-of-this-section-during-the-term-of-the-mortgage-or~~
10 ~~any-extension-thereof.~~

11 SECTION 16. Repeal. Part 2 of article 5 of title 39,
12 39-10-101 (4), 42-3-105 (1) (e), and 42-3-112 (4), Colorado
13 Revised Statutes 1973, are repealed.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 52

A BILL FOR AN ACT

1 CONCERNING PROPERTY EXEMPT FROM THE GENERAL PROPERTY TAX.

Bill Summary

Revises the income limits that senior citizens must meet to enable their residences to qualify for property tax exemptions, and, in the case of residences that house both qualified and nonqualified persons, adds provisions insuring that all benefits resulting from the exemption accrue only to those qualified, and that all property taxes levied on the residence are paid only by the nonexempt residents.

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

3 SECTION 1. 39-3-101 (1) (g) (II) (A) and (1) (g) (IV),
4 Colorado Revised Statutes 1973, are amended to read:

5 39-3-101. Exempt property. (1) (g) (II) (A) The structure
6 is occupied as an orphanage, or by single individuals sixty-two
7 years of age or over EACH OF WHOSE INCOME DOES NOT EXCEED
8 THIRTY-FIVE HUNDRED DOLLARS AND WHOSE NET ASSETS DO NOT EXCEED
9 EIGHTEEN THOUSAND DOLLARS, or by a family, the head of which or
10 whose spouse is sixty-two years of age or over, whose incomes and
11 assets are within one hundred fifty percent of the limits
12 prescribed for similar individuals or families who occupy
13 whatever low-rent public housing, financed pursuant to chapter 8,
14 title 42, United States Code, is nearest in distance to such

1 **structure:** INCOME DOES NOT EXCEED FORTY-FIVE HUNDRED DOLLARS AND
2 WHOSE NET ASSETS DO NOT EXCEED EIGHTEEN THOUSAND DOLLARS. In
3 determining the assets of such individuals or families, the value
4 of any reversionary right in and to an occupancy fee shall be
5 considered a part of net worth for purposes of determining
6 eligibility for tax exemption under this paragraph (g); and

7 (IV) In the event the occupants of the residential property
8 include not only persons who are qualified under subparagraph
9 (II) (A) of this paragraph (g) but also include occupants not so
10 qualified, then the portion of such residential property that is
11 utilized by qualified occupants shall be deemed to be property
12 used solely and exclusively for strictly charitable purposes and
13 not for private gain or corporate profit, and such portion, but
14 only such portion, shall be exempt under the provisions of
15 subparagraph (I) of this paragraph (g), AND ALL THE BENEFITS
16 WHICH RESULT FROM SUCH EXEMPTION SHALL ACCRUE TO THE BENEFIT OF
17 THOSE OCCUPANTS WHO ARE QUALIFIED UNDER SUBPARAGRAPH (II) (A) OF
18 THIS PARAGRAPH (g). The determination as to what portion of such
19 structure is so utilized shall be made by the property tax
20 administrator on the basis of the facts existing on the annual
21 assessment date for such property, and said administrator is
22 authorized to find that the nonexempt portion has a value that
23 bears a ratio to the value of the whole structure and land that
24 is identical to the ratio by which the number of units occupied
25 by nonqualified occupants bears to the total number of occupied
26 units in such structure, AND ALL OF THE TAXES WHICH ARE ASSESSED
27 TO SUCH PROPERTY AS A RESULT OF SUCH DETERMINATION SHALL BE

1 CHARGED IN A PRO RATA MANNER TO THE NONQUALIFIED OCCUPANTS.

2 SECTION 2. Effective date. This act shall take effect
3 January 1, 1976.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 53

A BILL FOR AN ACT

1 CONCERNING THE GENERAL PROPERTY TAX, AND RELATING TO PROPERTY
2 EXEMPT THEREFROM.

Bill Summary

Requires that in order for certain property to be exempt from the general property tax, the property not be leased to persons other than those attending school or receiving care and treatment while living in an eligible eleemosynary facility.

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

4 SECTION 1. 39-3-101 (1) (g) (I) (B), Colorado Revised
5 Statutes 1973, is amended to read:

6 39-3-101. Exempt property. (1) (g) (I) (B) Such property
7 is residential and the structure and the land upon which such
8 structure is located are used as an integral part of a church or
9 of an eleemosynary hospital, an eleemosynary licensed health care
10 facility, school, or institution whose property is otherwise
11 exempt from taxation under this article AND WHICH IS NOT LEASED
12 OR RENTED AT ANY TIME TO PERSONS OTHER THAN THOSE ATTENDING SUCH
13 SCHOOL AS STUDENTS OR TO PERSONS ACTUALLY RECEIVING CARE OR
14 TREATMENT FROM SUCH HOSPITAL, LICENSED HEALTH CARE FACILITY, OR
15 INSTITUTION FOR PHYSICAL OR MENTAL DISABILITY, WHICH CARE OR

1 TREATMENT REQUIRES SAID PERSONS TO BE DOMICILED WITHIN SAID
2 HOSPITAL, FACILITY, OR INSTITUTION; or

3 SECTION 2. Effective date. This act shall take effect
4 January 1, 1976.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 54

A BILL FOR AN ACT

1 CONCERNING THE VALUATION OF LIVESTOCK FOR PURPOSES OF AD VALOREM
2 TAXATION.

Bill Summary

Reduces the valuation for assessment of livestock to five percent of the actual value thereof. Directs the county assessor to use the Colorado crop and livestock reporting service in determining actual value. Directs that the actual value is to be determined on the basis of market value, if not reported.

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

4 SECTION 1. 39-5-109 (6) (b), Colorado Revised Statutes
5 1973, is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 39-5-109. Inventory schedules - valuation. (6) (b) The
7 term "stocks of merchandise" includes livestock. The average
8 number of head of each class of livestock shall be determined by
9 the total number of head on hand on the last day of each month
10 during the calendar year ending on the last day of December
11 immediately preceding the assessment date, divided by twelve.
12 The valuation for assessment for all livestock shall be five
13 percent of the actual value thereof. The actual value of
14 livestock shall be determined by the county assessor using the
15 Colorado crop and livestock reporting service reports

1 encompassing the preceding twelve-month reporting period ending
2 October 31 of the year preceding the assessment date on all
3 classes which those reports include. The actual value of classes
4 of livestock not reported by said service shall be determined by
5 the county assessor on the basis of market value.

6 SECTION 2. Effective date. This act shall take effect
7 January 1, 1976.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 55

A BILL FOR AN ACT

1 CONCERNING THE VALUATION OF AGRICULTURAL PRODUCTS FOR PURPOSES OF
2 AD VALOREM TAXES.

Bill Summary

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

Provides that agricultural products in a raw or unprocessed state are to be valued at five percent of the actual value thereof. The taxes due on such property or to be paid by the person who holds a warehouse receipt therefor or who is in actual possession of the products on the assessment date.

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

4 SECTION 1. 39-1-103, Colorado Revised Statutes 1973, is
5 amended BY THE ADDITION OF A NEW SUBSECTION to read:

6 39-1-103. Actual value determined - when. (7) The
7 valuation for assessment of stored agricultural products in a raw
8 or unprocessed state shall be determined as provided in section
9 39-5-111.

10 SECTION 2. 39-1-107, Colorado Revised Statutes 1973, is
11 amended BY THE ADDITION OF A NEW SUBSECTION to read:

12 39-1-107. Tax Liens. (4) The lien of general taxes
13 against agricultural products in a raw or unprocessed state shall

1 extend and apply to any such products held by the person owing
2 the taxes, whether or not such products are the identical
3 products upon which such taxes were levied.

4 SECTION 3. 39-5-111 (2), Colorado Revised Statutes 1973, is
5 amended to read:

6 39-5-111. Livestock, agricultural products - not valued,
7 when. (2) Agricultural products in a raw or unprocessed state,
8 whether grown or produced within or without this state, SHALL BE
9 VALUED FOR ASSESSMENT AT FIVE PERCENT OF THE ACTUAL VALUE
10 THEREOF, AS DETERMINED BY THE ASSESSOR. SUCH PRODUCTS, when
11 still owned by the grower, ~~or~~ producer, OR LIVESTOCK FEEDER
12 thereof and placed in storage in any county of this state for
13 marketing in the ordinary course of trade, shall not be subject
14 to appraisal and valuation by the assessor of such county unless
15 the same remain within such county for a period exceeding twelve
16 months. THE TAXES DUE UPON SUCH VALUATION FOR ASSESSMENT OF THE
17 PROPERTY SHALL BE PAID BY THE PERSON WHO HOLDS A WAREHOUSE
18 RECEIPT OR, IN THE ABSENCE OF SUCH WAREHOUSE RECEIPT, BY THE
19 PERSON WHO IS IN ACTUAL POSSESSION OF SUCH PRODUCTS ON THE
20 ASSESSMENT DATE.

21 SECTION 4. Effective date. This act shall take effect
22 January 1, 1976.

23 SECTION 5. Safety clause. The general assembly hereby
24 finds, determines, and declares that this act is necessary for
25 the immediate preservation of the public peace, health, and
26 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 56

A BILL FOR AN ACT

1 CONCERNING VINOUS LIQUORS, AND REDUCING THE EXCISE TAX THEREON.

Bill Summary

Authorizes wines produced or processed in Colorado to be taxed at a rate of six cents per gallon, the present rate on malt liquors, while imported wines will continue to be taxed at five or seven and one-half cents per quart, depending on alcoholic content.

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

3 SECTION 1. 12-47-131 (1), Colorado Revised Statutes 1973,
4 is amended to read:

5 12-47-131. Excise tax. (1) An excise tax at the rate of
6 six cents per gallon on VINOUS LIQUORS PRODUCED OR PROCESSED IN
7 COLORADO AND all malt liquors, five cents per quart or fraction
8 thereof on all OTHER vinous liquors containing fourteen percent
9 or less of alcohol, and seven and one-half cents per quart or
10 fraction thereof on all OTHER vinous liquors containing more than
11 fourteen percent of alcohol by volume, and twenty-two and
12 one-half cents per pint or fraction thereof on all spirituous
13 liquors is imposed; except that the tax upon spirituous liquors
14 in individual sealed bottles containing two ounces or less shall
15 be five cents per such bottle, and such taxes shall be collected
16 on all such respective liquors, not otherwise exempt from the

1 tax, sold, offered for sale, or used in this state. ~~except--that~~
2 Upon the same liquors, only one such tax shall be paid in this
3 state. The manufacturer thereof, or the first licensee receiving
4 alcoholic liquors in this state if shipped from without the
5 state, shall be primarily liable for the payment of such tax;
6 but, if such liquor is transported by a manufacturer or
7 wholesaler to a point outside of the state and there disposed of,
8 ~~then~~ such manufacturer or wholesaler, upon the filing with the
9 state licensing authority of a duplicate bill of lading, invoice,
10 or affidavit showing such transaction, shall not be subject to
11 the tax provided in this section on such liquor, and, if such tax
12 has already been paid, it shall be refunded to said manufacturer
13 or wholesaler.

14 SECTION 2. Effective date. This act shall take effect July
15 1, 1975.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 57

A BILL FOR AN ACT

1 CONCERNING THE JUDICIAL DEPARTMENT OPERATING BUDGET AND COURT
2 FACILITIES, AND MAKING AN APPROPRIATION THEREFOR.

Bill Summary

Provides that counties are responsible for maintaining and providing court facilities until July 1, 1977. After January 1, 1976, the state is to pay the counties for certain services, the amount to be determined by the court administrator and the county commissioners. Imposes a moratorium on court facilities, and state is to pay fifty percent of costs incurred as a result of a new judgeship. The legislative council is to conduct a study of the court facilities and report to the general assembly in September 1976.

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

4 SECTION 1. 13-3-108, Colorado Revised Statutes 1973, is
5 REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 13-3-108. Maintenance of court facilities - capital
7 improvements. (1) Until July 1, 1977, the board of county
8 commissioners in each county shall have the responsibility of
9 providing and maintaining adequate courtrooms and court-related
10 facilities for the state court system within the county,
11 including, but not limited to:

- 1 (a) Cleaning services and general maintenance;
- 2 (b) Heat, power, and light;
- 3 (c) Acceptable storage space for court records and
- 4 exhibits;
- 5 (d) Courtroom and chamber carpeting;
- 6 (e) Window covering.

7 (2) On and after January 1, 1976, the state shall pay each
8 county quarterly for providing the following to the state court
9 system within each county:

- 10 (a) Cleaning services and general maintenance;
- 11 (b) Heat, power, and light;
- 12 (c) Air conditioning operation.

13 (3) The amount of payment required by subsection (2) of
14 this section shall be predetermined by the court administrator
15 and the board of county commissioners of each county and shall be
16 based upon the actual square foot maintenance costs incurred.

17 (4) Except as provided in subsection (5) of this section,
18 no projects for the alteration or remodeling of existing court
19 facilities, additions to court facilities, new air conditioning
20 for court facilities, or the construction of new court
21 facilities, except those planned and funded or under construction
22 on July 1, 1975, shall be undertaken until July 1, 1977.

23 (5) Any other provision of law to the contrary
24 notwithstanding, if any new judgeship is created by law on or
25 after July 1, 1975, the state, upon the approval of the court
26 administrator, shall pay fifty percent of all capital
27 construction costs, including, but not limited to, remodeling,

1 alteration, and the installation of new air conditioning incurred
2 by a county as a result of the new judgeship. The provisions of
3 this subsection (5) shall not apply to costs incurred from
4 capital construction begun on or after July 1, 1977, and shall be
5 subject to available appropriations.

6 (6) The legislative council, in cooperation with the court
7 administrator, shall prepare a court facilities study to be
8 submitted to the joint budget committee of the general assembly
9 no later than September 30, 1976. The study shall be based on
10 criteria and standards developed to measure the adequacy of
11 existing facilities and the needs of the judicial system for the
12 next ten years, and the study report shall contain an explanation
13 of these standards. The study shall include:

14 (a) An inventory of all existing court facilities with an
15 evaluation of their adequacy compared to the standards;

16 (b) A determination of both the rental value and the
17 replacement value of all existing facilities;

18 (c) The cost of remodeling, expanding, or otherwise
19 improving existing facilities found to be inadequate;

20 (d) The additional facilities, if any, needed by the state
21 court system in each county and the estimated cost of such
22 facilities;

23 (e) Recommended standards and guidelines for determining
24 state court facility space needs;

25 (f) The capital construction needs of each court and
26 court-related agency, by county and by priority, for the ten-year
27 plan and the estimated cost thereof;

1 (g) Alternative proposals for assumption by the state of
2 all court facilities in the state court system;

3 (h) An evaluation of alternate methods of funding present
4 and future court facility needs of the state judicial system
5 solely by the state, solely by the counties, or by both the state
6 and the counties.

7 SECTION 2. Appropriation. In addition to any other
8 appropriation, there is hereby appropriated out of any moneys in
9 the state treasury not otherwise appropriated, for the fiscal
10 year beginning July 1, 1975, to the court administrator, the sum
11 of _____ dollars (\$), or so much thereof as may be
12 necessary, for the implementation of this act.

13 SECTION 3. Effective date. This act shall take effect July
14 1, 1975.

15 SECTION 4. Safety clause. The general assembly hereby
16 finds, determines, and declares that this act is necessary for
17 the immediate preservation of the public peace, health, and
18 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 58

A BILL FOR AN ACT

1 CONCERNING THE INCOME TAX, AND PROVIDING FOR THE EXCLUSION
2 THEREFROM OF AMOUNTS RECEIVED AS PENSIONS OR ANNUITIES.

Bill Summary

Excludes all amounts received as pensions from Colorado adjusted gross income. Excludes annuities, if there is no pension and the taxpayer is sixty years old or older, to the extent of five thousand dollars. Provides that taxpayer may combine pensions and annuities to exclude not more than five thousand dollars.

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

4 SECTION 1. 39-22-110 (3) (c), Colorado Revised Statutes
5 1973, is REPEALED AND REENACTED, WITH AMENDMENTS, to read:

6 39-22-110. Colorado adjusted gross income of a resident
7 individual. (3) (c) Amounts received as pensions, including
8 retirement pay of members of any component of the armed forces of
9 the United States, to the extent included in federal adjusted
10 gross income or, if there are no amounts received as pensions,
11 amounts received as annuities by persons sixty years of age or
12 older to the extent included in federal adjusted gross income,
13 not to exceed five thousand dollars in any one taxable year. If
14 the amounts received as pensions are less than five thousand

1 dollars, the taxpayer may subtract so much of the amounts
2 received as annuities as will increase the total amounts of
3 pensions and annuities subtracted under this paragraph (c) to
4 five thousand dollars.

5 SECTION 2. Repeal. 39-22-110 (3) (i), Colorado Revised
6 Statutes 1973, is repealed.

7 SECTION 3. Applicability. This act shall apply to all
8 taxable years commencing after December 31, 1974.

9 SECTION 4. Safety clause. The general assembly hereby
10 finds, determines, and declares that this act is necessary for
11 the immediate preservation of the public peace, health, and
12 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 59

A BILL FOR AN ACT

1 CONCERNING THE COLORADO SURTAX, AND EXEMPTING THE UNDISTRIBUTED
2 INCOME OF A SUBCHAPTER S CORPORATION THEREFROM.

Bill Summary

Exempts the undistributed income of a Subchapter S corporation from the Colorado surtax.

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

4 SECTION 1. 39-22-106, Colorado Revised Statutes 1973, is
5 amended BY THE ADDITION OF A NEW SUBSECTION to read:

6 39-22-106. Surtax imposed on individuals. (5) The
7 provisions of this section shall not apply to the undistributed
8 income of a small business corporation under Subchapter S of the
9 internal revenue code which has a Subchapter S election in
10 effect.

11 SECTION 2. Effective date. This act shall take effect
12 January 1, 1976.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 60

A BILL FOR AN ACT

1 CONCERNING THE COLORADO INCOME TAX, AND INCREASING THE PERCENTAGE
2 STANDARD DEDUCTION AND THE LOW INCOME ALLOWANCE.

Bill Summary

Increases the percentage standard deduction from the lesser of ten percent of Colorado adjusted gross income or one thousand dollars to the lesser of fifteen percent of Colorado adjusted gross income or two thousand dollars, and increases the low income allowance from one thousand dollars to one thousand three hundred dollars. A married taxpayer filing a separate return is to receive one-half of said dollar amounts.

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

4 SECTION 1. 39-22-112 (2), (3), and (7), Colorado Revised
5 Statutes 1973, are amended to read:

6 39-22-112. Colorado standard deduction of a resident
7 individual. (2) The percentage standard deduction shall be ~~ten~~
8 FIFTEEN percent of the Colorado adjusted gross income or ~~one~~ TWO
9 thousand dollars, whichever amount is the lesser, but in the case
10 of a married taxpayer filing a separate return, it shall be ~~ten~~
11 FIFTEEN percent of the Colorado adjusted gross income or ~~five~~
12 ~~hundred~~ ONE THOUSAND dollars, whichever amount is the lesser.

13 (3) (a) Except as provided in paragraph (b) of this
14 subsection (3), the low income allowance shall be ~~the sum of:--A~~

1 basic-allowance-of-two-hundred-dollars-plus-one--hundred--dollars
2 for--each-exemption;-and-an-additional-allowance-amounting-to-the
3 excess;-if-any;-of-eight-hundred-dollars--over--the--sum--of--the
4 number--of--exemptions--multiplied-by-one-hundred-dollars-and-the
5 aggregate-of-one-half-of-the-amount-of--Colorado--adjusted--gross
6 income--in--excess--of:--One--thousand-dollars-plus-the-number-of
7 exemptions-multiplied-by-seven-hundred-fifty--dollars;---The--low
8 income--allowance--shall--not--exceed one thousand THREE HUNDRED
9 dollars.

10 (b) In the case of a married taxpayer filing a separate
11 return, the-basic-allowance-shall-be-one-hundred-dollars-plus-one
12 hundred--dollars-for-each-exemption;-and the low income allowance
13 shall not-exceed-five BE SIX hundred FIFTY dollars.

14 (7) THE AMENDMENTS TO this section shall apply only with
15 respect to taxable years beginning on or after January 1, 1970
16 1975.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 61

A BILL FOR AN ACT

1 CONCERNING PUBLIC SCHOOL TRANSPORTATION, AND PROVIDING FOR SCHOOL
2 DISTRICT REIMBURSEMENT AND MAKING AN APPROPRIATION THEREFOR.

Bill Summary

Establishes public school transportation fund and provides methods of determining reimbursement entitlement. Requires local school boards to certify to the state board expenses incurred in transporting pupils. Directs state treasurer to reimburse local districts from the fund.

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

4 SECTION 1. Article 51 of title 22, Colorado Revised
5 Statutes 1973, is REPEALED AND REENACTED, WITH AMENDMENTS, to
6 read:

7 ARTICLE 51

8 Public School Transportation

9 22-51-101. Legislative declaration. It is declared to be
10 the policy of this state to furnish financial aid to school
11 districts of the state for the transportation of pupils to and
12 from their places of residence and the public schools which they
13 attend and for board in lieu of transportation.

