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0536 Colorado Tax Handbook: A Brief Summary of State Taxes in Colorado

**COLORADO
TAX HANDBOOK**



**Report to the
Colorado General Assembly**

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

*Colorado Legislative Council
Research Publication No. 536
January 2005*

Foreword

This booklet provides a brief summary of Colorado's tax system. Information is provided on total state taxes and on each tax levied by the state. Comparisons with other states are provided for Colorado's major tax sources. When applicable, federal tax rates are also provided.

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

The 2004 version of the Colorado Tax Handbook differs from the 2002 edition. TABOR refund mechanisms that modify federal taxable income, provide state income tax credits, or reduce fees or sales taxes are omitted because the most recent economic forecast by Legislative Council Staff indicates that taxpayers cannot file for most of these benefits until Calendar Year 2007.

Information on "Checkoff Colorado" is added. This program allows taxpayers to make voluntary contributions to designated programs when filing state income tax returns. In addition, two new sections are included. One section provides a brief glimpse of the state property tax relief programs available to senior citizens and the disabled. Frequent inquiries led to the addition of this section. Another section was added to provide at-a-glance information for some of the more commonly asked questions about Colorado's state taxes.

State tax collection data are from the state Controller's Office and the Department of Revenue. The state-by-state rankings are based on tax collections per \$1,000 of personal income using data from the U.S. Census Bureau for FY 2003-04. This statistic is used because it provides a more accurate measure of the ability of taxpayers to pay taxes than a per capita measure. Finally, federal tax information in this publication is from the Internal Revenue Code.

The 2004 *Colorado Tax Handbook* was prepared by Jason Schrock and Ron Kirk of the Legislative Council Staff. Questions or comments about the content of this report may be directed to (303) 866-3521. This booklet is also available through the Internet at: http://www.state.co.us/gov_dir/leg_dir/Scrollpages/InterestScroll.htm.

FY 2003-04 Overview

Total State Tax Collections

- **Total taxes** - \$7.1 billion (100%)
- State ranking - 50th (lowest)

Selected State Taxes

- **Individual income** - \$3.4 billion (48.5%)
 - State ranking - 29th
 - Tax rate - 4.63%
- **Corporate income** - \$235.2 million (3.3%)
 - State ranking - 43rd
 - Tax rate - 4.63%
- **Sales and Use** - \$1.9 billion (26.8%)
 - State ranking - 44th
 - Tax rate - 2.9%
- **Cigarette** - \$53.8 million (0.8%)
 - State ranking - 46th
 - Tax rate - 84 cents per pack of 20
- **Liquor** - \$30.9 million (0.4%)
 - State ranking - 43rd
 - Tax rates -
 - 8¢ per gallon for beer
(about 4.5¢ per six-pack)
 - 60.26¢ per liter for spirituous liquors
 - 13.33¢ per liter for Colorado wines
 - 8.33¢ per liter for other wines
- **Motor fuel** - \$556.3 million (7.8%)
 - State ranking - 34th
 - Tax rates -
 - 22¢ per gallon for gasoline
 - 20.5¢ per gallon for diesel

- **Estate** - \$47.2 million (0.7%)
 - State ranking - 34th
- **Insurance premiums** \$175.9 million (2.5%)
 - State ranking - 40th
- **Severance** - \$119.1 million (1.7%)
 - State ranking - 15th

State Income Tax Credits Claimed

- \$227.4 million - individual credits
- \$16.7 million - corporate credits

State Income Tax Checkoff Programs

- 11 checkoff funds on 2004 state form
- \$1.5 million - total contributions
- \$5.02 - \$9.95 - range for individual contributions