14 22-51-102. Definitions. As used in this article, unless
15 the context otherwise requires:

1 (1) "Current operating expenditures for pupil
2 transportation" means expenditures for providing pupil
3 transportation, exclusive of purchase of pupil transportation
4 vehicles or other capital outlays. The term includes
5 expenditures for the following: Motor fuel and oil, maintenance
6 and repair of vehicles, equipment, and facilities; costs of
7 employment for drivers while employed in pupil transportation;
8 costs of employment paid specifically for providing
9 transportation supervision and support services; insurance;
10 contracted services; and reimbursements to pupils who utilize
11 public transportation services. The term does not include
12 amounts spent for pupil transportation for special education and
13 vocational education programs for which the district is otherwise
14 entitled to receive state reimbursement.

15 (2) "Entitlement period" means the twelve-month period
16 ending June 30 next preceding application for and determination
17 of a reimbursement entitlement.

18 (3) "Pupil transportation" means the transportation of
19 pupils regularly enrolled in the public schools through grade
20 twelve to and from their places of residence and the public
21 schools in which enrolled and to and from one school of
22 attendance and another in vehicles owned or rented and operated
23 by a school district or under contract with a school district.

24 (4) "Reimbursement entitlement" means the amount of
25 reimbursement to which a school district is entitled under the
26 provisions of section 22-51-104.

27 22-51-103. Creation of the public school transportation

1 fund. There is hereby created in the office of the state
2 treasurer a fund to be known as the "public school transportation
3 fund" to which shall be credited such moneys as may be
4 appropriated by the general assembly for the purposes of this
5 article and which shall be held by the state treasurer and paid
6 out as provided in this article.

7 22-51-104. Methods of determining reimbursement
8 entitlement. (1) For financial aid in providing pupil
9 transportation, each school district shall have a reimbursement
10 entitlement, to be determined as follows:

11 (a) Twenty-four cents for each mile actually traveled by
12 vehicles operated by or for the school district in providing
13 pupil transportation during the entitlement period; and

14 (b) Twenty-five percent of any amount by which the school
15 district's current operating expenditures for pupil
16 transportation during the entitlement period exceeded the school
17 district's reimbursement entitlement under the provisions of
18 paragraph (a) of this subsection (1).

19 (2) For financial aid in the purchasing of pupil
20 transportation vehicles, each school district shall have a
21 reimbursement entitlement for an entitlement period of fifty
22 percent of the amount expended during said entitlement period for
23 the purchase of vehicles to be used in pupil transportation,
24 excluding any allowance for vehicles traded in and excluding
25 amounts received from the sale of pupil transportation vehicles.

26 (3) In no event shall the reimbursement entitlement of any
27 school district under the provisions of subsections (1) and (2)

1 of this section for any entitlement period exceed ninety percent
2 of the total amount expended by the school district during said
3 entitlement period for current operating expenditures for pupil
4 transportation and for the purchase of pupil transportation
5 vehicles.

6 (4) For financial aid in providing board allowances in lieu
7 of transportation, each school district shall have a
8 reimbursement entitlement for an entitlement period for each
9 pupil temporarily residing during said entitlement period for the
10 purpose of attending school at a place nearer the school of
11 attendance than his permanent residence, and for whom the
12 district has paid a board allowance in lieu of furnishing
13 transportation, in the amount of one dollar for each day such
14 board was paid by the district.

15 22-51-105. Certifications by school boards. (1) On or
16 before August 15 of each year the school board of each school
17 district entitled to and desiring reimbursement under this
18 article for the preceding entitlement period shall certify to the
19 state board of education on forms to be provided by the
20 commissioner of education the following information:

21 (a) The total number of miles traveled during said
22 entitlement period by vehicles operated by or for the school
23 district in providing pupil transportation;

24 (b) The total amount of the school district's current
25 operating expenditures for pupil transportation during said
26 entitlement period;

27 (c) The total amount expended by the school district during

1 said entitlement period for the purchase of vehicles to be used
2 in pupil transportation, excluding any allowances for vehicles
3 traded in;

4 (d) The total amount received by the school district during
5 the entitlement period from the sale of pupil transportation
6 vehicles;

7 (e) The total number of pupil days for which board was paid
8 by the district during said entitlement period in lieu of
9 transportation for pupils temporarily residing for the purpose of
10 attending school at places nearer the school of attendance than
11 their permanent places of residence;

12 (f) The amounts and sources of reimbursements which the
13 school district received or is entitled to receive for pupil
14 transportation during said entitlement period from sources other
15 than the public school transportation fund.

16 22-51-106. Certification to and payment by state treasurer
17 - deficiency in fund. (1) On or before October 15 of each year,
18 the commissioner of education shall certify to the state
19 treasurer the amount of the reimbursement entitlement of each
20 school district for the entitlement period next preceding. The
21 state treasurer shall thereupon pay from the public school
22 transportation fund directly to the treasurer of each school
23 district which has elected under the law to withdraw its funds
24 from the custody of the county treasurer the amount certified as
25 the reimbursement entitlement of the school district; and for all
26 other school districts, he shall pay to the county treasurer of
27 the county in which each school district has its headquarters the

1 amount certified as reimbursement entitlement of each district
2 and the county treasurer shall forthwith credit to the general
3 fund of each district in his county the amount certified
4 therefor.

5 (2) In the event the amount of money appropriated by the
6 general assembly to the public school transportation fund is less
7 than the total amount of the reimbursement entitlements of all of
8 the school districts for the preceding entitlement period, the
9 amount to be distributed to each school district shall be in the
10 same proportion as the amount which the appropriation made bears
11 to the total amount of the reimbursement entitlements of all
12 districts.

13 22-51-107. Requirements for participation. Unless
14 otherwise authorized by the commissioner of education, any school
15 district which has not filed the certifications required by
16 section 22-51-105 on or before the date provided in said section
17 or has not complied with the rules and regulations promulgated by
18 the state board of education pursuant to section 22-51-108 shall
19 not be entitled to any reimbursement under this article.

20 22-51-108. Rules and regulations. The state board of
21 education shall promulgate rules and regulations for the
22 administration of this article. Such rules and regulations shall
23 include reasonable and adequate standards of safety in the
24 maintenance and operation of buses, the maintenance of records by
25 districts, the length of bus routes, the number of children to be
26 transported in the various types of buses, and such other rules
27 and regulations pertaining to pupil transportation as will

1 promote the welfare of the students and afford reasonable
2 protection to the public.

3 22-51-109. County treasurer's fees. No fees shall be
4 charged by the county treasurers of the state for receiving or
5 crediting funds of the school districts received under this
6 article.

7 SECTION 2. Appropriation. There is hereby appropriated,
8 out of any moneys in the state treasury not otherwise
9 appropriated, to the public school transportation fund, for the
10 fiscal year commencing July 1, 1975, the sum of _____
11 dollars (\$____), or so much thereof as may be necessary, for the
12 implementation of this act.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 62

A BILL FOR AN ACT

1 CONCERNING ATTENDANCE ENTITLEMENT UNDER THE "PUBLIC SCHOOL
2 FINANCE ACT OF 1973", AND RELATING TO THE DETERMINATION
3 THEREOF.

Bill Summary

Allows attendance entitlement to be determined by taking ninety-six percent of the average daily membership of a school district during the four-week counting period or periods of the first year, the second year, or the average of the first, second, third, and fourth years next preceding the budget year.

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

5 SECTION 1. 22-50-104 (2), Colorado Revised Statutes 1973,
6 is amended to read:

7 22-50-104. Attendance entitlement. (2) The attendance
8 entitlement of a district for any budget year shall be the
9 average daily attendance of the district or ninety-six percent of
10 the average daily membership of the district during the four-week
11 counting period or periods of ~~either-the-first-or-second-year~~ THE
12 FIRST YEAR NEXT PRECEDING THE BUDGET YEAR, THE SECOND YEAR NEXT
13 PRECEDING THE BUDGET YEAR, OR THE AVERAGE OF THE FIRST, SECOND,
14 THIRD, AND FOURTH YEARS next preceding the budget year, whichever
15 is the largest number.

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

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 63

A BILL FOR AN ACT

1 CONCERNING THE STATE EQUALIZATION PROGRAM, AND INCREASING THE
2 EQUALIZATION SUPPORT LEVEL AND THE AUTHORIZED REVENUE BASE
3 FOR THE 1976 BUDGET YEAR.

Bill Summary

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

Increases the equalization support level and the authorized revenue base for the 1976 budget year.

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

5 SECTION 1. 22-50-105 (1) (a) (III) and (2) (c), Colorado
6 Revised Statutes 1973, are amended to read:

7 22-50-105. State equalization program - district support
8 level - state's share. (1) (a) (III) For 1976, ~~twenty-nine~~
9 THIRTY dollars AND TWENTY-FIVE CENTS for each pupil of attendance
10 entitlement for each mill levied for the general fund of the
11 district for collection during 1976.

12 (2) (c) For 1976, ten dollars AND SIXTY CENTS for each
13 pupil of attendance entitlement, multiplied by the number of
14 mills levied for the general fund of the district for collection

1 during 1976;

2 SECTION 2. 22-50-106, Colorado Revised Statutes 1973, is
3 amended BY THE ADDITION OF A NEW SUBSECTION to read:

4 22-50-106. Authorized revenue base per pupil of attendance
5 entitlement - limitation. (5) For the 1976 budget year, after
6 the authorized revenue base for each pupil of attendance
7 entitlement has been established for a school district pursuant
8 to subsection (3) of this section, said authorized revenue base
9 shall be increased by fifty dollars, and the amount of said
10 increase shall be included in determining the state's share of
11 the equalization program of the district.

12 SECTION 5. Safety clause. The general assembly hereby
13 finds, determines, and declares that this act is necessary for
14 the immediate preservation of the public peace, health, and
15 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 64

A BILL FOR AN ACT

1 ESTABLISHING A CAPITAL RESERVE FUND EQUALIZATION PROGRAM FOR
2 SCHOOL DISTRICTS, AND MAKING AN APPROPRIATION THEREFOR.

Bill Summary

Establishes a capital reserve fund equalization program for school districts and authorizes transfer from the capital reserve fund to the bond redemption fund.

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

4 SECTION 1. Article 50 of title 22, Colorado Revised
5 Statutes 1973, as amended, is amended BY THE ADDITION OF THE
6 FOLLOWING NEW SECTIONS to read:

7 22-50-118. Capital reserve fund equalization program. (1)

8 There is hereby established a capital reserve fund equalization
9 program for the school districts of this state.

10 (2) Beginning January 1, 1976, for each budget year, each
11 district eligible under this article, for each mill of property
12 tax levied for its capital reserve fund as limited by section
13 22-40-104 (4), shall be entitled to receive capital reserve fund
14 equalization support from the state which shall be equal in
15 amount to the number of dollars of equalization support provided
16 by the state to the district pursuant to the provisions of

1 section 22-50-105 for each mill levied for the general fund of
2 the district.

3 (3) The general assembly shall make a separate
4 appropriation annually to the state public school fund to provide
5 capital reserve fund equalization support during the state's
6 fiscal year.

7 (4) On or before December 10 of each year, the secretary of
8 the board of education of each district shall certify to the
9 state board the number of mills which have been levied for the
10 capital reserve fund of the district for the ensuing budget year.

11 (5) No later than December 31 of each year, the state board
12 shall determine the amount of capital reserve fund equalization
13 support which each district is entitled to receive for the
14 ensuing budget year and the total thereof for all districts,
15 which amounts shall be payable in twelve approximately equal
16 monthly payments during such budget year. The state board shall
17 certify such amounts to the state treasurer, and payments shall
18 be made to districts in the same manner as is provided in section
19 22-50-112 for payment of the state's share of the equalization
20 program.

21 (6) No fees shall be charged by the county treasurers of
22 the state for receiving or crediting funds received from the
23 state pursuant to this section.

24 22-50-119. Transfers from the capital reserve fund to the
25 bond redemption fund. (1) Notwithstanding any other provision
26 of law, any district which has a bonded indebtedness which is an
27 obligation in the name of the district as it currently exists is

1 authorized to transfer funds from its capital reserve fund to its
2 bond redemption fund, as provided in this section, for the
3 purpose of reducing the requirement for levy of property taxes
4 for the bond redemption fund.

5 (2) Beginning January 1, 1976, any district which has
6 levied a property tax for the budget year of two or more mills
7 for its capital reserve fund shall transfer one-fourth of all
8 moneys received from the property tax levy and state equalization
9 support during said budget year for the capital reserve fund to
10 the bond redemption fund of the district, except as provided in
11 subsection (4) of this section.

12 (3) The amounts so transferred shall be used by the
13 district to reduce the requirement for property taxes to be
14 levied for the bond redemption fund for the ensuing budget year.

15 (4) If the amount required to be transferred pursuant to
16 subsection (2) of this section is larger than the amount
17 necessary to fulfill the requirements for the ensuing budget year
18 for redemption of bonded indebtedness in the name of the district
19 and payment of interest thereon, the amount transferred shall be
20 limited to the amount of such requirement.

21 SECTION 2. Appropriation. There is hereby appropriated,
22 out of any moneys in the state treasury not otherwise
23 appropriated, to the state public school fund, for the fiscal
24 year commencing July 1, 1975, the sum of _____ dollars
25 (\$_____), or so much thereof as may be necessary, for the
26 implementation of this act.

27 SECTION 3. Safety clause. The general assembly hereby

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

TAXATION OF MOVABLE STRUCTURES

The committee's recommendation of Bill 51 was in response to the recurring problem concerning the taxation of movable structures. After a review of the history of mobile home taxation and a review of S.B. 365 (1973 Session), the committee recommended that all movable structures be under the jurisdiction of the county assessor, with taxation procedures essentially the same as for conventional homes.

The following was reviewed by the committee prior to its recommendation: (1) the development of mobile home taxation in Colorado; (2) criticisms of the specific ownership approach to mobile home taxation; (3) the 1972 interim committee's attempt to revise the specific ownership tax formula; (4) the impact of S.B. 365, 1973 Session, which provided for ad valorem taxation of movable structures (mobile homes); (5) criticisms of S.B. 365; and (6) background materials relating to mobile home taxation.

(1) Development of Mobile Home Taxation

A 1936 amendment to the Constitution of Colorado provided that motor vehicles, trailers, and semi-trailers be subject to specific ownership taxation and thus excluded from ad valorem taxes. Mobile homes were considered, for purposes of taxation, as trailers and subject to this constitutional provision.

Although the 1936 amendment was intended to resolve the problem of widespread avoidance of property taxation and to simplify taxation procedures, the problems of unregistered mobile homes remained. In such situations, it was necessary for the county clerk to contact the individual mobile home owner if collection of the tax was to be made. In addition, a mobile home owner who signed a statement that his dwelling was not to be used on the highway could request exemption from the specific ownership tax and be taxed ad valorem.

In an attempt to resolve these problems related to specific ownership taxation, the Constitution was again amended in 1966. In this amendment, trailer coaches, mobile homes, and mobile and self-propelled construction equipment were added to the other categories of vehicles subject to the specific ownership tax. In addition, the General Assembly was given constitutional authorization for "prescribing methods of determining the taxable value of such property...."

The amendment reads as follows:

Article X, Section 6. Self-propelled equipment, motor vehicles, and certain other moveable equipment. -- The general assembly shall enact laws classifying motor vehicles and also wheeled trailers, semi-trailers, trailer coaches, and mobile homes, and mobile and self-propelled construction equipment, prescribing methods of determining the taxable value of such property, and requiring payment of a graduated annual specific ownership tax thereon, which tax shall be in lieu of all ad valorem taxes upon such property; provided, that such laws shall not exempt from ad valorem taxation any such property in process of manufacture or held in storage, or which constitutes the inventory of manufacturers or distributors thereof or dealers therein.

Such graduated annual specific ownership tax shall be in addition to any state registration or license fees imposed on such property, shall be payable to a designated county officer at the same time as any such registration or license fees are payable, and shall be apportioned, distributed, and paid over to the political subdivisions of the state in such manner as may be prescribed by law.

All laws exempting from taxation property other than that specified in this article shall be void.

Although the amendment was intended to clarify the status of mobile home taxation, many of the problems which existed prior to its adoption were not resolved. The growing popularity of large mobile homes has led to the extensive production of double wide units which are even less mobile than standard width mobile homes and rarely moved after first sale. Further, the development of condominium mobile home parks (those in which the owner of the mobile home purchases the property under which his unit is sited and shares laundry and recreational facilities) led to a greater number of mobile homes being taxed on an ad valorem basis.

In accordance with the amendment, the General Assembly adopted the following formula for the taxation of mobile homes:

Year of service	Rate of tax
First year	2.30% of taxable value
Second year	2.00% of taxable value
Third year	1.90% of taxable value
Fourth year	1.70% of taxable value
Fifth year	1.50% of taxable value
Sixth year	1.25% of taxable value
Seventh year	1.10% of taxable value
Eighth year	1.00% of taxable value
Ninth year	0.90% of taxable value
Tenth and later years	0.85% of taxable value
Minimum annual tax	\$25.00

In 1971, the General Assembly adopted legislation defining a mobile home as "a single self-contained unit...." (H.B. 1471). This attempt to exclude double wide mobile homes from the specific ownership tax was repealed by the 1972 General Assembly (H.B. 1050). In addition, the 1972 General Assembly adopted Senate Joint Resolution No. 7, directing the Legislative Council to create a committee to study mobile home taxation. That committee recommended a new category of specific ownership tax for mobile homes, a recommendation which received a negative opinion from the Attorney General. Subsequently, the 1973 General Assembly adopted S.B. 365 which redefined mobile homes as "movable structures" and provided for ad valorem taxation of such property. Subsequently, a class action suit against portions of the law was filed on April 2, 1974, by the American Mobile Home Association.

(2) Criticisms of Specific Ownership Taxation of Mobile Homes

Testimony presented to the 1972 interim committee indicated that there were a number of major problems with the specific ownership taxation formula. The more important of these criticisms is summarized below.

- (a) Mobile homes are more like conventional homes than automobiles, yet the specific ownership tax formula:
 - (i) Taxed all mobile homes at the same rate (graduated only for age) whereas conventional homes are taxed under local mill levies which reflect local services.
 - (ii) Required that school districts deduct mobile home taxes received from state school equal-

ization payments, thus in effect providing school districts with no revenue from mobile homes. Mobile home owners expressed concern that school districts did not want mobile home residents.

- (b) Some mobile homes were already taxed ad valorem as conventional homes whereas others were under specific ownership. This situation was confusing for assessors, clerks, and mobile home owners.
- (c) Mobile homes' valuation was not included in school district bonding capacity and placed a hardship on those districts with large percentages of mobile homes.
- (d) The specific ownership taxation formula was statutorily imposed and did not reflect increased life span of newer double-wides. Any change in the formula required amendment by the General Assembly.

(3) Modifications of Specific Ownership Formula

After examination of the problems of the specific ownership formula, the 1972 interim committee recommended the creation of a new class of S.O. tax which would apply exclusively to mobile homes and, in effect, provide an ad valorem tax based on the local mill levy.

This recommendation (S.B. 28, 1973 Session) received a negative response from the Attorney General who opined that the one factor which distinguishes ad valorem from specific ownership is the mill levy. A subsequent attempt to modify S.B. 28 also received a negative opinion from the Attorney General.

After receiving the negative opinions on S.B. 28, the Senate Committee on Transportation recommended that a new definition be given to mobile homes ("movable structures") and that they be taxed ad valorem, but with special considerations (S.B. 365, 1973 Session).

The major problem with taxing mobile homes under the same procedure as conventional homes is that ad valorem taxes are paid on the previous year's use whereas the specific ownership tax is on current use. In order to avoid a one year period of no taxation, a special ad valorem time schedule was prepared for movable structures -- essentially the same schedule as for specific ownership.

(4) Impact of S.B. 365

The following example compares the tax on a 1972 mobile home, purchased in that year for \$12,500, and sited in an area with a levy of 77.05 mills (the statewide average for 1973).

Old Specific Ownership Tax

Purchase price	\$12,500	
less 25% for dealer mark-up	<u>3,125</u>	
	9,375	
less 20% for house- hold furnishings	<u>1,875</u>	
	7,500	
S.O. Tax at 2.00% of taxable value	\$ 150	(tax bill)

New Ad Valorem Tax

Purchase price	\$12,500	
less 25% for dealer mark-up	<u>3,125</u>	
	9,375	
less 20% for house- hold furnishings	<u>1,875</u>	
	7,500	
Depreciated value of 88%	6,600	
30% of value	<u>1,980</u>	
77.05 mill levy	\$ 152.56	(tax bill)

As evidenced by the above example, mobile homes in high mill levy areas face an increased tax under the new law. For those in lower mill levy areas (in the example, 75 mills or less) the tax bill would be less than under the old specific ownership formula.

(5) Criticisms of S.B. 365

A number of criticisms have been raised with regard to S.B. 365. Several of these were included in the class action suit filed by the American Mobile Home Association (Civil Action #C-44198). Among the criticisms are:

- (a) The assessed value of movable structures is 30 percent of actual value, whereas many counties assess conventional homes at less than 30 percent. As a result, mobile home owners pay a higher tax with regard to value than corresponding conventional homes in under-assessed counties.
- (b) Mobile home taxes are due February 28 on current year use, whereas conventional home taxes may be paid in installments with the second half not due until July and on the previous year's use.
- (c) There is no provision for mobile home owners to appeal taxes while there is statutory structure for such with regard to conventional homes.
- (d) There is no provision for refund of taxes paid should a mobile home be moved out of Colorado during the year, whereas this is no problem for conventional homes.
- (e) The schedule of depreciation compiled by the Department of Revenue does not reflect the divergence in life-span of various models of mobile homes nor does it account for differences in condition of individual units.

TAXATION OF SENIOR CITIZEN RESIDENTIAL HOUSING

Among the topics the committee considered during the interim was that of the taxation of senior citizen residential housing. This review of the development of legislation, current statutory provisions, and some questions concerning the present statute led to the committee's recommendations (Bills 52 and 53) that the asset and income limits be uniform statewide; that exemption benefits be granted to eligible residents, not to all residents of a structure; and that certain facilities be totally exempted only when occupied by persons using the related care facilities.

Constitutional Provision

Article X, Section 5 of the State Constitution provides in part:

Property used for religious worship, schools and charitable purposes exempt. Property, real and personal, that is used solely and exclusively... for strictly charitable purposes..., shall be exempt from taxation, unless otherwise provided by law.

Statutory Exemption Prior to 1969

Statutory language closely followed that of the constitution until 1964, with the exemption of "Property, real and personal, that is used solely and exclusively for strictly charitable purposes.". (Section 137-1-3 (8), C.R.S. 1963.) The 1964 General Assembly amended this law to limit exemption to: "Property, real and personal, that is owned and used solely and exclusively for strictly charitable purposes, and not for private or corporate profit.". (emphasis added) (Laws of 1964, p. 680 § 1.)

This section was substantially modified by the 1967 General Assembly which provided for the gradual elimination of tax exempt status of all senior citizen residential housing structures, regardless of whether operated for charitable purposes or not.

This amendment imposed a gradually increasing assessment rate upon residential properties owned and used solely and exclusively for strictly charitable purposes, including senior citizen residential housing units. However, those units which were an integral part of a church or an eleemosynary hospital, school or institution, whose property was already statutorily exempt, remained exempt. (Section 137-2-1 (8), C.R.S. 1963 (1967 Supp.)) Effective January 1, 1969, the assessment rates were set as follows:

<u>For the Year</u>	<u>Percent of Actual Value</u>
1969	6%
1970	12
1971	18
1972	24
1973	30

1969 Amendment

The 1969 General Assembly modified the 1967 assessment rate statute by permitting any senior citizen housing to qualify for full exemption on a unit-by-unit basis if a charitable purpose could be proven. The detailed criteria for exemption eligibility specified in the statute were based upon the decision of the Colorado Supreme Court in United Presbyterian Association v. Board of County Commissioners, 167 C. 485, 448 P. 2d 967 (1968).

In that decision, the court noted that the state constitution does not authorize the General Assembly to define what constitutes a charitable purpose for senior citizens' residential housing and that such power belongs to the judiciary. The court also opined that each case should be determined on its individual merits.

...the constitution does not authorize the legislature to define what shall constitute a charitable purpose. The power to construe the constitutional meaning of "charitable purposes" is vested solely in the judiciary.... In lieu of formal definition, the cause of charity will be better subserved by considering all of the facts and circumstances in each given case to determine whether or not property is exempt from taxation because used for "strictly charitable purposes. (Pages 971 and 972.)

Though the court did not attempt to initiate a fixed definition, it did comment on factors instrumental in the de-

termination of charitableness. One is non-profit status (page 974, § 9,10), and the second is the performance by the private sector of a function that would otherwise be required by the public sector (page 975 § 11). In adopting the 1969 amendments, the General Assembly recognized the court's opinion in the United Presbyterian Association case by stating that only the judiciary can make a final determination as to the charitable purposes of a senior citizen housing structure.^{1/} However, the law also noted that members of the general public and public officials need some type of guidelines to determine a charitable purpose without litigation. The statute provides that:

[t]his legislative finding, declaration, determination, and presumption shall not be questioned by the Colorado tax commission and shall be entitled to great weight in any and every court.

Guidelines to Determine Tax Exempt Status of Senior Citizen Residential Housing Structures

The 1969 law provides that units of a senior citizen residential housing structure qualify for a charitable purpose if contained in a structure which: (1) is non-profit; (2) is efficiently operated; and (3) performs a public purpose that would otherwise be a function of the state or federal government, i.e., if such unit was not provided by private funds it would be necessitated at public expense. These criteria are more fully discussed below.

(1) Corporate structure. For any units to be considered for tax exemption, the property must be owned by a non-profit corporation and the following conditions met:

- (a) No portion of the net earnings accrue for the benefit of any private shareholder;
- (b) The property be irrevocably dedicated to charitable purposes; and
- (c) No portion of the assets accrue for the benefit of any private person if the operation is liquidated, dissolved or abandoned.

^{1/} Section 39-3-101 (1) (g) (III), C.R.S. 1973.

(2) Efficient operation of the structure. As a basis of determining whether or not a home is operated efficiently, the following are to be taken into account:

- (a) Cost of the operation are not excessive in comparison to other similar public institutions (including salaries);
- (b) Private gain to individuals is not materially enhanced except reasonable compensation for goods and services;
- (c) Property used for the exempt purpose is not in excess of actual need; and
- (d) Discrimination upon the basis of race, creed, or color is not allowed, unless the sponsoring owner is of a particular religious denomination, and then preference may be given to members of that denomination.

(3) Accomplishment of a public purpose. If a structure is a nonprofit corporation and is run efficiently, the home can receive tax exempt status on a unit-by-unit basis if it accomplishes a public purpose. The determinants of this public purpose are age and income tests applied against the unit occupant(s).

Specifically, a unit within the structure must be occupied by single individuals 62 years of age or over, or by a family, the head of which, or the spouse of the head of which, is 62 years of age or over. The income and assets of such a qualified individual or family must be within 150 percent of the limits prescribed for similar individuals or families occupying the nearest low-rent public housing facility financed pursuant to Chapter 8, Title 42 of the United States Code. In computing net worth, a reversionary right to an occupancy fee, if any, is taken into account.^{2/}

^{2/} A reversionary right to an occupancy fee (fee charged to gain admittance to the housing unit) is the portion of the occupancy fee a person is entitled to have refunded upon terminating tenancy in the housing unit. A refund schedule is agreed upon at the time of admittance, and the schedule is usually based upon the length of residency. For example, if the fee is \$1,000, an occupant's reversionary right to the fee may be reduced by \$200 per each year of residency.

If it is found that only a portion of the units of a structure contain residents that qualify, only those units are given full tax exemption. The taxable portion of the structure has a value related to the entire building in the same ratio as the number of units occupied by nonqualified residents to the total number of occupied units in the structure. For example, if there is a 100-unit building with 90 occupied units (on January 1) of which 30 do not qualify for a tax exemption, one third of the value of the building is subject to taxation.

Administrative Procedure to Determine Tax Exemption

There are five public housing authorities in the state (Boulder, Denver, Pueblo, Salida, and Colorado Springs). Each of these authorities sets asset and income limits for units under their jurisdiction. The 150 percent state factor is based on these limits. Table 1 lists those limits for 1973 and 1974.

The housing management of each structure computes the number of qualified units and reports to the Division of Property taxation by April 15 of a particular year. The report notes the asset and income status of units for January 1 of that year. To arrive at the total number of qualified units the management requests the occupants of each unit to fill out a declaration of age, income, and assets form and return it to the management. As an aid to the persons filling out the form a work sheet is supplied to the tenants, which they retain for their records. The owners of the structure are required to return the owners occupancy report to the Property Tax Administrator by April 15. This report is a summary of the declaration of age, income, and assets forms returned by the unit occupants of the building.

Table 2 is a list of senior citizen residential housing structures and the percent of qualified exempt units in each for 1973 and 1974.

Revenue Implications of Senior Citizen Housing

The following table estimates the tax revenue generated by housing units which do not qualify for exemption and the estimated loss of tax revenue from qualified units. These data are based on information provided by the Property Tax Administrator including the estimated value of each structure for 1974 and the 1973 average levy for each county.

<u>County</u>	<u>Tax Revenue from Non- Exempt Units</u>	<u>Equivalent Tax Revenue from Exempt Units</u>
Boulder	\$122,838	\$102,032
Denver	256,367	507,632
El Paso	32,997	31,572
Fremont	21,184	13,858
Jefferson	53,615	20,516
Larimer	3,911	12,293
Mesa	9,164	26,221
Pueblo	63,930	7,366
Routt	<u>none</u>	<u>1,098</u>
State Total	\$564,006	\$722,588

TABLE 1

ASSET AND INCOME LIMITS

SENIOR CITIZEN RESIDENTIAL HOUSING AND
PUBLIC HOUSING AUTHORITIES
1973 and 1974*

Number of Persons in Household	Public Housing Authority Limits				Senior Citizen Housing Limits			
	Assets		Income		Assets		Income	
	1973	1974	1973	1974	1973	1974	1973	1974
Boulder	1	\$10,000	\$4,500	\$5,250	\$15,000	\$6,750	\$7,875	7,875
	2	10,000	5,125	6,000	15,000	7,687	9,000	9,000
	3	10,000	5,625	6,500	15,000	8,437	9,750	9,750
	4	10,000	6,000	7,000	15,000	9,000	10,500	10,500
Denver	1	6,000	5,625	5,625	9,000	8,438	8,438	8,438
	2	6,000	5,775	5,775	9,000	8,663	8,663	8,663
	3	6,000	6,625	6,625	9,000	9,938	9,938	9,938
	4	6,000	7,000	7,000	9,000	10,500	10,500	10,500
Pueblo	1	7,500	4,125	4,500	11,250	6,188	6,750	6,750
	2	7,500	4,625	5,125	11,250	6,938	7,687	7,687
	3	7,500	5,125	5,625	11,250	7,688	8,437	8,437
	4	7,500	5,625	6,125	11,250	8,488	9,125	9,125
Salida	1	10,000	3,875	3,875	15,000	5,813	5,813	5,813
	2	10,000	4,250	4,250	15,000	6,375	6,375	6,375
Colorado	1	12,500	4,250	5,000	18,750	6,375	7,500	7,500
	2	12,500	5,200	5,500	18,750	7,800	8,250	8,250
	3	12,500	6,125	6,000	18,750	8,437	9,000	9,000
	4	12,500	6,375	6,375	18,750	8,437	9,563	9,563

*SOURCE: Division of Property Taxation

1/ No limit for that number of persons.

TABLE 2

Percent Exempt Senior Citizen Housing Units,
1973 and 1974 -- Number of Units and
Number of Occupied Units, 1974

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Longmont Christian Housing Longmont	58.11%	52.11%	76	71
Rocky Mountain Meth. Home Boulder	23.39	24.70	175	170
Boulder Pres. Sr. Housing Boulder	25.93	28.40	81	81
First Christian Manor Boulder	70.52	69.02	255	255
Central Christian Housing Denver	32.19	50.68	73	73
Eden Manor Management Denver	35.40	40.71	114	113
Association of Christian Chs. of Denver Area Denver	57.58	66.67	66	66
Sr. Homes of Colorado Fdn. Denver	62.16	47.92	148	144
Denver Educational Sr. Citizens Denver	18.18	32.29	100	96
Montview Building Corp. Denver	15.05	16.30	95	92
Broadway Baptist Housing Denver	41.10	59.72	74	72
SMW No. 9 Sr. Citizens Denver	54.55	64.65	99	99
Nocolo BTC Housing Denver	30.77	44.23	156	156

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Tolstoi Guild Denver	12.70%	19.35%	72	62
Lutheran Apartments Denver	41.18	66.39	121	119
Denver Fire Fighters Housing Denver	43.59	55.06	158	158
Volunteers of America Denver	NA	87.76	240	196
Allied Housing, Inc. Denver	69.18	77.08	144	144
Rocky Mountain Residence Denver	62.00	77.88	119	113
Archdiocesan Housing Com- mittee - So. Monaco Denver	20.00	13.33	30	30
Archdiocesan Housing Com- mittee - Humboldt Denver	11.53	19.23	26	26
Archdiocesan Housing Com- mittee - So. Irving Denver	26.66	30.00	30	30
Archdiocesan Housing Com- mittee - So. Raritan Denver	3.33	6.67	30	30
NEDCO for-the-Elderly Denver	91.43	91.43	105	105
Francis Heights Denver	62.00	80.75	400	400
Tri-State Buddhist Church Apartments Denver	NA	56.03	204	204
G.A.O. Juanita Nolasco Homes Denver	NA	87.56	200	193

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Medalion West (Formerly- Colo. Spgs. Bldg. & Const. Trades Housing) Colorado Springs	28.32%	0.00%	120	120
Pikes Peak Odd Fellows Housing Colorado Springs	81.38	82.07	145	145
Colorado Odd Fellows Hous- ing DBA Royal Gorge Manor Canon City	40.32	39.52	124	124
United Presbyterian Assn. Wheatridge	0.00	9.09	121	121
Colorado Lutheran Home Assn. Arvada	56.84	53.68	95	95
Big Thompson Manor Loveland	75.86	75.86	58	58
Fdn. for Sr. Citizens Grand Junction	66.67	59.26	54	54
Colo. West Sr. Citizens Grand Junction	NA	79.55	132	132
Presbyterian Towers Pueblo	7.37	11.58	95	95
Sunny Acres Villa Pueblo	16.44	9.45	153	127
West Routt Housing Hayden	100.00	100.00	5	5
Total	<u>45.00%</u>	<u>55.28%</u>	<u>4,493</u>	<u>4,374</u>

TAXATION OF AGRICULTURAL PROPERTY

(OTHER THAN REAL ESTATE)

In a study of agricultural property taxation, other than real estate, the committee reviewed the statutes of 10 other states. It was the conclusion of the committee that livestock (Bill 54) and stored commodities (Bill 55) should be assessed as other inventories, e.g. five percent.

Taxation of Agricultural Property Other Than Real Estate -- 10 States

The following is a survey of the methods by which agricultural property other than real estate (i.e., livestock, agricultural equipment, and agricultural products) are taxed in 10 selected states. These states are Indiana, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, Wisconsin, and Wyoming.

In each state surveyed, all tangible property is subject to property taxation unless specifically exempted by law.

Indiana. In Indiana, no agricultural property is exempted from property taxation. All tangible property is valued for assessment in Indiana at 33 1/3% of its "true cash value".

Iowa. In Iowa, the following categories of agricultural property are exempted from property taxation:

- farm equipment (only the first \$300 of assessed valuation is exempted);
- agricultural products harvested by or for the taxpayer (this exemption is valid for only one year);
- all livestock; and
- grain handled by an elevator and subject to Iowa's grain handling tax (explained below).

Non-exempted property is valued for assessment in Iowa at 27% of its "actual value".

Iowa's grain handling tax is an annual excise tax imposed on the business of handling grain. For purposes of this

tax, the following definitions apply:

"Person" means individuals, corporations, firms, and associations of whatever form.

"Handling" means the receipt of grain at or in an elevator, warehouse, mill, processing plant, or other facility in Iowa in which it is received for storage, accumulation, sale, processing, or any purpose whatsoever.

"Grain" means wheat, corn, barley, oats, rye, flaxseed, field peas, soybeans, grain sorghums, spelts, and such other products as are usually stored in grain elevators.

The grain handling tax is imposed in lieu of general property taxes on grain in elevators. It is imposed at the rate of $\frac{1}{4}$ mill per bushel of grain.

Kansas. In Kansas, the following categories of agricultural property are exempted from property taxation:

- horses, cattle, mules, and asses less than 12 months old, and sheep, hogs, and goats less than 6 months old; and
- grain subject to Kansas' grain dealer's and producer's taxes (explained below).

Non-exempted property is valued for assessment in Kansas at 30% of its "fair market value in money".

Kansas' grain dealer's tax is an occupational privilege tax imposed on the receipt of grain by an operator of a grain elevator, mill, or warehouse. The tax is imposed in lieu of general property taxes on the grain received by the elevator operator. It is imposed at the rate of $\frac{1}{2}$ mill per bushel of grain received.

Kansas' grain producer's tax is an occupational privilege tax imposed on the harvesting of grain by a farmer. The tax is imposed in lieu of general property taxes on the harvested grain. It is imposed at the rate of 50¢ for the first 1,000 bushels of grain harvested and $\frac{1}{2}$ mill for each additional bushel.

Minnesota. In Minnesota, the following categories of agricultural property are exempted from property taxation:

- crops growing on cultivated land;

- grain in the hands of its producer;
- all agricultural products;
- all livestock and poultry, and all horses, mules, and other animals used exclusively for agricultural purposes; and
- all agricultural tools, implements, and machinery used by their owners in any agricultural pursuits.

Non-exempted property is valued for assessment in Minnesota at variable rates, depending on the assessment classification into which it falls. The largest single classification of taxable property is valued for assessment at 43% of its "market value".

Missouri. In Missouri, only one category of agricultural property is exempted from property taxation. This category is "farm produce or farm products sold by a farmer who does not have a regular stand or place of business away from his farm".

Non-exempted property is valued for assessment in Missouri at 33 1/3% of its "true value in money", with the exception of "agricultural field crops in an unmanufactured condition used or intended to be used solely as seed or in the feeding of livestock or poultry", which are valued for assessment at 10% of their "true value in money".

Montana. In Montana, no agricultural property is exempted from property taxation.

Agricultural property is valued for assessment at the following rates:

- agricultural equipment: 20% of "true and full value";
- livestock, poultry, and the unprocessed products of both: 33 1/3% of "true and full value"; and
- all unprocessed agricultural products either on the farm or in storage, irrespective of whether they are owned by the owner of the elevator, warehouse, or flour mill or by the company storing the products: 7% of "true and full value".

Nebraska. In Nebraska, no agricultural property is specifically exempted from property taxation. Non-exempted property is valued for assessment at 35% of its "actual val-

ue".

Two types of agricultural property are, however, specially treated under Nebraska's tax laws. First, grain and seed are subject to an excise tax imposed in lieu of general property taxes. Second, a portion of the actual value of certain types of agricultural products (including grain and seed) is exempted from assessment for purposes of property or excise taxation.

Nebraska's grain and seed tax is an annual excise tax levied on all grain or seed produced, harvested, received, processed, or transported for the purpose of sale or resale. It is imposed at the following rates:

- production of wheat, corn, soybeans, dry edible beans, or flax: 4 mills per bushel;
- production of all other grains, including vetch: 2 mills per bushel;
- production of all types of seed: 15 mills per 100 pounds (clean seed basis);
- receipt, handling, processing, or transport of all types of seed: 15 mills per 100 pounds (clean seed basis);
- receipt, handling, processing, or transport of all grain by the first dealer: 1 mill per bushel; and
- receipt, handling, processing, or transport of all grain by subsequent dealers: $\frac{1}{2}$ mill per bushel.

A portion of the actual value of the following categories of agricultural property is exempted in Nebraska from assessment for purposes of property or excise taxation:

- agricultural income-producing machinery and equipment;
- livestock;
- feed, fertilizer, and farm inventory;
- poultry, fish, honey bees, and fur-bearing animals; and
- grain and seed subject to the grain and seed tax (since actual values are not computed for grain and seed, the partial exemption is allowed against the number of bushels reported under the grain and seed excise tax process).

This partial exemption of actual value from assessment is presently being phased-in to a final level of 62 $\frac{1}{2}$ % in 1977. The phase-in program is as follows:

Effective Date	% of Actual Value to be Exempted	Effective Assessment Rate (35% x Exemption)
1-1-73	12 $\frac{1}{2}$ %	30.6% of actual value
1-1-74	25 %	26.3% of actual value
1-1-75	37 $\frac{1}{2}$ %	21.9% of actual value
1-1-76	50 %	17.5% of actual value
1-1-77 (and all subsequent years)	62 $\frac{1}{2}$ %	13.1% of actual value

Oklahoma. In Oklahoma, the following limited categories of agricultural property are exempted from property taxation:

- tools, implements, and livestock employed in the support of a farm household, up to a value of \$100;
- grain and forage necessary to maintain for one year the livestock used to provide food for a family; and
- all growing crops.

Non-exempted property is valued for assessment in Oklahoma at 35% of its "fair cash value".

Wisconsin. In Wisconsin, the following categories of agricultural property are exempted from property taxation:

- farm poultry, farm animals, and fur-bearing animals under four months of age;
- horses and mules;
- growing crops;
- hay, grain, and other feed raised on farms for feeding and not for sale;
- farm, orchard, and garden machinery, implements, and tools actually used in the operation of any farm, orchard, or garden; and
- all livestock (commencing in 1977);
- grain subject to Wisconsin's grain tax (explained below);

- bees subject to Wisconsin's beekeeping tax (explained below); and
- minks subject to Wisconsin's mink farm tax (explained below).