State Property Tax Relief Programs

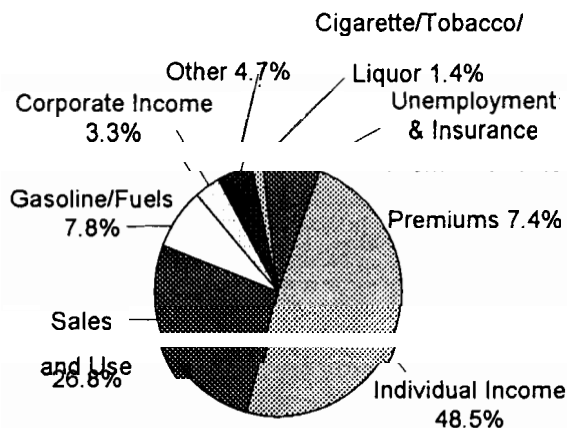
- **Property Tax/Rent and Heat/Fuel Grant Program:** rebates a portion of property taxes or rent and heating expenses for low-income elderly and disabled
- **Property Tax Deferral Program:** allows seniors to defer property taxes annually
- **Colorado's Homestead Exemption:** exempts a portion of the taxable value of a home from property taxes for qualifying seniors (scheduled to be reinstated in property tax year 2006)

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State Tax Collections FY 2003-04

Total Taxes



Major Tax Source Collections

(in millions)

Individual Income	\$3,449.9
Sales and Use	1,908.3
Gasoline/Fuels	556.3
Corporate Income	235.2
Unemployment/Insurance Premiums	528.8
Cigarette/Tobacco/Liquor	96.7
Other	333.4

Total State Taxes \$7,108.6

Comparison with Other States, FY 2003-04:

Total State Tax Collections

(per \$1,000 income)

State	Rank	Tax
Hawaii	1	\$100.07
U.S. Average	n/a	\$63.52
Colorado	50	\$44.57

State Tax Collections FY 2003-04 1

Ten-Year Comparison of Total Tax Revenues (\$ in millions)

Tax Source	FY 1993-94		FY 2003-04	
	Revenues	% of Total	Revenues	% of Total
Sales	\$1,036.6	25.1%	\$1,771.0	24.9%
Use	82.5	2.0%	137.3	1.9%
Cigarette	57.9	1.4%	59.8	0.8%
Tobacco	8.8	0.1%	12.0	0.2%
Liquor	22.6	0.5%	30.9	0.4%
Total Excise	\$1,204.2	29.1%	\$2,005.0	28.2%
Individual Income	\$1,919.9	46.4%	\$3,449.9	48.5%
Corporate	146.8	3.5%	235.2	3.3%
Total Income	\$2,066.7	60.0%	\$3,685.1	61.8%
Gas/Special Fuels	\$421.4	10.2%	\$556.3	7.8%
Unemp. Insurance	206.3	5.0%	352.9	5.0%
Insurance Premiums	101.9	2.5%	175.9	2.5%
Gaming	40.3	1.0%	98.5	1.4%
Estate	99.9	0.8%	47.2	0.7%
Workers' Comp.	43.5	1.1%	52.7	0.7%
Severance	1.5	0.0%	119.1	1.7%
Parl-Mutuel	8.5	0.2%	4.4	0.1%
Aviation (gallon tax)	1.0	0.0%	0.8	0.0%
Aviation (sales /use)	6.2	0.1%	10.7	0.2%
Total Other Taxes	\$ 864.5	20.9%	\$1,418.5	20.0%
Total Tax Revenues	\$4,136.4	100.0%	\$7,108.6	100.0%

Cigarette Tax

FY 2003-04 Collections: \$53.8 million.

Enacted: 1964.

Citations: Article X, Section 21, Colorado Constitution; Title 39, Article 28, Part 1, C.R.S., and Section 39-22-623, C.R.S.

Rate: Effective January 1, 2005, 84 cents per pack of 20.

Tax Base: Cigarettes.

Administration: Department of Revenue. Wholesalers pay tax on or before the 10th day of the month following the month of purchase.