The full exemption of livestock which will take effect in 1977 is presently being phased-in through a complex system of property tax offsets. Generally, this tax offset system will provide the following exemptions for livestock in the years between 1973 and 1977:

- 1973: 65% exemption;
- 1974 and 1975: 80% exemption;
- 1976: 85% exemption;
- 1977: 90% exemption; and
- 1977 assessment date and subsequent years: 100% exemption.

Wisconsin's grain tax is an annual occupation tax imposed on operators of grain elevators and warehouses (excluding elevators and warehouses on farms for farm storage of grain). The grain tax is imposed in lieu of general property taxes. It is imposed at the rate of $\frac{1}{2}$ mill per bushel of wheat or flax received in the elevator or warehouse and $\frac{1}{4}$ mill per bushel of any other type of grain received.

Wisconsin imposes an annual occupation tax on beekeeping. The tax is imposed in lieu of general property taxes on bees and beekeeping equipment. It is imposed at the rate of 25¢ per colony of bees.

Wisconsin imposes an annual occupation tax on domestic mink farm operators. The tax is imposed in lieu of general property taxes on minks and mink-farming equipment. It is imposed at the rate of \$5 per mink farm.

Non-exempted property is valued for assessment in Wisconsin at its "true cash value".

Wyoming. In Wyoming, only one category of agricultural property is exempted from property taxation. This category is "livestock in feed lots being fed for slaughter".

Non-exempted property is valued for assessment in Wyoming at its "fair value".

Effect on County Mill Levies of Reductions in the Assessment Rates for Livestock

Table 3 projects the effect on Colorado county mill levies if reductions in the assessment rates for livestock. In Colorado, livestock is currently assessed at 13% of actual value for purposes of property taxation. The recommendation of the committee was that this rate should be reduced to five percent, thus the same as other inventories.

Mill levy increases (column (6)) are based on 1973 levies and reflect the increase which would have been necessary to produce the same county revenues. The mill levy increases do not reflect school district, special district, and town levies which might be affected by the proposal.

TABLE 3

EFFECT ON COUNTY MILL LEVIES OF REDUCED ASSESSMENT RATES FOR LIVESTOCK

	(1)	(2)	(3)	(4)	(5)	(6)
<u>County</u>	<u>1974 Total County Assessed Valuation</u>	<u>1973 County Mill Levy</u>	<u>1974 Assessed Valuation Of Livest. (at 13%)</u>	<u>1974 Assessed Valuation Of Livest. (at 5%)</u>	<u>Reduction In Total County Assessed Valuation</u>	<u>County Mill Levy Inc. for Revenue Maint.</u>
Adams	\$ 465,180,360	17.00	\$1,271,250	\$ 488,940	\$ 782,310	.03
Alamosa	26,611,180	21.22	683,520	262,890	420,630	.34
Arapahoe	665,427,890	10.20	312,700	120,270	192,430	.003
Archuleta	15,888,200	9.00	354,470	136,330	218,140	.13
Baca	26,693,680	18.80	2,200,000	846,150	1,353,850	1.00
Bent	18,159,520	21.97	1,820,740	700,280	1,120,460	1.44
Boulder	436,395,610	18.64	917,150	352,750	564,400	.02
Chaffee	29,418,120	16.85	232,090	89,270	142,820	.08
Cheyenne	18,992,520	13.50	1,447,480	556,720	890,760	.66
Clear Creek	39,524,900	19.31	1,470	570	900	.0004
Conejos	13,431,330	17.69	936,900	360,350	576,550	.79
Costilla	18,060,870	20.38	271,180	104,300	166,880	.19
Crowley	10,074,460	17.80	1,765,550	679,060	1,086,490	2.15
Custer	7,538,690	16.50	448,220	172,390	275,830	.63
Delta	35,952,570	13.40	1,350,670	519,490	831,180	.32
Denver	1,768,116,700	8.82	---	---	---	---
Dolores	6,459,470	20.50	262,910	101,120	161,790	.53
Douglas	49,798,440	26.85	581,640	223,710	357,930	.19
Eagle	57,940,120	12.44	676,090	260,030	416,060	.09
Elbert	23,531,200	16.00	1,849,030	711,170	1,137,860	.81
El Paso	700,992,510	18.35	1,468,930	564,970	903,960	.02
Fremont	52,940,030	18.00	444,550	170,980	273,570	.09
Garfield	52,972,800	18.00	1,435,730	552,200	883,530	.31
Gilpin	9,764,760	22.13	7,690	2,960	4,730	.01
Grand	32,672,400	18.70	660,530	254,050	406,480	.24

	(1)	(2)	(3)	(4)	(5)	(6)
Gunnison	23,294,950	15.90	1,369,700	526,810	842,890	.60
Hinsdale	3,052,890	20.10	78,930	30,360	48,570	.32
Huerfano	16,059,840	23.00	846,580	325,610	520,970	.77
Jackson	14,482,890	11.60	1,581,110	608,120	972,990	.84
Jefferson	761,134,980	15.95	186,920	71,890	115,030	.002
Kiowa	16,824,630	14.25	1,018,380	391,680	626,700	.55
Kit Carson	31,315,790	23.63	3,340,580	1,284,840	2,055,740	1.66
Lake	47,707,900	12.94	25,600	9,850	15,750	.004
La Plata	59,816,520	19.75	1,034,360	397,830	636,530	.21
Larimer	273,819,210	15.90	2,795,760	1,075,290	1,720,470	.10
Las Animas	\$ 34,476,270	24.24	\$1,747,950	672,290	1,075,660	.78
Lincoln	22,611,420	18.40	2,106,910	810,350	1,296,560	1.12
Logan	71,078,590	11.62	4,612,380	1,773,990	2,838,390	.48
Mesa	129,345,530	16.85	2,013,890	774,570	1,239,320	.16
Mineral	6,006,340	16.25	66,460	25,560	40,900	.11
Moffat	29,887,310	21.19	1,515,190	582,770	932,420	.68
Montezuma	29,254,550	17.50	812,830	312,630	500,200	.30
Montrose	40,710,380	18.80	1,750,130	673,130	1,077,000	.51
Morgan	63,646,540	16.20	4,591,410	1,765,930	2,825,480	.75
Otero	47,017,120	21.96	1,872,740	720,280	1,152,460	.55
Ouray	6,887,500	19.00	356,260	137,020	219,240	.62
Park	20,287,370	33.00	537,240	206,630	330,610	.55
Phillips	18,890,370	10.35	619,060	238,100	380,960	.21
Pitkin	66,938,780	16.70	213,390	82,070	131,320	.03
Prowers	36,317,690	22.50	1,838,420	707,080	1,131,340	.72
Pueblo	280,379,820	19.10	1,123,610	432,160	691,450	.05
Rio Blanco	97,448,200	10.30	1,530,570	588,680	941,890	.10
Rio Grande	32,756,780	14.00	677,750	260,670	417,080	.18
Routt	60,671,010	18.50	1,298,240	499,320	798,920	.25
Saguache	19,572,740	13.82	1,487,200	572,000	915,200	.68

	(1)	(2)	(3)	(4)	(5)	(6)
San Juan	4,987,910	21.00	22,770	8,760	14,010	.06
San Miguel	11,531,430	12.25	509,110	195,810	313,300	.34
Sedgwick	14,490,790	16.65	783,010	301,160	481,850	.57
Summit	72,558,410	16.68	78,050	30,020	48,030	.01
Teller	21,529,740	28.00	152,650	58,710	93,940	.12
Washington	39,378,120	10.00	2,027,210	779,700	1,247,510	.33
Weld	314,153,180	23.99	13,502,790	5,193,380	8,309,410	.65
Yuma	40,527,970	12.30	<u>4,365,480</u>	<u>1,679,030</u>	<u>2,686,450</u>	.87
			85,891,110	33,035,030	52,856,080	

DATA SOURCE: Division of Property Taxation.
Data compiled by Legislative Council staff.

TAXATION OF WINE PRODUCED IN COLORADO

During the 1974 interim, the committee reviewed the rates of taxation of wine in Colorado and other states, the wine industry as it exists in Colorado and its plans and potential for growth, and possible alternatives to the existing tax structure to provide an incentive for further development of such an industry. On the basis of this study, the committee recommended Bill 56 which would tax Colorado produced wine at the same rate as fermented malt beverages.

Rates of Taxation of Wine

Pursuant to section 12-47-131 (1), C.R.S. 1973, wine is taxed in Colorado at the rate of 5¢ per quart or fraction thereof for wine containing 14 percent or less alcohol, and 7.5¢ per quart or fraction thereof for wine containing more than 14 percent alcohol. This is a per unit tax. If wine with 14 percent or less alcohol is bottled in quarts, the equivalent tax per gallon would be 20¢, in fifths it would be 25¢, in tenths it would be 50¢. Discounting alcohol content, over the past three years an average of 22¢ was paid per gallon of wine.

The tax is paid by the manufacturer or the first licensee receiving the wine in the state. Wine which is shipped out-of-state by the manufacturer or wholesaler is not subject to this tax.

In fiscal 1973, the State of Colorado received \$1,064,841.41 in revenue from this excise tax on wine, or about 6.8 percent of the total amount received from all alcoholic beverages (Table 4). Of total wine revenue, that derived from wine produced in Colorado amounted to approximately \$1,115, or .10 percent.

California, which produced nearly 250,000,000 gallons of wine in 1973, or some 70 percent of the total United States production, has an excise tax of 1¢ per gallon for wines containing 14 percent or less alcohol by weight and 2¢ per gallon for wines with more than 14 percent alcohol. New York, the second largest wine producing state, taxes all wine at 10¢ per gallon.

The tax on wine in other wine producing states is:

<u>State</u>	<u>Alcohol Content (by Volume)</u>	<u>Wine Rate Per Gallon</u>
Illinois	≤ 14%	23¢
	> 14%	60¢
New Jersey	All	30¢
Virginia	≤ 14%	35¢
	> 14%	70¢
Michigan	All	50¢ (wine made from in-state products -- 4¢)
Washington	All	75¢
Arkansas	All	75¢
Ohio	7%-14%	24¢
	14%-21%	60¢
Georgia	≤ 14%	\$1.50 (wine made from in-state products -- 40¢)
	> 14%	\$2.50 (wine made from in-state products -- \$1.00)
Oregon	< 21%	23¢ (additional tax of 27¢ on wines between 14% and 21%)

The average tax rates for these states would be 45¢ per gallon for wines under 14 percent alcohol and 67¢ for wines with more than 14 percent alcohol.

Table 5 provides for a summary of wine taxes in all states.

Wine Industry in Colorado

Ivancie Wines, Inc., is at present the only winery in Colorado. The company began producing wines in Denver in 1968 and averages 3,000 gallons per year. The wine is pre-

pared in Colorado from grapes or "must" 1/ imported from California. Ivancie also imports, distributes, and finishes wines.

In April of 1973, six farmers in the Grand Junction area planted 25 acres of test plots of grape rootings. Ivancie has the first option to buy these grapes. Five different varietal grapes from the Napa Valley in California were used. Since 1973, one more grower has been added. The outcome of the project, including a determination of the quality of the grapes, will not be known for at least one year. By the third year, 30 percent of the crop can be made into a commercial wine. By the fifth year, the crop can be 100 percent productive.

At this time, Ivancie plans to concentrate on growing grapes for premium wines as it believes that conditions in the Grand Junction area closely parallel those in the Napa Valley in California. Other areas of western Colorado would be more suitable for growing grapes for bulk wines.

Ivancie estimates that there are a potential 15,000 acres in western Colorado that can conceivably be utilized for vineyards. Based upon the Ivancie estimate, this could facilitate a yearly production of 13,000,000 gallons of wine.

In July 1973, Club Twenty issued a study on the economic feasibility of growing vinifera grapes in western Colorado. 2/ The study stated:

Colorado West was probably overlooked as a site for commercial vineyards when the area was first settled. Other areas, California for instance, with better transportation facilities and greater population were selected. Climate and soils of some areas of Colorado West appear to be ideal for the raising of Vinifera grapes. Transportation of bottled wines, or bulk transportation of vineyard production is now quite adequate. The current Colorado population and growth projections indicate an excellent market for wine produced in Colorado West.

1/ "Must" is the juice which is pressed or crushed from grapes.

2/ A copy of the report is available from the Legislative Council.

The economy of Colorado West could be greatly improved with a hardy crop many small farms can profitably raise. This product could further aid the economy of the region if it could be processed in Colorado West. Vinifera grapes may be this crop.

* * * *

Climatic conditions, soils, available water for irrigation appear to be more than adequate for vinifera grape production in Colorado West. As with most agricultural products, the actual value of the crop can only be known after the harvest. By the end of the third growing season it should be possible to obtain an indication of the potential sugar-acid ratio. At that point in time the value of the crop should be predictable, and the potential of vinifera growing in Colorado West will be better known.

Table 4

Wine Receipts (Gross Receipts)
(Fiscal Years Ending June 30)

	<u>1971</u>	<u>1972</u>	<u>1973</u>
≤ 14%	\$ 528,448.45	\$ 626,411.25	\$ 760,650.70
> 14%	<u>272,292.10</u>	<u>271,215.69</u>	<u>304,190.71</u>
Total	\$ 800,740.55	\$ 897,626.94	\$ 1,064,841.41
Total from all Alcoholic Beverages	\$12,977,710.17	\$14,816,351.14	\$15,749,919.46

Taxable Gallons of Wine

1973	4,817,222
1972	4,036,111
1971	3,549,884
1970	2,796,621
1969	2,217,562

Source: 1973 Annual Report, Colorado Department of Revenue.

Table 5-

State Tax Rates on Wine

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
(All rates are per gallon unless otherwise noted)				
COLORADO	≦ 14% ≧ 14%	\$.05 per quart .07½ per quart		
Alabama				10% of the selling price.
Alaska*	≦ 21%	.60		
Arizona	≦ 24% ≧ 24%	.05¼ per 16 oz. .12½ per 8 oz.		
Arkansas	All	.75		Additional taxes are imposed at the rate of 5¢ per case of sparkling or still wine and 5¢ per case of native wine produced and sold in Arkansas to be paid by the manufacturer.
California	≦ 14% ≧ 14%	.01 .02	\$.30	
Connecticut	≦ 21% ≧ 21%	.25 .62½	.62½	
Delaware	All	.40		
D. C.*	≦ 14% ≧ 14%	.15 .33	.45	

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
Florida	≤ 14% > 14%	\$1.15 (.44 for in-state products) 1.60 (.62 for in-state products)	\$2.30 (.83 for in-state products)	A discount of 2% is allowed on the amount of taxes assessed against wine manufactured or bottled in Florida.
Georgia*	≤ 14% > 14%	1.50 (.40 for in-state products) 2.50 (1.00 for in-state products)		Fortified wine is taxed at .25 if < 14%; .50 if > 14%.
Hawaii				20% of the whole-sale price.
Idaho	All	.45		
Illinois*	≤ 14% > 14%	.23 .60		
Indiana*	≤ 21% ≥ 21%	.45 2.28		
Iowa				15% of established price.
Kansas*	≤ 14% > 14%	.20 .50		
Kentucky	All	.50		
Louisiana	≤ 14% 14%-24% > 24%	.11 .21 1.58	1.58	

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
Maine*	≤ 14%	\$.30 (.20 for in-state products)	\$1.00	
	> 14%	An additional tax of .75		
Maryland	All	.40		
Massachusetts	All	.40	.50	
Michigan	All	.50 (.04 for in-state products)		
Minnesota	Unfortified	.27	3.08	
	Fortified:			
	14%-21%	.79		
	21%-24%	1.58		
	> 24%	3.08		
Mississippi	All	.35	1.00	
Missouri	All	.30		
Montana				16% of retail selling price.
Nebraska	All	.75		
Nevada*	≤ 14%	.30		
	14%-22%	.50		
	> 22%	1.90		
New Hampshire	None			
New Jersey	All	.30		

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
New Mexico	All	\$.40		
New York	All	.10	Artificial: \$.26 2/3 Natural: .53 1/3	
North Carolina*	Fortified	.70 (.05 if in-state products)		
	Unfortified	.60 (.05 if in-state products)		
North Dakota*	< 17% 17%-24%	.50 .60	1.00	
Ohio*	≤ 14% 14%-21%	.24 .60	1.25	
Oklahoma*	≤ 14% ≥ 14%	.50 1.00	1.50	
Oregon*	< 21%	.23		> 14% but < 21%: additional tax of .27 per gallon.
Pennsylvania	.5%-24%	.00005 Per unit proof per gallon		
Rhode Island	All	.40	.50	
South Carolina	< 21%	1.53		

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
South Dakota	≤ 14% 14%-20% 21%-24%	\$.30 .95 1.40	\$1.40	
Tennessee*	≤ 21%	1.10		
Texas*	≤ 14% > 14%	.17 .34	.43	
Utah				8% on retail sales.
Vermont	All	.25		An additional tax of 24% of gross revenues is imposed on fortified wines.
Virginia*	≤ 14% > 14%	.35 .70		An additional tax of 10% is imposed on sales to retail licensees, and 14% to non-licensees, by the state liquor board.
Washington	All	.75		
West Virginia	None			
Wisconsin*	≤ 14% > 14%	.19½ .39		
Wyoming	All	.03 per pint		

SOURCE: Commerce Clearing House State Tax Guide.

Compiled by: Legislative Council Staff, June 1974.

**All content by weight unless "*" appears after the state, then by volume.

STATE ASSUMPTION OF TRIAL COURT MAINTENANCE COSTS

The committee's recommendation of Bill 57, which would include provisions for state assumption of trial court maintenance costs, was based on a review of: (1) the present system of cost-sharing for trial court expenses; (2) possible levels at which county costs for trial courts could be assumed by the state; and (3) two existing estimates of the cost of state assumption of county trial court expenses.

The Present System of Cost-Sharing for Colorado's Trial Courts

Section 13-3-104, Colorado Revised Statutes 1973, obligates the State of Colorado to pay certain costs for courts within the state court system:

On and after January 1, 1970 the state of Colorado shall provide funds by annual appropriation for the operations, salaries, and other expenses of all courts of record within the state, except for county courts in the city and county of Denver and municipal courts (emphasis added)...

Courts of record include the following: the Colorado Supreme Court; the Colorado Court of Appeals; the state's 22 district courts; its 63 county courts; and Denver's juvenile, probate, and superior courts. (For purposes of this discussion, district and county courts, including Denver's juvenile, probate, and superior courts, and excluding Denver's county court, will be included within the term "trial courts". "Trial courts" will also include the district-level probation function.)

A subsequent section of the same statute (13-3-107 (1) Colorado Revised Statutes 1973) requires county governments to pay certain costs for trial court facilities:

The board of county commissioners in each county shall continue to have the responsibility of providing and maintaining adequate courtrooms and other court facilities including janitorial services (emphasis added)...

Under the present practical interpretation of these two sections of Colorado law, the following cost-sharing system is in effect for trial court expenses:

State Responsibilities

- (1) Salaries, Operating Expenses, Travel Costs, and Costs of Trials
- (2) Provision of Non-permanent Facilities and Equipment

County Responsibilities

- (1) Provision of Permanent Facilities and Equipment
- (2) Facility Maintenance Costs

County governments meet their financial responsibilities for trial court expenses on an individual basis. The precise dividing line between "non-permanent" and "permanent" facilities and equipment is on occasion subject to negotiation between the State Court Administrator and individual boards of county commissioners.

(A distinction can be drawn between routine and relatively infrequent facility maintenance costs. Routine facility maintenance costs include the costs of frequently-repeated operations such as janitorial services and provision of lighting and heat. Relatively infrequent facility maintenance costs include the costs of facility maintenance generally undertaken on a one-time basis or only once in a period of years (e.g., painting or remodelling).)

State Assumption of County Financial Responsibility for Trial Court Expenses

The committee inquired into the possibility of state assumption of all or part of the county financial responsibility for trial court expenses.

In most counties of the state, district courts, county courts, and district-level probation offices are housed in county courthouses. In some counties, these three judicial entities are housed in separate judicial buildings. The courthouses and judicial buildings are generally in unencumbered county ownership. In six counties, a limited amount of office space not in a courthouse or judicial building is rented or leased for one or more of the trial court entities.

It would be administratively feasible for the state to assume county financial responsibility for trial court expenses at any one of the following levels:

- for district and county courts only;
- for probation offices only; or

- for district and county courts and for probation offices.

(Courtrooms and court facilities are used in common by district courts and county courts to such an extent that it would be administratively unfeasible for the state to assume county expenses for one level of court and not for the other.)

At any one of these levels of state assumption of county trial court costs, the state could assume facility maintenance costs only, or facility maintenance costs and the costs of providing permanent physical facilities and equipment for trial courts (through rental, lease, or capital construction).

Estimates of the Cost of State Assumption of County Financial Responsibility for Trial Court Expenses

The committee reviewed two estimates of the cost of state assumption of county financial responsibility for trial court expenses.

The first estimate was prepared on February 8, 1974, by Mr. Jim Ayers of the State Court Administrator's Office. This cost estimate concerns only facility maintenance costs for trial courts.

The second estimate was prepared on January 31, 1973, by the Executive Budget Office as a fiscal note to House Bill 1065 of the 1973 session (this bill would have provided for state responsibility for all trial court expenses). This EBO cost estimate concerns both the costs of providing permanent physical facilities for trial courts (through rental, lease, or capital construction) and maintenance costs for those facilities.

State Court Administrator's estimate. This 1974 estimate uses data from Arapahoe, Jefferson, Denver, Boulder, Adams, and Larimer Counties to compute a "reasonable" statewide rate of \$2.10 per square foot for facility maintenance costs for trial courts (including probation offices). This rate of \$2.10 per square foot breaks down into \$1.79 per square foot for routine facility maintenance costs and \$.31 per square foot for relatively infrequent facility maintenance costs.

The Court Administrator estimates that 675,000 net square feet and 992,647 gross square feet of floor space are presently being used in the State of Colorado for trial court

facilities. (Net square footage does not include corridor, building lobby, and other "common use" space.) Thus, according to this estimation of state-wide square footage, the annual cost of state assumption of the facility maintenance costs of trial court facilities would vary between \$1,417,500 and \$2,084,559, depending on whether costs were assumed by the state for net or for gross square footage of trial court facilities.

Executive Budget Office estimate. This 1973 estimate is based on a total square footage for Colorado trial court facilities of 835,100 square feet.

An estimated cost of \$4.50 per square foot is used in the EBO estimate; this square foot cost is for a rental or lease agreement which includes "janitorial and all utility costs". The EBO also estimates a cost of \$45.00 per square foot for outright purchase or construction of trial court facilities.

According to these estimates of total square footage and square footage costs, the following total annual costs for state assumption of trial court expenses can be computed:

- rental or lease, including janitorial and utility costs - \$3,757,950; and
- outright purchase or construction, not including janitorial and utility costs - \$37,579,500.

Estimated administrative costs. Both the State Court Administrator and the Executive Budget Office have made estimates of the administrative expenses involved in state assumption of county trial court costs. The Court Administrator's 1974 estimate of this administrative cost is \$51,400. The EBO's 1973 estimate is \$61,900.

Requirements for an updated, comprehensive cost estimate. Both the State Court Administrator's cost figures and the EBO figures are based on estimates of square footage costs and on estimates of total square footage used for Colorado trial court facilities. Neither estimate is based on an actual county-by-county survey of trial court facilities and county budgets. In addition, the EBO estimate was prepared in early 1973 and may be substantially out of date as a result of subsequent cost inflation.

In order to prepare a comprehensive estimate of the

cost of state assumption of county expenses for trial court facilities, a county-by-county survey would have to be made to determine the following:

- what is the actual square footage in each county devoted to county courts, to district courts, and to probation offices?
- what is the breakdown of this actual square footage between net and gross square footage?
- if trial court facilities are housed in the county courthouse, what percentage of "common use" square footage is attributable to the trial court facilities?
- what are the annual facility maintenance costs for each county's trial courts?
- if trial court facilities are located in the county courthouse, what percentage of annual courthouse maintenance costs are attributable to the trial court facilities?
- has the county actually incurred any rental or lease costs for trial court facilities?
- what rental, lease, or capital construction values can be estimated for the courtroom and office space provided for trial courts and probation offices in existing county facilities?
- is it possible to estimate such rental, lease, or capital construction values?

EXEMPTION OF RETIREMENT INCOME FROM COLORADO INCOME TAXATION

Retirement income is presently exempted from Colorado income taxation in two ways. First, Colorado uses the federal definition of "adjusted gross income" for purposes of calculating state income taxes. As a result, any type of retirement income which is excluded from the federal definition and not added back into that definition by state law is effectively exempted from state income taxation. Second, certain types of retirement income are specifically excluded from taxation by state law.

The retirement income exemption process is outlined on the following page.

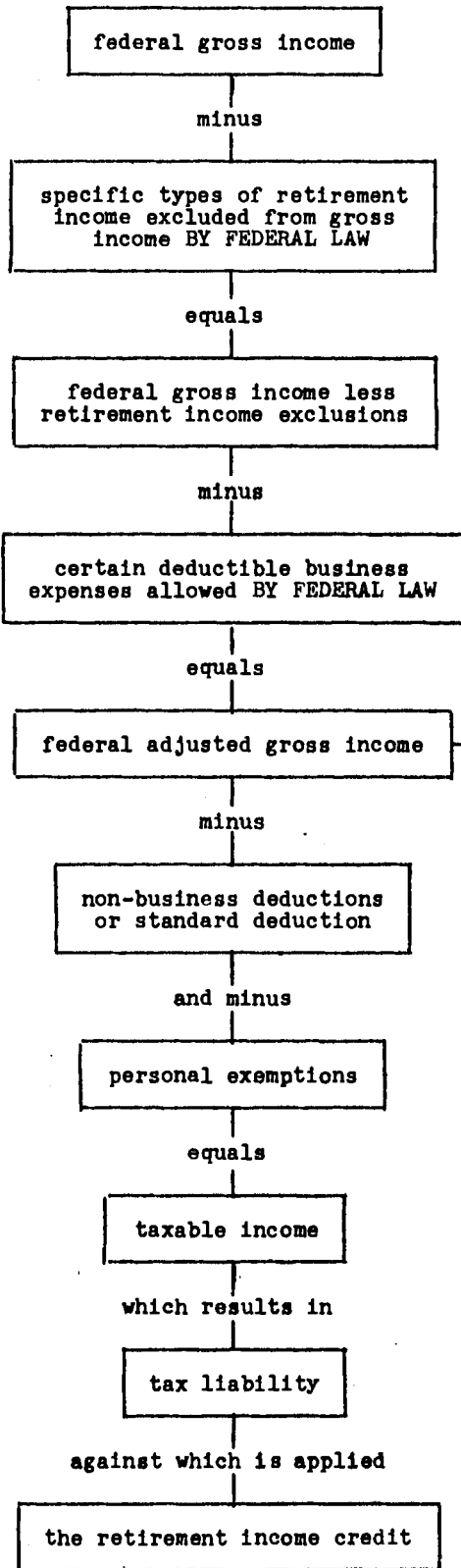
Exclusions from Federal Gross Income

Federal gross income includes all income "from whatever source derived". However, the following specific types of retirement income are excluded in whole or in part by federal law:

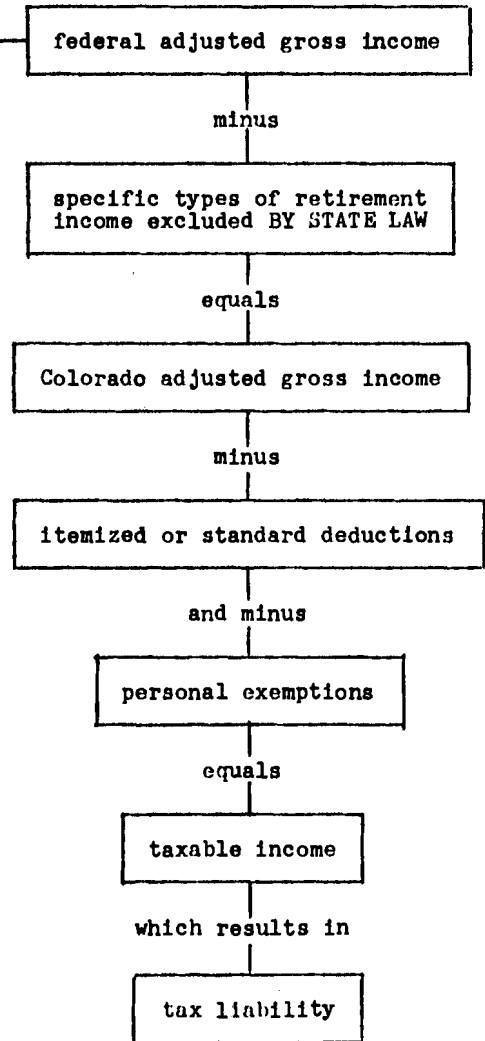
- old age and survivor's benefits under the federal Social Security Act;
- pensions or annuities received under the federal Railroad Retirement Act;
- retirement benefits provided under the Veterans' Administration (including portions of regular military retirement pay for which Veterans' Administration benefits are substituted for purposes of reducing tax liability);
- pensions received as gifts (a pension is considered to be a gift when it is received from an individual or organization for whom or for which the pensioner has performed no services in the past - if such services had been performed, the pension would be considered additional compensation for those services);
- disability retirement payments made to employees of state and local governments (if retirement was wholly or partially caused by disa-

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which is used in the Colorado income taxation system



bility; if the disability was employment-connected; if retirement was not based on length of service, age, or non-service-connected disability; and if the retirement payments are intended to replace or supplement workmen's compensation);

- pensions, annuities, or similar allowances for personal injuries or sickness resulting from active service in the armed forces of any country, in the Coast and Geodetic Survey, or in the Public Health Service;
- disability annuities under the federal Foreign Service Act;
- retirement payments under a purchased annuity, endowment, pension, or profit-sharing contract (only that portion of retirement payments which represents a return of premiums or other consideration paid by the pensioner for the contract is excludable from federal gross retirement income).

Colorado Exclusions from Federal Adjusted Gross Income

Section 39-22-110 (3) (c) and section 39-22-110 (3) (1), Colorado Revised Statutes 1973 exclude the following types of retirement income from federal adjusted gross income for purposes of Colorado income taxation:

- pensions from welfare funds established by labor unions;
- pensions established by agreements between employers and labor unions (these agreements are subject to approval by the state Department of Revenue);
- pensions from the Colorado Public Employees' Retirement Association;
- public school teachers' pensions established by state law;
- pensions from the emeritus retirement plans of Colorado institutions of higher education;
- policemen's and firemen's pensions established

by state law;

- pensions under the federal civil service retirement system; and
- retirement pay from the United States armed forces (this exclusion is limited to a maximum of \$2,000).

To the extent that income from the above sources is included in federal adjusted gross income, the Colorado statutory exclusions apply. (This provision of the state law is intended to avoid double exclusions, which might occur when an individual's retirement income falls within both an excluded federal category and an excluded state category.)

The Federal Retirement Income Credit

The federal government provides a second effective type of tax exemption for retirement income. This is called the retirement income credit. The credit is allowed against final computed federal income tax liability (as the Colorado food sales tax credit is allowed against final state income tax liability). Because the federal retirement income credit does not affect the composition of federal adjusted gross retirement income, it does not act as an effective credit at the state level.

The retirement income credit is designed to give individuals who receive non-excluded types of retirement income a tax exemption approximately the same as that received by pensioners whose retirement income is statutorily excluded from federal gross retirement income. The credit is provided for retired persons of age 65 and over, and for persons under age 65 who have retired under public retirement systems.

The retirement income for which the credit is provided includes income from pensions, annuities, interests, rents, and dividends not otherwise excluded from federal income taxation, up to a maximum of \$1,524. However, the portions of purchased annuity payments excluded from gross retirement income are included in retirement income for purposes of computing the credit. (Pensioners under age 65 may receive the credit only for pensions and annuities received under public retirement systems.)

Earned income over certain amounts reduces the retirement income credit; the amount of the reduction depends on the age of the pensioner.

The actual credit allowed against tax liability is 15 percent of retirement income not otherwise excluded from taxation (up to the maximum of \$1,524). Thus, the maximum allowable credit for an individual pensioner is \$228.60 ($\$1,524 \times 15$ percent). The income ceiling and the maximum allowable credit are greater for married pensioners filing joint income tax returns.

The committee recommendation (Bill 58) would exempt all pension income from the Colorado income tax. The Department of Revenue has estimated that this expansion of the pension exemption statute would result in a loss of revenue of approximately \$500,000 to the state.

Annuity income is presently taxable. The committee concluded that such income is often an alternative to a pension and, therefore, recommended the exemption of the first \$5,000 of annuity income for persons 60 years of age or older who receive no pension income. For persons with pension income of less than \$5,000, combined pension and annuity income, not to exceed \$5,000, would be exempt. No estimate of the fiscal impact of the partial annuity exemption was available for the committee.

STANDARD DEDUCTION AND LOW INCOME
ALLOWANCE FOR COLORADO INCOME TAX

At the request of the committee, the Department of Revenue compared state and federal income tax provisions in order that the differences might be evaluated as to their validity. One of the major differences evidenced by the departmental presentation (attached as Appendix A) was that between the state and federal standard deductions and low income allowances. After a review of these provisions, the committee asked consultants Coddington and Zubrow to analyze the impact of Colorado increasing the standard deduction and low income allowance to the present federal level. The results of the analysis are attached as Appendix B.

On November 18, the committee voted to recommend legislation which would increase Colorado's standard deduction to 15 percent of AGI, maximum \$2,000, and the low income allowance to \$1,300 maximum. This recommendation was adopted as part of a package with a "vanishing" food sales tax credit and was intended to be effective for 1974 taxable income.

Subsequent to the committee meeting, it was determined that if the proposal were to be effective for 1974 income taxes due April 15, 1975, there would be conflicts with Department of Revenue tax tables which were prepared and in the process of distribution. Certainly some taxpayers eligible for the proposed benefits would have filed under present law before any changes were adopted. Implementation of the proposal for 1974 income could have been a burden for both the department and taxpayers.

On December 6, the committee re-evaluated the proposed bill and revised its recommendation to provide its implementation beginning with 1975 income. In addition, the committee recommended that the proposal be considered by the General Assembly in terms of its impact on state revenues.

SALES TAX ON FOOD

Income Tax Credit for State Food Sales Tax

Section 39-22-118, C.R.S. 1973, provides a seven dollar food sales tax credit or refund against the state income tax for each resident individual. For the 1973 taxable year only, this level was increased to \$21 and reverts to \$7 thereafter. The 1973 increase was a method of distributing surplus state revenues.

At the request of the committee, the predictive model established under the Colorado Tax Profile Study was queried concerning various alternatives for revision of the food sales tax credit (Appendix B). The model projected that the revenue loss for a \$7 credit would be \$16,000,000 for fiscal year 1975; a \$21 credit causing a \$47,700,000 loss.

On November 18, the committee recommended, as a companion to the standard deduction and low income allowance proposal, the following food sales tax "vanishing credit" formula:

<u>Adjusted Gross Income</u>	<u>Income Tax Credit</u>
Under \$5,000	\$21
\$5,000 - \$10,000	\$14
\$10,000 - \$15,000	\$ 7
over \$15,000	no credit

The concept of a vanishing credit, currently employed by Hawaii, Vermont, and Washington, D.C., was proposed in a recent paper by James A. Murray and Reuben A. Zubrow which concluded:

This refund schedule would fully do away with regressivity in the state's 3 percent sales tax, and its estimated cost would be some \$22.2 million for fiscal 1972, approximately 2/3 the cost of the food tax exemption or about 1/2 the cost of the \$21 across-the-board refund that achieves approximately the same equity goal of sales tax proportionality. 1/

It has been estimated that this program would have caused a reduction of \$22,200,000 in state revenues in 1972. The consultants estimated that the fiscal year 1975 revenue reduction

1/ Murray and Zubrow, "Should Food Be Exempt from Sales Tax", Colorado Municipalities, November 1974, pp. 114-115+.

would be \$24,600,000. This fiscal year 1975 figure would represent \$8.6 million more than the present \$7 credit; \$23.1 million less than a \$21 credit.

The food sales tax credit proposal was adopted by the committee on November 18 in conceptual form. The process of drafting a bill to implement the concept identified two major problems:

(1) If the bill were to be effective for 1974 income taxes (due April 15, 1975), it would be in conflict with section 39-22-18, C.R.S. 1973, which authorizes a \$7 credit for all resident individuals. As some tax returns would be filed prior to the convening of the General Assembly, some, if not all, residents would be eligible for the \$7 credit, even though their income might be in excess of \$15,000.

(2) Married persons filing separate returns could be eligible for the credit, whereas those with merged income might not be. For example, a husband and wife reporting adjusted gross income of \$8,000 each could claim \$28 under the proposal if filing separately, and no credit if filing a joint return. This problem could be resolved, in part, by limiting the credit to family income. The Department of Revenue, however, lacks processing equipment to verify merged income on separate returns.

The above problems could be resolved by legislation during the 1975 session and new computer equipment for the department. However, in light of this, the committee reconsidered the "vanishing" food sales tax credit proposal on December 6 and voted to table the recommendation.

Repeal of the State Sales Tax on Food

At the December 6 meeting, the committee received testimony concerning repeal of the state sales tax on food. Mr. Ken Beuche, Executive Director, Colorado Municipal League, presented the committee with data concerning the impact of food sales tax repeal on municipalities (Appendix C) and, at the request of the committee, the Department of Revenue prepared materials concerning collection of a local food sales tax by the department (Appendix D).

ABOLITION OF THE PROPERTY TAX -- S.J.R. 27

Senate Joint Resolution No. 27, adopted at the 1974 legislative session, directed the Committee on State and Local Finance: "...to study the pros and cons concerning the abolition of the general property tax, to consider other methods of financing local government expenditures, and to develop possible legislation relating thereto."

Counties, municipalities, school districts, and special purpose districts in Colorado levied \$515,362,672 in property taxes to be collected in calendar year 1974.

On the basis of state tax collections in fiscal year 1972-73, if the General Assembly doubled the individual income tax rates (2.5%-8% to 5%-16%); doubled the corporate income tax rate (5% to 10%); doubled the state sales and use tax rates (3% to 6%); doubled the gasoline tax rates (7¢ per gallon to 14¢ per gallon); and maintained the \$21 per capita food sales tax credit, the result would be only \$27.5 million in excess of the amount currently raised from the property tax. (These data concerning revenues to be derived from a doubling of rates are only a rough approximation since such an increase in rates would not necessarily double revenues -- particularly with regard to the individual income tax.)

The net collections from each of these sources of state revenue for fiscal year 1972-73 were as follows:

Individual income tax	\$185,773,681
Corporate income tax	38,993,022
Sales tax	212,115,360
Use Tax	19,505,342
Gasoline tax	<u>86,520,307</u>
GROSS REVENUES	\$542,907,712
Less food sales tax credit of \$21 per capita	<u>45,000,000</u>
BALANCE TO GENERAL FUND	\$497,907,712
Doubling of gross revenue	\$1,085,815,424
Less food sales tax credit of \$21 per capita	45,000,000
Less amount to replace prop- erty tax	<u>515,362,672</u>
BALANCE TO GENERAL FUND	\$ 525,452,752

In addition to the problem of raising the replacement dollars, there is the question of how to distribute the dollars raised to the appropriate political subdivisions. For example, if it were assumed that the replacement tax dollars would be returned to the political subdivisions in which the dollars were collected, some counties (and the political subdivisions within the county) would get more dollars than are currently being raised from the property tax, and others would get less.

The Department of Revenue, in its annual report, shows only the individual income tax and the sales tax by county where collected. The attached table shows the amount of property tax levied in each county (for all political subdivisions), the amount collected from the individual income tax and sales tax by county, and the percentage the sum of the latter two figures represents of the property tax levied. As will be noted, the percentage that such an income and sales tax levy would represent of the property tax levied would range from a high of 90% in Denver to a low of approximately 16% in Costilla County.

Undoubtedly, if the gasoline tax, use tax, and corporate income tax receipts were to be allocated according to county of collection, many counties would have more than enough money to replace property tax revenues; however, for those 19 counties that would receive less than one-third replacement via just the sales and individual income tax, it is obvious their property tax revenues would not be replaced by all of the receipts from the several taxes mentioned.

Another significant point to be considered, should the property tax be abolished and replaced by other sources, is the shift of the tax burden from one group to another. Although, no definitive figure is accumulated on how much of the property tax is paid by business corporations, estimates have been made in recent years that 25% of the property tax is paid by corporations. Thus, 25% of the total 1974 payable property tax bill is approximately \$129 million. To raise a similar amount from the corporate income tax would require a corporate income tax rate in excess of 16%.

After consideration of these data, the committee agreed to recommend that the general property tax not be abolished.