Disposition of Revenue: The first 20 cents of the tax is credited to the General Fund after the requirements of the Old Age Pension Fund are satisfied. Local governments receive 27 percent of the gross proceeds from the first 20 cents of the tax. The remaining 64 cents is targeted for state and local health care and tobacco-related programs.

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Rhode Island	1	\$3.36
U.S. Average	n/a	\$1.33
Colorado	46	\$0.41
Virginia	50	\$0.07

Federal Tax Rates for 2004:

Large Cigarettes	81.9¢ per pack
Small Cigarettes	39.0¢ per pack

Estate Tax

FY 2003-04 Collections: \$47.2 million.

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

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

Rate: Based on the federal estate tax credit for state death taxes for the portion of the estate located in Colorado.¹

Tax Base: Imposed on the transfer of the taxable estate of every deceased person who has an estate in Colorado.

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

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

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Pennsylvania	1	\$1.71
U.S. Average	n/a	\$0.67
Colorado	34	\$0.32
Alaska	50	\$0.10

Federal Exemption for 2004: The first \$1.5 million of a taxable estate is exempt.

Fuel Tax — Aircraft

FY 2003-04 Collections: \$11.5 million.

Enacted: 1988.

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

Rates: Vary by fuel type as follows:

Fuel	Tax Rate
Gallage Tax:	
Aviation gasoline	6¢ per gallon
Aviation jet fuel	4¢ per gallon

State Sales Tax:
Aviation jet fuel 2.9%

Tax Base: Gasoline used in general aviation is only subject to the gallage tax.² Jet fuel used for commercial air transportation is only subject to the state sales tax. Jet fuel used for private, non-commercial aviation purposes is subject to the sales and gallage tax.

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

Disposition of Revenue: Credited to the Aviation Fund.

Federal Tax Rates for 2004:

Aviation Gasoline 19.4¢ per gallon
Aviation Jet Fuel 21.9¢ per gallon

Fuel Tax — Motor Fuel

FY 2003-04 Collections: \$556.3 million.

Enacted: 1919.

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

Rates: Vary by type of fuel as follows:

Motor Fuel	Tax Rate
Gasoline	22¢ per gallon
Special Fuels	20.5¢ per gallon

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

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

Disposition of Revenue: Credited to the Highway Users Tax Fund (HUTF). Moneys for FY 2003-04 were distributed as follows:

Distribution FY 2003-04	Amount (in millions)
First 7 cents	
State Highway Fund (65%)	\$110.5
Counties (26%)	44.2
Cities (9%)	15.3
Subtotal	170.0
Next 14 cents	
State Highway Fund (60%)	\$231.8
Counties (22%)	85.0
Cities (18%)	69.5
Subtotal	\$386.3

Total Distributions \$556.3

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Montana	1	\$8.35
Colorado	34	\$3.81
U.S. Average	n/a	-----
New York	50	\$0.76

Federal Tax Rates for 2004:

Gasoline	18.4¢ per gallon
Gasohol (10% blend)	13.2¢ per gallon
Special Fuels (diesel)	24.4¢ per gallon

Gaming Tax

FY 2003-04 Collections (gross): \$98.5 million.

Enacted: 1991.

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

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

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

Tax Base: Adjusted Gross Proceeds (AGP).

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

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

Distribution FY 2003-04**Amount**

(in millions)

State Historical Fund (28.0%)	\$25.9
Counties (12.0%)	11.1
Towns (10.0%)	9.2
General Fund (43.5%)	40.2
Local Government Fund (6.5%) ³	6.0
State Highway Fund (0.0%) ⁴	0.0
Tourism Promotion Fund (0.0%) ⁵	0.0

Total Net Distributions (100.0%) \$92.4

Administrative Costs 6.1

Total Collections \$98.5

Comparison with Other States: Including Colorado:

- 11 states have gaming casinos;
- 24 states have Indian gaming casinos; and
- 43 states have pari-mutuel wagering.⁶

Of the states having gaming casinos, only Colorado and South Dakota have limited stakes gaming. Colorado's maximum single bet is \$5 and South Dakota's is \$100.