TABLE 6

INDIVIDUAL INCOME AND SALES TAX REVENUES AS A
PERCENTAGE OF PROPERTY TAX REVENUES

	(1) Total Property Tax Levied in 1973, Collectible in 1974	(2) Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	(3) Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	(4) Total of Columns 2 & 3	(5) Column 4 as a Percent of Column 1
Adams	\$ 34,010,521	\$ 13,126,718	\$ 16,476,655	\$ 29,603,373	87.04%
Alamosa	1,902,765	565,651	1,013,743	1,579,394	83.01
Arapahoe	46,189,189	19,937,065	17,839,381	37,776,446	81.79
Archuleta	743,765	98,514	155,838	254,352	34.20
Baca	1,884,807	306,270	338,296	644,566	34.20
Bent	1,167,236	262,077	221,222	483,299	41.41
Boulder	34,294,150	12,938,117	11,163,120	24,101,237	70.28
Chaffee	1,750,111	588,373	806,065	1,394,438	79.68
Cheyenne	963,648	167,569	98,512	266,081	27.61
Clear Creek	2,145,958	395,077	323,815	718,892	33.50
Conejos	819,859	155,784	171,289	327,073	39.89
Costilla	793,798	67,548	57,813	125,361	15.79
Crowley	613,021	139,622	108,268	247,890	40.44
Custer	373,408	53,413	28,666	82,079	21.98
Delta	1,836,522	690,555	886,760	1,577,315	85.89
Denver	122,441,265	47,757,653	62,446,997	110,204,650	90.01
Dolores	413,734	67,026	51,047	118,073	28.54
Douglas	3,476,190	1,087,759	522,577	1,610,336	46.32
Eagle	3,756,201	622,114	1,036,254	1,658,368	44.15
Elbert	1,379,044	240,798	77,663	318,461	23.09
El Paso	47,660,301	14,654,715	19,017,343	33,672,058	70.65
Fremont	3,228,816	1,018,615	1,256,297	2,274,912	70.46
Garfield	3,429,282	1,106,072	1,623,028	2,729,100	79.58
Gilpin	709,218	76,652	78,969	155,621	21.94
Grand	2,066,842	450,143	537,587	987,730	47.79

	(1) Total Property Tax Levied in 1973, Collectible in 1974	(2) Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	(3) Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	(4) Total of Columns 2 & 3	(5) Column 4 as a Percent of Column 1
Gunnison	\$ 1,437,916	\$ 407,442	\$ 640,607	\$ 1,048,049	72.89%
Hinsdale	155,211	9,452	28,076	37,528	24.18
Huerfano	1,131,016	220,559	291,028	511,587	45.23
Jackson	691,912	147,946	102,584	250,530	36.21
Jefferson	55,778,150	27,900,643	22,074,567	49,975,210	89.60
Kiowa	967,621	175,604	70,569	246,173	25.44
Kit Carson	2,263,741	581,182	694,480	1,275,662	56.35
Lake	3,191,894	574,656	436,233	1,010,889	31.67
La Plata	3,995,943	1,046,382	1,664,347	2,710,729	67.84
Larimer	19,974,368	6,735,770	7,984,720	14,720,490	73.70
Las Animas	2,346,909	584,980	750,551	1,335,531	56.91
Lincoln	1,371,836	350,897	394,293	745,190	54.32
Logan	5,202,521	1,318,108	1,593,727	2,911,835	55.97
Mesa	9,877,379	3,333,732	4,646,853	7,980,585	80.80
Mineral	278,857	35,013	40,574	75,587	27.11
Moffat	1,934,394	475,517	626,236	1,101,753	56.96
Montezuma	1,892,893	559,915	1,018,656	1,578,571	83.39
Montrose	2,800,657	825,315	1,201,167	2,026,482	72.36
Morgan	4,427,650	1,332,417	1,649,717	2,982,134	67.35
Otero	3,614,908	1,140,522	1,468,825	2,609,347	72.18
Ouray	550,290	95,414	74,324	169,738	30.85
Park	1,327,570	167,308	100,122	267,430	20.14
Phillips	1,206,035	381,447	295,345	676,792	56.12
Pitkin	3,720,863	985,375	1,648,056	2,633,431	70.77
Prowers	2,887,101	757,874	1,018,008	1,775,882	61.51
Pueblo	20,079,228	7,326,614	8,617,462	15,944,076	79.41
Rio Blanco	3,286,012	307,374	310,941	618,315	18.82
Rio Grande	1,841,894	452,763	722,094	1,174,857	63.79

	(1)	(2)	(3)	(4)	(5)
	Total Property Tax Levied in 1973, Collectible in 1974	Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	Total of Columns 2 & 3	Column 4 as a Percent of Column 1
Routt	\$ 3,419,232	\$ 724,896	\$ 879,086	\$ 1,603,982	46.91%
Saguache	1,110,857	144,805	136,163	280,968	25.29
San Juan	288,277	47,248	39,024	86,272	29.93
San Miguel	671,591	89,751	91,033	180,784	26.92
Sedgwick	1,104,052	245,450	257,848	503,298	45.59
Summit	3,173,765	362,273	526,870	889,143	28.02
Teller	1,601,319	254,572	224,372	478,944	29.91
Washington	1,922,362	380,521	204,180	584,701	30.42
Weld	23,220,115	6,158,777	6,472,358	12,631,135	54.40
Yuma	2,566,682	525,109	646,965	1,172,074	45.66
TOTAL	\$515,362,672	\$183,737,520	\$205,979,266	\$389,716,786	75.62%

1/ Does not include nonresident individual income tax liability.

2/ Does not include foreign corporations.

ASSESSMENT OF LAND IN LIEU OF LAND AND IMPROVEMENTS

The Committee on State and Local Finance was directed by H.J.R. 1039, 1974 Session, to "study the feasibility of assessing land only for property tax in lieu of land and improvements thereon." This concept, commonly referred to as "site-value taxation" or the "single tax", was a subject considered by the committee at the September 16 meeting. The following constitutes a cursory review of the literature concerning this concept, with some data reflecting the potential impact in Colorado.

The committee offered no specific recommendation with regard to this concept.

Background of the Concept

Although the theory of the single tax can be traced to the time of Cromwell, interest in such a tax in this country is based on the writings of Henry George (1870's and 1880's). George's economic theory was highly influenced by the early 19th century writings of Ricardo and the boom conditions of the California economy.

The Ricardian proposal for a land tax was based upon a belief that the taxation of land was a fair and equitable one and that differing levels of production from land could be explained by the quality of the soil, not the efforts of the farmer. George advanced this theory to a more industrialized society and it became the basis of his plan to preserve laissez faire capitalism and foster the prevention of monopolies.

It was George's contention that private holders of vast properties, particularly the railroads, engaged in land speculation which kept settlers out, thereby restricting growth, cut production, and created depressions. The greatest impediment to progress and cause of poverty was, according to George, the holders of great amounts of land who reaped unearned income.

The following paragraphs from Progress and Poverty illustrate the George thesis:

A house and the lot on which it stands are alike property, as being the subject of ownership, and are alike classed by the lawyers as real estate. Yet in nature and relations they differ widely. The one is produced by human labor and belongs to the class in political economy styled wealth. The other is a part of nature, and belongs to the class in political economy styled land.

The essential character of the one class of things is that they embody labor, are brought into being by human exertion, their existence or non-existence, their increase or diminution, depending on man. The essential character of the other class of things is that they do not embody labor, and exist irrespective of human exertion and irrespective of man; they are the field or environment in which man finds himself; the storehouse from which his needs must be supplied, the raw material upon which, and the forces with which alone his labor can act.

The moment this distinction is realized, that moment is it seen that the sanction which natural justice gives to one species of property is denied to the other.

For as labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce. If one man can command the land upon which others must labor, he can appropriate the produce of their labor as the price of his permission to labor. The fundamental law of nature, that her enjoyment by man shall be consequent upon his exertion, is thus violated. The one receives without producing; the others produce without receiving. The one is unjustly enriched; the others are robbed.

* * * * *

The present method of taxation operates upon exchange like artificial deserts and mountains; it costs more to get goods through a custom house than it does to carry them around the world. It operates upon energy, and industry, and skill, and thrift, like a

fine upon those qualities. If I have worked harder and built myself a good house while you have been contented to live in a hovel, the taxgatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man build a ship we make him pay for his temerity, as though he had done an injury to the state; if a railroad be opened, down comes the tax-collector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if any one accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain; we find him who puts up machinery, and him who drains a swamp. How heavily these taxes burden production only those realize who have attempted to follow our system of taxation through its ramifications, for, as I have before said, the heaviest part of taxation is that which falls in increased prices.

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. All would be free to make or to save, to buy or to sell, unfined by taxes, unannoyed by the tax-gatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."

Thus George contended that the single tax would lead to increased productivity, downward redistribution of income, and elimination of land monopolization.

Employment of Site-Value Taxation

The single tax has gained many adherents, but implementation of the concept has been limited. India initiated a

land tax in the mid 1850's, one which has met with limited success. In Australia and New Zealand, the states tax land only while local governments may do likewise or tax land and improvements. Denmark's land tax has been in existence since 1922 with land and improvements taxed at different rates. Presently, national and local levies on improvements range from 3/5 to 3/4 those on land.

In the United States, California taxes land and exempts improvements for irrigation districts. A recent analysis stated that this practice, along with others, has been a prime factor in the prospering of independent farms and rural cities in the Central Valley of California. The study concluded: "That the change prospering and growth was swift and thorough was due in substantial part, it would seem, to the effective elements of district-wide, land-value-assessment practices inaugurated by the Wright Act."*

North Dakota exempts farm buildings and improvements. Pennsylvania allows cities to tax improvements at a lower rate than they tax land. In that state, Pittsburg and Scranton implemented this limited form of site-value taxation some years ago.

Goals of Site-Value Taxation

Although site-value taxation has received limited acceptance from government policy-makers, the subject remains under active consideration by state legislatures and research groups such as the Committee on Taxation, Resources and Economic Development (TRED) at the University of Wisconsin. The following goals of site-value taxation are based on the literature and are not inclusive nor do they address some limited or highly modified forms of site-value taxation.

(1) Encouragement of highest use of land. Because under developed or undeveloped properties would be taxed on the same basis as those containing improvements (in accordance with zoning), development of all properties would be fostered. Parking lots, vacant lots, and slum dwellings in core city areas are most often cited as examples of the need for site-value taxation. The argument is that such under use of land would become uneconomical because of the tax policy. Coupled with strong zoning policies, cities, counties, and regions could become more functionally developed.

* Albert T. Henley, "Land Value Taxation by California Irrigation Districts" in Becker, ed., Land and Building Taxes (Madison: Univ. of Wisconsin Press, 1969), p. 145.

Several observations may be offered to the highest use concept. First, a tax policy which encourages owners of slum housing to develop such property to the highest use further complicates the need for low income housing for the poor and elderly. Second, structures of historic or aesthetic value often are located in high density areas and could be endangered without special consideration. Third, the concept would encourage high density concentration which could lead to higher crime rates and other social problems, frequently attributed to over-crowded areas. Fourth, land use is a zoning concept, and not one of taxation, thus, land use goals should be accomplished through zoning and not taxation.

(2) Administrative simplicity. A great deal of the work effort of any assessor's office involves the assessment of improvements to properties. In the case of assessors with small staffs, large facilities may be valued according to information supplied by the corporation. Assessment of land only could greatly simplify the task of assessors.

Any major change or shift in tax burden will, however, cause a difficult period of transition. Appeals would likely increase during the first few years. Therefore, although the administration of property taxation might become simplified over a period of years, such a goal could not be anticipated at the outset.

(3) Discourage land speculation. It is argued that high taxes on unimproved land would discourage high land values and rapid development of land. Evidence to support this concept is lacking. The Australia experience has resulted in land values as high or higher than in the United States. 1/ Also, a recent study of land taxation in Houston concluded as follows:

The results of this study strongly suggest that land taxation cannot be considered as a policy instrument for the purpose of influencing private land use decisions. In Houston we have been unable to detect any systematic relationship between land taxes and decisions to develop land. We believe that this result stems from the fact that the property tax is capitalized and there-

1/ A. M. Woodruff, "Land Value Taxation: A 1966 Evaluation" The Property Tax: Problems and Potentials (Princeton: Tax Institute of America), 1967, p. 437.

fore does not affect land use decisions. Changes in current property taxes would alter the wealth of current land owners but would not affect their decisions on land allocation. It is interesting that our search for the connection between efficiency in land use and property taxes turns out to depend on the incidence or equity of the property tax. 1/

Shifting the Property Tax Burden

Any major reform of taxation is likely to entail some shifting of the tax burden. In the case of site-value taxation, the shift could be major. A recent projection of the impact of site-value taxation in San Diego is illustrative of the potential shifting in an urban area. 2/

-CHANGE IN TAX LIABILITIES, BY ECONOMIC USE CLASS: SAN DIEGO

Class	Parcel Count	Net Assessed Value	Land Value	Ratio of NAV to LV	% Change Assumption 1 ^a	% Change Assumption 2 ^b
Single Dwelling	120,733	\$ 631,144,490	\$283,981,210	2.23	+ 9.7	+ 20.7
Multiple Dwelling	15,281	112,965,367	53,775,567	2.10	+ 16.7	+ 28.3
Apartment	5,108	115,541,745	36,190,317	3.19	- 23.2	- 15.6
Trailer Parks	20	1,823,760	1,108,320	1.65	+ 48.9	+ 63.8
Combined Business and Dwelling	1,197	12,041,844	8,039,330	1.50	+ 63.6	+ 79.9
Hotels and Motels	232	35,939,357	11,816,042	3.04	- 19.4	- 11.4
Commercial and Industrial	5,202	318,154,624	94,990,946	3.67	- 33.1	- 26.5
Public Utilities	4	109,974,798	7,936,460	13.86	- 82.3	- 80.6
Irrigation and Domestic	36	1,110,238	668,175	1.66	+ 47.5	+ 62.2
Undeveloped Land	21,557	145,035,546	127,878,376	1.13	+116.1	+137.6
Matched Parcels	169,370	1,516,731,769	626,384,743	2.43	+ 1.0	+ 11.1
Unmatched Parcels	11,979	161,742,331	58,509,028	2.76	- 11.3	- 2.5
GRAND TOTAL	181,349	1,678,474,100	681,893,771	2.45	0	+ 10.0

^a This site-value tax generates the same total tax receipts for San Diego as the current property tax.

^b This site-value tax generates approximately \$17 million more in tax receipts than does the current property tax. The \$17 million is the amount of the state reimbursement.

1/ Michael S. Owen and Wayne R. Thirsk, "Land Taxes and Idle Land: A case Study of Houston", Land Economics, August, 1974.

2/ Edward J. Neuner, Dean O. Popp, and Frederick D. Sebold, "The Impact of a Transition to Site-Value Taxation on Various Classes of Property in San Diego", Land Economics, May 1974, pp. 181-185.

As indicated by the table, the major increase would be, as expected, on undeveloped land. The major reduction in valuation would accrue to commercial and industrial properties. The class of single family dwellings would be increased from 10 to 20 percent. With regard to single family properties, the study indicates that assessments would rise in older areas of the city which have relatively low ratio of property value to land value and tend to house a high percentage of the elderly. Newer areas, with younger residents, have higher ratios of net assessed values to land value and thus would fare better under site-value taxation. The trend would be the same for low income areas which, because of deterioration of housing and low intensity of land use, would fare worse than high income areas.

The study surmises that "if residential property value is a meaningful proxy for the economic status of occupants, one can conclude that site-value taxation would favor middle-income classes at the partial expense of those in both low-income and high-income brackets."

The conclusions of the San Diego study are in conflict with those of earlier surveys. This may be explained because the San Diego survey employed a large sample and more complex analytical techniques. One study, of Northern Alameda County, California, projected that low density residential areas would receive a 0.9 percent tax decrease under site-value, whereas high density residential area taxes would increase by 1.1 percent. By the same measurement, industrial properties would obtain a 2.6 percent tax decrease whereas commercial taxes would rise by 7.8 percent. 1/

An analysis of San Bernardino, California, indicated that commercial and industrial assessments would increase under site-value taxation and most single and multiple-unit residential properties would decrease. 2/

Site-Value Taxation in Colorado

A substantive analysis of the impact of site-value taxation in Colorado would require a great deal of information,

1/ A. H. Schaaf, "Effects of Property Taxation on Slums and Renewal: A Study of Land-Improvement Assessment Ratios", Land Economics, February 1969, pp. 111-117.

2/ Theodore Smith, "Land Versus Real Property Taxation: A Case Study Comparison," Land Economics, August 1970, pp. 305-313.

including a sample of lots in cities and counties and zoning data. As broad indicators of such impact, the following illustrations may be useful.

North Dakota Plan. If Colorado were to adopt the North Dakota policy of exempting farm buildings and improvements, thereby instituting site-value taxation of farm properties, the loss in statewide assessed valuation for 1973 would have been \$126,805,355, or 1.9 percent of total assessed valuation. If counties were to receive revenue to compensate for the exemption of farm improvements, an increase in assessed valuation of other properties or an increase in mill levies would be necessitated. Table 7 indicates the increase in mill levies for selected counties if agricultural improvements had been exempted for 1973.

TABLE 7

Increase in Selected County Mill Levies
to Compensate for Exemption of
Agricultural Improvements

	1973 Assessed Valuation	1973 A.V. -- Agric. Improve- ments	1973 County Mill Levy	1973 County Mill Levy -- Agric. Imp. Exempt	Increase
Baca	\$25,933,540	\$1,785,675	18.80	20.19	1.39
Cheyenne	17,705,060	1,014,380	13.50	14.32	0.82
Delta	26,840,500	2,881,780	13.40	15.01	1.61
Kit Carson	28,712,490	2,340,900	23.63	25.73	2.10
Phillips	20,135,400	1,445,190	10.35	11.15	0.80

Site-Value Taxation of All Properties. Property in Colorado is not classified solely on the basis of land and improvements. Thus, for any indication of state-wide impact some qualifications are in order. First, state assessed properties (utilities) do not include any breakdown of land and improvements and are excluded from analysis here. Second, inventories, including freeport, merchandise, equipment, and supplies are outside the scope of land and improvements and omitted. Third, livestock are excluded here for the same reason.

With the above qualifications, land and improvements, statewide, may be categorized as follows:

TABLE 8

Ratio of Statewide Assessed Value
of Land and Improvements to
Land Only, by Class of Property

<u>Class</u>	<u>1973 Assessed Value^{1/}</u>	<u>1973 Land Value</u>	<u>Ratio of Ass. Ratio to Land Value</u>
Residential	\$2,947,699,085	\$731,924,865	4.03
Commercial	1,351,842,835	371,205,640	3.64
Industrial	315,933,620	60,602,120	5.21
Agricultural	468,287,885	341,482,530	1.37
Natural Resources	180,185,925	152,239,575	1.18

^{1/} Land and improvements only.

From these ratios it can be discerned that residential improvements are a substantially higher percentage of residential land and improvements than in San Diego, whereas commercial and industrial properties are similar.

If each class of property were to bear exactly the same percentage of total, valuation under site-value as at present (A rather unlikely situation) one could multiply land value times the ratio. It should be emphasized, however, that classes of property are unevenly distributed among the local governments as are ratios within the classes.

Table 9 indicates the ratio of assessed valuation of land and improvements to land only, by county. As would be expected, the ratios tend to be lower for rural counties with fewer improvements to substantial agricultural properties than in the more urbanized counties. Thus, if other classes such as state assessed and inventories were held constant, land would have to bear an increase of the ratio, however, the increase were distributed within the land classes. In Jefferson County, land would be increased 5.5 times its current assessed valuation level (or the mill levy increased by a corresponding amount), whereas in Costilla County the multiplier would be only 1.18 (or an 18 percent increase).

TABLE 9

Ratio of Assessed Value of
Land and Improvements to
Land Only, by County

<u>County</u>	<u>1973 Assessed Value/</u>	<u>1973 Land Value</u>	<u>Ratio of Assessed Value to Land Value</u>
Adams	\$ 304,006,450	\$ 78,382,670	3.88
Alamosa	16,331,860	5,574,960	2.93
Arapahoe	489,447,310	165,414,580	2.96
Archuleta	11,295,960	8,099,620	1.39
Baca	15,320,170	10,093,035	1.51
Bent	10,867,770	6,948,180	1.56
Boulder	314,127,080	74,777,390	4.20
Chaffee	19,475,760	6,756,300	2.88
Cheyenne	11,123,310	8,912,220	1.25
Clear Creek	25,254,440	9,088,040	2.78
Conejos	8,812,420	4,901,650	1.80
Costilla	11,191,470	9,473,640	1.18
Crowley	5,715,810	3,917,760	1.46
Custer	5,832,640	3,804,360	1.53
Delta	17,774,830	5,952,190	2.99
Denver	1,308,139,430	336,138,970	3.89
Dolores	3,883,150	2,702,790	1.44
Douglas	28,551,770	13,184,000	2.17
Eagle	37,421,320	12,957,290	2.89
Elbert	16,106,230	11,149,070	1.44
El Paso	531,547,060	142,006,150	3.74
Fremont	32,006,590	6,786,840	4.72
Garfield	31,875,990	10,905,340	2.92
Gilpin	8,342,980	3,948,620	2.11
Grand	22,621,740	9,909,590	2.28
Gunnison	14,350,360	5,496,540	2.61
Hinsdale	2,379,900	1,308,760	1.82
Huerfano	10,286,680	5,219,500	1.97
Jackson	8,740,100	5,586,160	1.56
Jefferson	567,131,010	102,914,430	5.51
Kiowa	11,735,910	9,662,580	1.21
Kit Carson	21,293,080	13,489,460	1.58
Lake	40,514,560	24,655,270	1.64
La Plata	36,880,610	16,467,220	2.24
Larimer	200,852,150	54,799,250	3.67

<u>County</u>	<u>1973 Assessed Value^{1/}</u>	<u>1973 Land Value</u>	<u>Ratio of Assessed Value to Land Value</u>
Las Animas	\$ 20,485,840	\$ 10,530,570	1.95
Lincoln	13,375,020	8,943,135	1.50
Logan	47,645,730	23,698,310	2.01
Mesa	87,159,900	24,421,450	3.57
Mineral	2,419,140	1,019,980	2.37
Moffat	19,255,240	12,455,230	1.55
Montezuma	19,893,900	7,888,590	2.52
Montrose	23,951,780	8,298,320	2.89
Morgan	42,443,950	18,248,100	2.33
Otero	32,518,690	9,260,460	3.51
Ouray	4,611,550	2,561,910	1.80
Park	13,221,020	7,992,070	1.65
Phillips	15,735,050	10,694,540	1.47
Pitkin	53,376,300	20,970,620	2.55
Prowers	23,158,850	10,692,150	2.17
Pueblo	194,129,930	42,547,450	4.56
Rio Blanco	57,094,490	49,724,960	1.15
Rio Grande	20,052,190	8,224,230	2.44
Routt	33,847,470	16,554,660	2.04
Saguache	13,568,290	10,444,820	1.30
San Juan	2,722,220	1,970,250	1.38
San Miguel	7,706,730	5,619,170	1.37
Sedgwick	11,157,120	6,701,020	1.66
Summit	50,576,060	26,895,490	1.88
Teller	15,863,960	9,454,710	1.68
Washington	29,379,500	23,913,810	1.23
Weld	179,939,310	67,180,520	2.68
Yuma	27,422,130	19,163,690	1.43
TOTALS	\$5,263,949,350	\$1,657,463,640	

1/ Land and improvements only.

Conclusion

Implementation of site-value taxation has been limited in this country. The staff was able to determine only one governmental unit, irrigation districts in California, which taxes on the basis of land and not improvements. Modified forms of site-value have been authorized in North Dakota (exemption of farm improvements) and Pennsylvania (assessment of improvements at a lesser rate than land). Another concept which bears some relationship to the goals of site-value taxation is abatement, deferred taxation, or subsidies for improvements (such as repair or remodeling) to residential structures. This subject is also before the committee.

Lack of data prevent the formulation of precise impacts of site-value taxation in Colorado. The committee may wish to further consider the general concept and, perhaps, the formulation of a model such as San Diego's.

APPENDIX A

COLORADO DEPARTMENT OF REVENUE

COMPARABILITY OF STATE AND FEDERAL INCOME TAX PROVISIONS

INDIVIDUALS

1. School District Number
Colorado - Requested
Federal - No similar provision.
2. Head of Household
Colorado - No similar provision.
Federal - A special tax rate category for persons meeting test for being an unmarried head of household.
3. Widow(er) with Dependent Child
Colorado - No similar provision.
Federal - Entitled to use joint tax rate under certain conditions for two years.
4. Abandoned Spouse
Colorado - Must file as married separate.
Federal - May file as single.
5. Food Sales Tax Block
Colorado - For those filing a return only to receive food sales tax refund.
Federal - No similar provision.
6. Exemption for Mentally Retarded Dependent
Colorado - Allows an extra \$750 exemption for dependent with IQ of less than 75.
Federal - No similar provision.
7. Delinquent Filing Penalty
Colorado - 5% of tax due.
Federal - 5% per month to a maximum of 25%.
8. Income
Colorado - Colorado adjusted gross income is the federal adjusted gross income plus or minus certain modifications.
9. Filing requirements

	<u>Colorado</u>	<u>Federal</u>
1. Single	\$1,750	\$2,050
2. Single over 65	\$2,500	\$2,800
3. Married joint	\$2,500	\$2,800
4. Married joint		
a. 1 over 65	\$3,250	\$3,550
b. Both over 65	\$4,000	\$4,300

5. Married separate	\$1,250	\$ 750
6. Single dependent of another taxpayer- unearned income	\$1,750	\$ 750
7. With self-employment income	as above	\$ 400

10. Interest on Obligations of State or Political Subdivisions

Colorado - Taxable except for:

1. Sanitary sewer or water revenue bonds (as opposed to general obligation bonds) of any Colorado sewer or water district.
2. C.U. memorial bonds.
3. C.U. stadium bonds.
4. Colorado education bonds for construction of housing, dining, or recreation facilities.
5. Housing Authority bonds of Colorado municipalities.
6. Moffat Tunnel bonds.
7. Bonds under Colorado Junior College Revenue Securities Law.
8. Hospital district bonds of Colorado counties.
9. Colorado Urban Renewal Authority bonds.
10. Colorado Housing Finance Authority bonds.
11. Colorado school district bonds issued on or after July 1, 1973.
12. Auraria Higher education bonds.

Federal - Exempt

11. Interest on Obligations of U.S.

Colorado - Exempt
Federal - Taxable

12. Pension and Retirement Income

Colorado - Most are exempt.

	<u>Colorado</u>	<u>Federal</u>
1. Social security.	Exempt	Exempt
2. Railroad retirement.	Exempt	Exempt
3. Funds established by labor unions.	Exempt	Taxable
4. Funds or retirement plans established as part of a contract between employer and labor union.	Exempt	Taxable
5. Federal civil service retirement.	Exempt	Taxable
6. Colorado public employees retirement.	Exempt	Taxable
7. Police and firemens pensions.	Exempt	Taxable
8. Colorado teachers pensions.	Exempt	Taxable
9. Other teachers pensions.	Taxable	Taxable
10. Emeritus retirement plans of Colorado institutions of higher learning.	Exempt	Taxable
11. Armed Forces retirement.	First \$2,000 is exempt	Taxable
12. Funds or retirement plans not part of employer/labor union contract.	Taxable	Taxable
13. Armed Forces disability.	Exempt	Exempt
14. Teachers Insurance Annuity Association.	Taxable	Taxable

13. Military Income
Colorado - Not subject to withholding.
Federal - Subject to withholding.
14. Depletion
Colorado - Same as federal except for oil shale which is subject to 27 1/2% depletion rate.
Federal - Oil shale depletion rate is 15% if from deposits in U.S.
15. Itemized Deductions
Colorado - Federal deductions with certain modifications. If federal taxable income of a Colorado resident is determined by itemizing deductions, he may elect to deduct his Colorado itemized deductions in lieu of his Colorado standard deduction.
16. Itemized Deductions - Married Separate Returns
Colorado - May be divided in any manner (if joint federal is filed).
Federal - Each must claim own deductions.
17. Colorado Income Tax
Colorado - Not deductible.
Federal - Allowed.
18. Federal Income Tax
Colorado - Allowed.
Federal - Not deductible.
19. Standard Deduction
Colorado - 10% of adjusted gross income or low income allowance, whichever is greater, not to exceed \$1,000 for a single or joint return, \$500 for a married separate return, plus federal income tax liability.
Federal - The higher of the low income allowance or 15% of adjusted gross income not to exceed \$2,000 for a single or joint return, \$1,000 for a married separate return.
20. Low Income Allowance
Colorado - The sum of: a basic allowance of \$200 plus \$100 for each exemption plus an additional allowance equal to the excess, if any, of \$800 over the sum of the number of exemptions times \$100, and the aggregate of 1/2 of the Colorado adjusted gross income in excess of \$1,000 plus the number of exemptions times \$750. The allowance cannot exceed \$1,000.

For married taxpayers filing separately, the basic allowance shall be \$100 plus \$100 for each exemption and the low income allowance shall not exceed \$500.

In effect, the low income allowance is \$1,000 (\$500 for married taxpayer filing separately) and declines as income increases to minimum basic allowance. At this point the percentage standard deduction becomes effective. (See chart at end of text.)

Federal - \$1,300 for a single or joint return, \$650 for a married separate return.

21. Taxes and Credits

Tax liability and credits which reduce tax liability.

22. Normal Tax

Colorado - One rate schedule for all taxpayers.

Federal - 4 separate rate schedules.

1. Single taxpayers.
2. Married taxpayers filing joint return.
3. Married taxpayers filing separate return.
4. Head-of-household return.

23. Surtax

Colorado - An additional tax of 2% on dividends and interest income in excess of \$5,000 per taxpayer.

Federal - No similar provision.

24. Oil and Gas Production Tax

Colorado - An additional tax imposed on the gross income for production of crude oil or natural gas from wells in Colorado.

Federal - Not applicable.

25. Income Averaging

Colorado - No provision.

Federal - Under certain conditions, income may be averaged over a 5-year period and tax adjusted accordingly.

26. Alternate Capital Gains Tax

Colorado - No similar provisions.

Federal - Tax on 1st \$50,000 net capital gains is limited to 25%.

27. Minimum Tax

Colorado - No provision.

Federal - 10% tax on certain tax preferences over \$30,000.

28. Maximum Tax

Colorado - No provision.

Federal - Limitation on tax rate on earned income.

29. Food Sales Tax Credit

Colorado - A credit against the income tax for sales tax paid on food. Credit is \$7 per person.

Federal - No similar provision.

30. Property Tax or Rent Credit

Colorado - A credit against the income tax for property tax paid or rent equivalent for low-income senior and disabled residents.

Federal - No similar provision.

31. Retirement Income Credit
Colorado - No similar provision.
Federal - A credit against the income tax for certain retired taxpayers in an amount up to 15% of the retirement income. The maximum amount of income which may qualify as retirement income is \$1,524. A husband and wife may elect to compute credit on combined retirement income of \$2,286.
32. Investment Credit
Colorado - No similar provision.
Federal - A credit against the tax is allowed for 7% of the qualified investment in certain depreciable property.
33. Foreign Tax Credit
Colorado - No provision. (Foreign income taxes are deductible for individuals to the extent allowed as a credit against federal tax.)
Federal - Foreign income taxes may be deducted, or they may be applied as a credit against U.S. income tax.
34. Credit for Income Taxes Paid Other States
Colorado - A Colorado resident with income from sources in another state may claim a credit against Colorado income tax for income taxes paid to the other state.
Federal - No provision as a credit. State income taxes are deductible.
35. Credit for Contributions to Candidates for Public Office
Colorado - No provision for credit. Deduction is allowed.
Federal - A credit against the income tax is allowed for 1/2 of the contribution limited to \$12.50 (\$25 on a joint return). In lieu of the credit, a deduction may be taken up to \$50 (\$100 on a joint return).
36. Credit for Work Incentive Program Expenses
Colorado - No provision.
Federal - A tax credit for employers for wages paid to individuals in on-the-job training thru work incentive program. The credit is equal to 20% of wages paid to employees during first 12 months of employment.
37. Credit for Tax on Gasoline, Special Fuel, Lubricating Oil for Off-Highway Use
Colorado - No provision for income tax credit.
Federal - Credit is for federal taxes on fuels or lubricating oil when used for nontaxable purposes.
38. Delinquent Payment Penalty
Colorado - No provision.
Federal - 1% per month (in addition to interest).
39. Estimated Tax
Colorado - Penalty applies if estimated tax is not 70% of actual tax minus exclusion.
Federal - Penalty applies if estimated tax is not 80% of actual tax minus exclusion.

CORPORATIONS

40. Income and Deductions
 Colorado - Colorado corporate net income is the federal net income with certain modifications. Interstate corporate income is apportioned to Colorado by formula.
41. Consolidated Returns
 Colorado - Requires permission.
 Federal - Elective.
42. Tax Return Due Date
 Colorado - 3 1/2 months after close of tax year.
 Federal - 2 1/2 months after close of tax year.
43. Interest on Obligations of State of Political Subdivisions
 Same as for individual. (Number 10.)
44. Interest on Obligations of U.S.
 Same as for Individual. (Number 11.)
45. Depletion
 Same as for Individual. (Number 14.)
46. Colorado Income Tax
 Colorado - Not deductible.
 Federal - Deductible.
47. Federal Income Tax
 Colorado - Not deductible.
 Federal - Not deductible.
48. Investment Tax Credit
 Same as for individual. (Number 32.)
49. Foreign Income Tax Credit
 Same as for individual. (Number 33.)
50. Credit for Work Incentive Program Expenses
 Same as for individual. (Number 36.)
51. Credit for Tax on Gasoline, Special Fuel, Lubricating Oil for Off-Highway Use
 Same as for individual. (Number 37.)
52. Tax Rates
- | | <u>Colorado</u> | <u>Federal</u> |
|--|--|---|
| Single corporations and basic rate for controlled group of corporations. | 5% | 22% on all net income.
26% surtax on net income over \$25,000. |
| Additional tax on personal holding companies. | No provision. | 70% on all undistributed holding company income. |
| Insurance Companies. | Exempt-is subject to gross premiums tax. | Same as for single corporation. |
| Accumulated earnings tax. | No provision. | Penalty tax on undistributed income of corporation. |

53. Estimated Tax
Same as for individual. (Number 39.)
54. Delinquent Payment Penalty
Same as for individual. (Number 38.)

WITHHOLDING

55. Withholding Tax Reporting and Payment Requirements for Employers

Colorado - Every employer subject to Colorado income tax withholding files a quarterly return which is due on or before the last day of the month following the close of the quarter.

Deposits are required as follows:

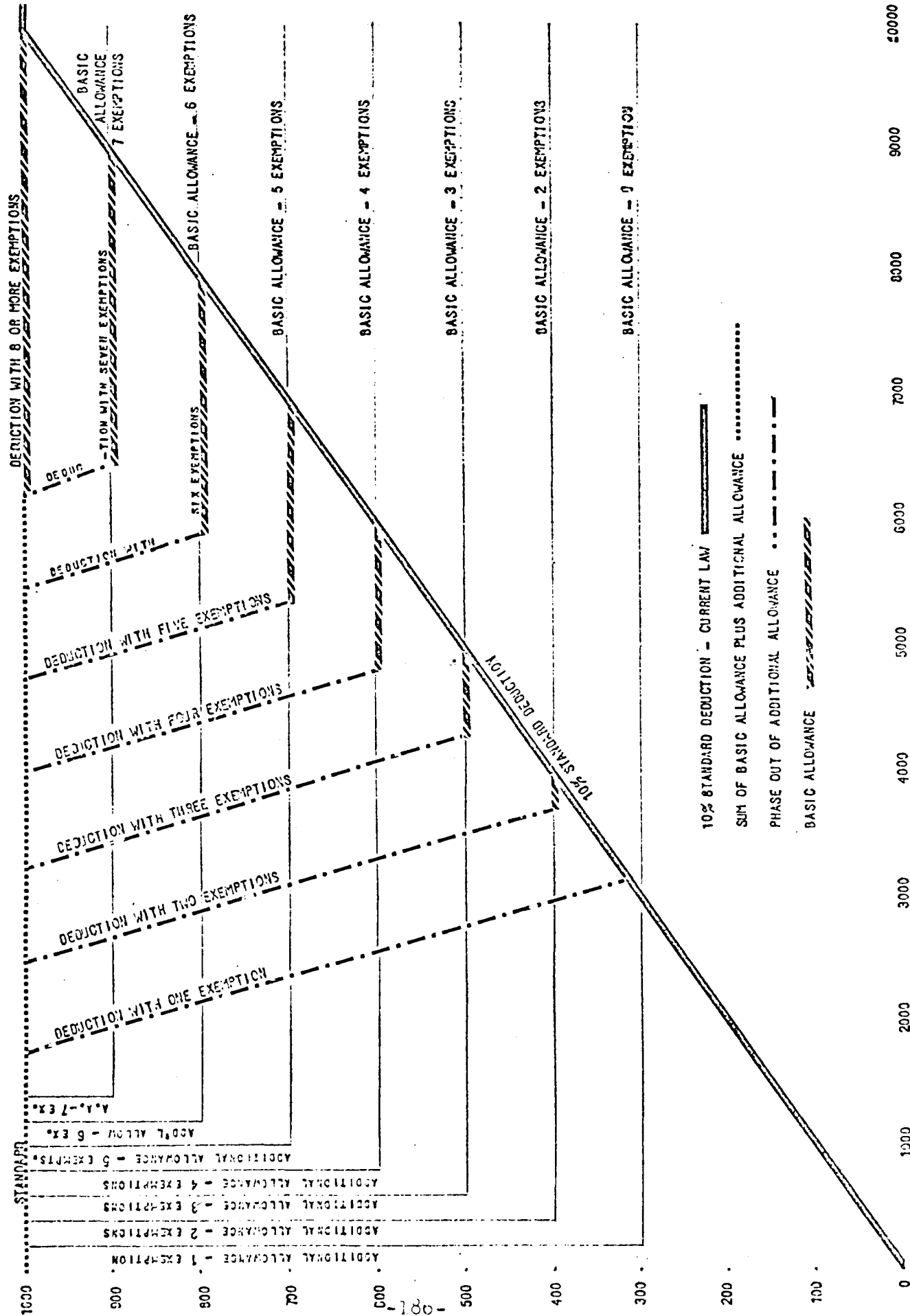
- | <u>Liability</u> | <u>Due Date</u> |
|----------------------------------|---|
| 1. Less than \$300 per quarter. | Deposit is due 15th day of the month following close of quarter. In lieu of making deposit, employer may file quarterly return and payment by 15th day of month following close of quarter. |
| 2. More than \$100 in any month. | Deposit is due 15 days after end of month. In lieu of making deposit for the last month of quarter, employer may file quarterly return and payment by 15th day of month following close of quarter. |

Federal - Every employer subject to income tax withholding files a quarterly return which is due on or before last day of the month following the close of the quarter.

Deposits are required as follows:

- | <u>Liability</u> | <u>Due Date</u> |
|---|---|
| 1. Under \$200 for quarter. | No deposit required. Amount due is paid with quarterly return. |
| 2. \$200 or more for quarter, but less than \$200 in any month. | If the liability exceeds \$200 by the end of the 2nd month of the quarter, deposit is due by the 15th day of the 3rd month of quarter. Otherwise, the entire amount is due with quarterly return. |
| 3. \$200 but under \$2,000 per month. | Deposit is due 15 days after end of month. |
| 4. \$2,000 or more per month. | Deposit is due within 3 banking days after the end of quarter-monthly period. Quarter-monthly periods end on the 7th, 15th, 22nd, and last day of any month. |

COLORADO STANDARD DEDUCTION - WITH LOW INCOME ALLOWANCE



10% STANDARD DEDUCTION - CURRENT LAW
 SUM OF BASIC ALLOWANCE PLUS ADDITIONAL ALLOWANCE
 PHASE OUT OF ADDITIONAL ALLOWANCE
 BASIC ALLOWANCE

ADJUSTED GROSS INCOME

APPENDIX B
ESTIMATED REVENUE AND TAX BURDEN EFFECTS
OF ALTERNATIVE STANDARD INCOME TAX DEDUCTIONS
AND ALTERNATIVE FOOD SALES TAX PROVISIONS

by

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- Prepared for -

Joint Committee on State and Local Finance
and
Colorado Legislative Council

November 1974

STANDARD DEDUCTION AND LOW INCOME ALLOWANCE

CHART I
 PRESENT COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE COMPARED WITH FEDERAL STANDARD
 DEDUCTION AND LOW INCOME ALLOWANCE - 1974

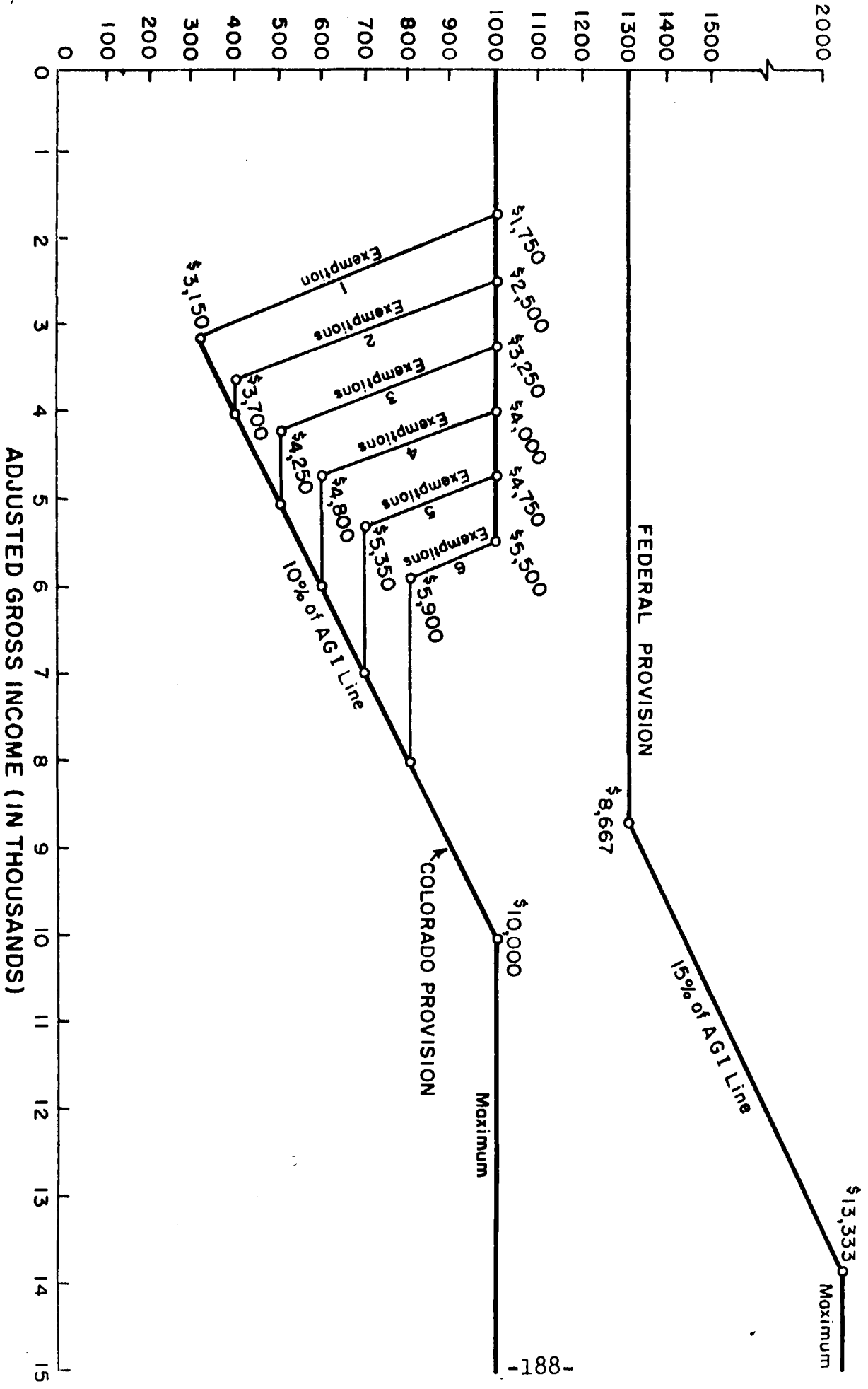


TABLE I. ESTIMATED REVENUE EFFECTS OF ALTERNATIVE STATE STANDARD DEDUCTIONS AND FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1974^{a/}

<u>Standard Deduction Alternatives:</u> ^{b/}	<u>Estimated Revenue Cost (millions)</u>
A. Raise Colorado deduction to federal level of 15% of AGI, maximum \$2,000	\$ 7.6
B. Colorado deduction raised to federal level and <u>combined</u> with federal low income allowance of \$1,300	12.5
C. Split-income provision combined with B above	37.4
 <u>Food Sales Tax Alternatives:</u>	
A. <u>Food exempt from base</u>	\$43.5 ^{c/}
B. <u>\$7 food tax credit</u>	
(1) All resident households	\$15.5
(2) Households with AGI less than \$25,000	14.3
(3) Households with AGI less than \$15,000	12.1
C. <u>\$14 food tax credit</u>	
(1) All resident households	\$31.0
(2) Households with AGI less than \$25,000	28.6
(3) Households with AGI less than \$15,000	24.2
D. <u>\$21 food tax credit</u>	
(1) All resident households	\$46.1
(2) Households with AGI less than \$25,000	42.9
(3) Households with AGI less than \$15,000	36.3
E. <u>Vanishing food tax credit</u> ^{d/}	\$30.6

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} See Chart I for value of present federal and state standard deductions and low income allowances.

^{c/} Projected value for fiscal year 1974 based on U.S. Department of Labor BLS-CPI food price index.

^{d/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000 class; no credit for \$25,000 and over class.

TABLE IIA. COLORADO INCOME TAX BURDENS EXPRESSED AS A PERCENT OF ADJUSTED BROAD INCOME
 UNDER ALTERNATIVE STANDARD DEDUCTIONS AND LOW INCOME ALLOWANCES --
 FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes					CTPS Prog. Index
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households	
Percent distribution of households	36%	28%	20%	16%	100%	--
	<u>Tax Burden as Percent of ABI</u>					
Income tax with present standard deduction	<u>.48</u>	<u>1.29</u>	<u>1.71</u>	<u>2.63</u>	<u>1.81</u>	<u>.18^{b/}</u>
<u>Income tax with standard deduction alternatives:</u>						
A. Raise standard deduction to federal level	.43	1.20	1.62	2.59	1.75	.17
B. Use federal low income allowance combined with federal standard deduction	.21	1.14	1.62	2.59	1.71	.08
C. Introduce split-income provision combined with B above	.21	1.07	1.42	2.24	1.50	.09

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} CTPS progressivity index for federal income tax base on ABI was .16 for Colorado taxpayers.

TABLE IIB. COLORADO SALES TAX BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME
UNDER ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes				CTPS Prog. Index
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	
Percent distribution of households	36%	28%	20%	16%	100%
<u>Tax Burden as Percent of ABI</u>					
Basic sales tax (no food exemption or credits)	1.85	1.60	1.53	1.16	1.43
<u>Food sales tax alternatives:</u>					
A. <u>Food exempt from base</u>	1.23	1.13	1.12	.87	1.03
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.47	1.38	1.35	1.06	1.26
(2) Households with AGI less than \$25,000	1.47	1.38	1.35	1.08	1.27
(3) Households with AGI less than \$15,000	1.47	1.38	1.35	1.16	1.30
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.16	1.16	1.16	.96	1.08
(2) Households with AGI less than \$25,000	1.16	1.16	1.16	1.01	1.10
(3) Households with AGI less than \$15,000	1.16	1.16	1.16	1.16	1.16
D. <u>\$21 food tax credit</u>					
(1) All resident households	.81	.94	.98	.87	.91
(2) Households with AGI less than \$25,000	.81	.94	.98	.93	.93
(3) Households with AGI less than \$15,000	.81	.94	.98	1.16	1.02
E. <u>Vanishing credit</u> ^{b/}	.81	1.16	1.16	1.08	1.09

a/ Full year and part-year residents. (Count for 1972 was 808,523.)

b/ Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE III. PRESENT STATE STANDARD DEDUCTION: COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000-\$10,000	\$10,000-\$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	Tax Burden as Percent of ABI				
Income tax with present standard deduction combined with basic sales tax ^{b/}	2.33	2.89	3.24	3.79	3.24
Present income tax combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.71	2.42	2.83	3.50	2.84
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.95	2.67	3.06	3.69	3.07
(2) Households with AGI less than \$25,000	1.95	2.67	3.06	3.71	3.08
(3) Households with AGI less than \$15,000	1.95	2.67	3.06	3.79	3.11
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.64	2.45	2.87	3.59	2.89
(2) Households with AGI less than \$25,000	1.64	2.45	2.87	3.64	2.91
(3) Households with AGI less than \$15,000	1.64	2.45	2.87	3.79	2.97
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.29	2.23	2.60	3.50	2.72
(2) Households with AGI less than \$25,000	1.29	2.23	2.60	3.56	2.74
(3) Households with AGI less than \$15,000	1.29	2.23	2.60	3.79	2.83
E. <u>Vanishing credit^{c/}</u>	1.29	2.45	2.87	3.71	2.90

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} Present state income tax combined with sales tax which includes food in base and no food tax credits.

^{c/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE IV. STATE STANDARD DEDUCTION RAISED TO CURRENT FEDERAL LEVEL:
 COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF
 ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS --
 FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	<u>Tax Burden as Percent of ABI</u>				
Income tax with present standard deduction combined with a basic sales tax ^{b/}	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax with raised standard deduction combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.66	2.33	2.74	3.46	2.78
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.90	2.58	2.97	3.65	3.01
(2) Households with AGI less than \$25,000	1.90	2.58	2.97	3.67	3.02
(3) Households with AGI less than \$15,000	1.90	2.58	2.97	3.75	3.05
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.59	2.36	2.78	3.55	2.83
(2) Households with AGI less than \$25,000	1.59	2.36	2.78	3.60	2.85
(3) Households with AGI less than \$15,000	1.59	2.36	2.78	3.75	2.91
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.24	2.14	2.60	3.46	2.66
(2) Households with AGI less than \$25,000	1.24	2.14	2.60	3.52	2.68
(3) Households with AGI less than \$15,000	1.24	2.14	2.60	3.75	2.77
E. <u>Vanishing credit</u> ^{c/}	1.24	2.36	2.78	3.67	2.84

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} Present state income tax combined with sales tax which includes food in base and no food tax credits.

^{c/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE V. COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE
 RAISED TO FEDERAL LEVELS: COMBINED INCOME AND SALES TAX
 BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME
 FOR ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
<u>Tax Burden as Percent of ABI</u>					
Income tax with present standard deduction combined with a basic sales tax ^{b/}	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax with raised standard deduction and low income allowance combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.44	2.27	2.74	3.46	2.74
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.68	2.52	2.97	3.65	2.97
(2) Households with AGI less than \$25,000	1.68	2.52	2.97	3.67	2.98
(3) Households with AGI less than \$15,000	1.68	2.52	2.97	3.75	3.01
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.37	2.30	2.78	3.55	2.79
(2) Households with AGI less than \$25,000	1.37	2.30	2.78	3.60	2.81
(3) Households with AGI less than \$15,000	1.37	2.30	2.78	3.75	2.87
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.02	2.08	2.60	3.46	2.62
(2) Households with AGI less than \$25,000	1.02	2.08	2.60	3.52	2.64
(3) Households with AGI less than \$15,000	1.02	2.08	2.60	3.75	2.73
E. <u>Vanishing credit</u> ^{c/}	1.02	2.30	2.78	3.67	2.80

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} Present state income tax combined with sales tax which includes food in base and no food tax credits.

^{c/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE VI. COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE
 RAISED TO FEDERAL LEVELS PLUS SPLIT-INCOME PROVISION:
 COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF
 ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS --
 FISCAL YEAR 1972^{a/}

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	<u>Tax Burden as Percent of ABI</u>				
Income tax with present standard deduction combined with a basic sales tax ^{b/}	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax raised standard deduction, and low income allowance plus a split-income provision combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.44	2.20	2.54	3.11	2.53
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.68	2.45	2.77	3.30	2.76
(2) Households with AGI less than \$25,000	1.68	2.45	2.77	3.32	2.77
(3) Households with AGI less than \$15,000	1.68	2.45	2.77	3.40	2.80
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.37	2.23	2.58	3.20	2.58
(2) Households with AGI less than \$25,000	1.37	2.23	2.58	3.25	2.60
(3) Households with AGI less than \$15,000	1.37	2.23	2.58	3.40	2.66
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.02	2.01	2.40	3.11	2.41
(2) Households with AGI less than \$25,000	1.02	2.01	2.40	3.17	2.43
(3) Households with AGI less than \$15,000	1.02	2.01	2.40	3.40	2.52
E. <u>Vanishing credit^{c/}</u>	1.02	2.23	2.58	3.32	2.59

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} Present state income tax combined with sales tax which includes food in base and no food tax credits.

^{c/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE VII. CTPS PROGRESSIVITY INDEX BASED ON ADJUSTED BROAD INCOME
FOR ALTERNATIVE STATE STANDARD DEDUCTIONS AND FOOD SALES TAX
PROVISIONS -- FISCAL YEAR 1972^{a/}

Income Tax Combined With:	Alternative Standard Deductions			
	Present Standard Deduction	Raised Standard Deduction	Raised Standard Deduction & Low Income Allowance	Raised Standard Deduction and Low Income Allowance Plus Split-Income Provision
<u>Basic Sales Tax</u> ^{b/}	.62	.61	.55	.61
<u>Sales Tax Alternatives:</u>				
A. <u>Food exempt from base</u>	.49	.48	.42	.46
B. <u>\$7 food tax credit</u>				
(1) All resident households	.53	.52	.46	.51
(2) Households with AGI less than \$25,000	.53	.52	.46	.51
(3) Households with AGI less than \$15,000	.51	.51	.45	.49
C. <u>\$14 food tax credit</u>				
(1) All resident households	.46	.45	.39	.43
(2) Households with AGI less than \$25,000	.45	.44	.38	.42
(3) Households with AGI less than \$15,000	.43	.42	.37	.41
D. <u>\$21 food tax credit</u>				
(1) All resident households	.37	.36	.30	.33
(2) Households with AGI less than \$25,000	.36	.35	.29	.32
(3) Households with AGI less than \$15,000	.34	.33	.27	.30
E. <u>Vanishing credit</u> ^{c/}	.35	.34	.28	.31

^{a/} Full year and part-year residents. (Count for 1972 was 808,523.)

^{b/} Present state income tax combined with sales tax which includes food in base and no food tax credits.

^{c/} Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

APPENDIX C

MEMORANDUM

TO: Committee on State and Local Finance
FROM: Ken Bueche, Colorado Muncicipal League
SUBJECT: Sales Tax Data

Please find attached the following data which you requested:

(1) The total 1973 revenue, 1973 sales tax revenue, and 1973 sales tax revenue expressed as a percent of the total 1973 revenue of those municipalities which indicated on our recent tax survey that they levy a sales tax (by order of descending population). NOTE: On our survey we asked for total revenue, not just the general fund, though some cities still gave us only general fund revenue.

(2) Those municipalities which receive revenue from a countywide sales tax, with that revenue expressed as a percent of their total revenue.

(3) The percent of total sales tax revenue attributable to off-premises food consumption in selected municipalities. NOTE: Most cities contacted knew only what percent of their total sales tax came from food outlets, which would include a certain percent of sundry items (see next table).

(4) Estimates of what percent of total sales tax revenue from food outlets is attributable to food only in given municipalities.

(5) Those municipalities which currently exempt off-premises food consumption from their sales tax.

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Denver	\$124,370,087 ^c	\$41,031,580 ^b	32.9%
Colo. Springs	26,288,186	9,967,867 ^a	37.9%
Aurora	26,193,248	6,367,316 ^b	24.3%
Lakewood	11,481,516	6,230,979	54.2%
Pueblo	19,916,114	6,017,049 ^a	30.2%
Arvada	4,573,464 ^c	1,145,317	25.0%
Boulder	19,637,605	4,240,264	21.5%
Ft. Collins	19,706,635	1,511,471	7.6%
Greeley	6,466,927	1,453,567 ^b	22.4%
Wheat Ridge	2,196,212	727,518	33.1%
Englewood	13,281,897	4,150,501	31.2%
Northglenn	3,427,045	1,368,783	39.9%
Littleton	5,453,565	1,874,901	34.3%
Westminster	2,783,814 ^c	739,176	26.5%
Longmont	11,363,920	1,532,871	13.4%
Thornton	8,746,000	1,552,728	17.7%
Grand Junction	5,834,690	955,352	16.3%
Loveland	1,903,937 ^c	471,202	24.7%
Commerce City	6,904,298	797,286	11.5%
Broomfield	1,618,663	149,830	9.2%
Brighton	1,611,468	238,266	14.7%
Durango	1,999,827	441,077 ^b	22.0%
Federal Heights	732,034	363,026	49.5%
Lamar	768,947	238,070	30.9%
Lafayette	1,137,212	73,960	6.4%
Montrose	2,242,696	422,144	18.8%
Cortez	1,052,741	243,924 ^b	23.0%
Glenwood Springs	940,689	269,672	28.6%
Aspen	4,263,455	594,456	13.9%
Cherry Hills Village	413,335	16,149	3.8%
Gunnison	1,254,673	152,827	12.1%

^a includes use tax receipts

^c general fund

^b sales and use tax receipts not shown separately on CML survey questionnaire

Source: Municipal Taxes in Colorado, CML

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Walsenburg	\$ 353,297	133,234 ^c	37.6%
Evans	210,557	15,736 ^a	7.1%
Manitou Springs	682,316	132,697	19.4%
Greenwood Village	525,864	95,624	18.0%
Steamboat Springs	951,370	264,590 ^b	27.7%
Fort Lupton	132,566	62,300	46.9%
Glendale	1,363,306	771,444	56.5%
Idaho Springs	403,619	126,324	31.2%
Dacono	154,882	1,822	1.1%
Rifle	430,745	62,105 ^b	14.4%
Buena Vista	285,684	43,146	15.1%
Berthoud	320,867	34,797	10.8%
Estes Park	754,923	339,309	44.9%
Fruita	270,540	31,888	11.7%
Woodland Park	670,146	47,200	7.0%
Meeker	223,011	44,480	19.9%
Rangely	203,903	27,210	13.3%
Johnstown	124,073	36,981	29.8%
Carbondale	130,243 ^d	57,986 ^d	44.5%
Lyons	91,806	7,432	8.0%
Ignacio	30,864	12,569	40.7%
Mountain View	65,000	29,000	44.6%
Palisade	200,858	15,572	7.7%
Granby	196,473	85,338	43.4%
Mancos	91,466	10,016	10.9%
Dolores	126,672	11,565	9.1%
Ouray	170,774	41,415	24.2%
La Jara	119,203	18,716	15.7%
Olathe	102,510	7,082	6.9%
Silverton	121,143	30,591	25.2%
Saguache	75,210	5,536	7.3%
Vail	1,474,416	822,882	55.8%
Cripple Creek	145,343	17,389	11.9%
Norwood	41,405	9,975	24.0%

^a includes use tax receipts

^b sales and use tax receipts not shown separately on CML survey

^c countywide & city sales tax

^d fiscal year 4-1-73 - 3-31-74

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Bayfield	\$ 62,614	\$ 8,950	14.2%
Fraser	41,840	11,803	28.2%
Rico	33,185	796	2.3%

COUNTY-WIDE SALES TAX

Municipality	Total 1973 Revenue	1973 County Sales Tax Revenue to Municipality	% of Total Revenue
Aspen	\$4,263,455	\$ 665,419	15.6%
Leadville	340,240	90,426	26.4%
Del Norte	209,163	36,570	17.4%
Breckenridge	574,055	128,514	22.3%
Paonia	161,140	21,831	13.5%
Cedaredge	99,858	10,255	10.2%
Silverthorne	59,146	15,809	26.7%
Frisco	192,377	62,765	32.6%
Dillon	188,290	76,776	40.7%
Crawford	17,651	3,486	19.7%

<u>Municipality</u>	<u>Percent of Total Sales Tax Revenues* Attributable to Off-Premises Food Consumption</u>
Lakewood	20-22% (food outlets, 1973)
Arvada	approx. 65% (food tax revenue equal to 48 mill levy)
Boulder	22.7% (food only, 1974)
Fort Collins	24.9% (food outlets, 1973)
Greeley	20.6% (food outlets, 1974)
Wheat Ridge	32.1% (food outlets, 1973)
Westminster	30.2% (food outlets, 1974)
Longmont	24.3% (food outlets, 1973)
Thornton	30% (food outlets, 1973)
Grand Junction	13.4% (food only, 1973)
Loveland	26.9% (food outlets, 1973)

* excluding use tax revenues, if any

<u>Municipality</u>	<u>Percent of Total Sales Tax Revenues from Food Outlets Attributable to Food Only (estimates)</u>
Aurora	80%
Boulder	90%
Englewood	83.9%
Grand Junction	65%

Municipalities Exempting Off-Premises Food Consumption from Sales Tax:

Denver

Colorado Springs

Aurora (They estimate that they will lose 19.0% of their projected 1975 total sales tax revenues as a result of their recent exemption of food.)

Pueblo

Englewood (They estimate that if they had taxed food in 1974, it would have comprised 16.9% of their total sales tax revenues.)

Littleton (They tax food at a rate of 1%, versus 3% on other taxable items.)

Commerce City

Edgewater

Greenwood Village



JOHN D. VANDERHOOF
GOVERNOR
HUGH H. C. WEED JR.
EXECUTIVE DIRECTOR

State of Colorado
DEPARTMENT OF REVENUE
STATE CAPITOL ANNEX
1375 SHERMAN STREET
DENVER, COLORADO 80203
(303) 892-3091

December 10, 1974

MEMORANDUM

TO: Allen Green, Legislative Council

FROM: Hugh H. C. Weed, Jr., Executive Director
Department of Revenue

SUBJECT: Effect of eliminating State Sales Tax on
Food while retaining local food sales tax.

ADMINISTRATION

Differences in state and local sales tax laws would create some problems in reporting, auditing and enforcement. The state presently has a low level of auditing and different statutes open greater chances for taxpayer to make inaccurate reports. We will have to add one more line on proposed combined form and development of statistical data may be somewhat complicated.

However, there are offsetting advantages. Approximately 70,000 food sales tax returns and an even greater number of refund warrants will be eliminated. One data processing entry on 1,500,000 returns will be dropped. The fact that many taxpayers will pay small amounts instead of getting a refund may delay filing of these returns.

We estimate that savings will about offset added auditing and enforcement costs. One essential assumption has been made that all local sales tax ordinances which are to be collected by the state will either conform with the state law or a uniform local ordinance.

CIGARETTE TAX

Distribution of the state collected cigarette tax to local government will be affected significantly. Where local sales tax on food is a high percentage of total local sales tax collected, the community will receive a lower proportion of the cigarette tax distribution than before. Denver and other towns where food is a low portion of total tax will increase its share of the cigarette tax revenue.