Income Tax — Corporate**FY 2003-04 Collections:** \$235.2 million.**Enacted:** 1937.**Citations** Article X, Sections 17 and 19, Colorado Constitution; Title 39, Article 22, C.R.S.**Rate:** 4.63 percent.**Tax Base:** Federal taxable income (exceptions apply to interstate corporations).**Administration:** Department of Revenue. The tax return is due the 15th day of the fourth month following the close of the corporation's fiscal year.**Disposition of Revenue:** One-third of one percent of federal taxable income is credited to the State Education Fund. The remaining moneys are credited to the General Fund.**Comparison with Other States, FY 2003-04:****Corporate Income Tax Collections**
(per \$1,000 income)

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Alaska	1	\$15.74
U.S. Average	n/a	\$3.34
Colorado	43	\$1.51
4 States	50	\$0.00

Federal Tax Rates for 2004:

Corporate Tax Rates

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

Income Tax — Individual

FY 2003-04 Collections: \$3,449.9 million.

Enacted: 1937.

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

Rate: 4.63 percent.

Tax Base: Federal taxable income as modified by adding or subtracting the following amounts.

Additions:

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

Subtractions:

- any fiduciary adjustment or partnership modification reducing federal taxable income;
- capital gains from Colorado sources;
- contributions to qualified state tuition programs;
- contributions to a state MSA if not claimed as a deduction on the federal return;
- gain or loss from the sale of property having a higher Colorado basis than federal basis;
- interest income from state "investment deposits" up to \$20,000;
- marriage penalty of \$1,500 (adjustment applies to a joint return where the federal standard deduction is claimed);
- pension, annuity, and self-retirement income for persons 65 and older up to \$24,000; \$20,000 for persons age 55-64;
- state income tax refund or credit for overpayment; and
- United States government interest.

Alternative minimum tax: In addition to the 4.63 percent flat tax, an alternative minimum tax (AMT) is imposed at a rate of 3.47 percent. The AMT is imposed on the federal alternative minimum taxable income after applying Colorado modifications. The AMT is payable only to the extent it is in excess of the normal tax.

Administration: Department of Revenue. The due date is April 15th unless an extension is granted by the Department of Revenue.

Disposition of Revenue: One-third of one percent of federal taxable income is credited to the State Education Fund. The remaining moneys are credited to the General Fund.

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Oregon	1	\$41.65
Colorado	29	\$21.68
U.S. Average	n/a	\$21.11
7 States	50	\$0.00

Federal Income Tax Rates for 2004:

Federal Tax Rates for Single Filers

<u>Taxable Income</u>	<u>Tax:</u>	
First \$7,150	10 percent	
Above:	Up to:	
\$7,150	\$29,050	\$715 + 15% of amount above \$7,150
\$29,050	\$70,350	\$4,000 + 25% of amount above \$29,050
\$70,350	\$146,750	\$14,325 + 28% of amount above \$70,350
\$146,750	\$319,100	\$35,717 + 33% of amount above \$146,750
Over \$319,100		\$92,592.50 + 35% of amount above \$319,100

Federal Tax Rates for Married Filers

Taxable Income	Tax:	
First \$14,300	10 percent	
Above:	Up to:	
\$14,300	\$58,100	\$1,430 + 15% of amount above \$14,300
\$58,100	\$117,250	\$8,000 + 25% of amount above \$58,100
\$117,250	\$178,850	\$22,787.50 + 28% of amount above \$117,250
\$178,650	\$319,100	\$39,979.50 + 33% of amount above \$178,650
Over \$319,100		\$86,328 + 35% of amount above \$319,100

Personal Exemption: \$3,100.

Basic Standard Deduction for 2004:

Filing Status	Amount
Head of household	\$7,150
Married filing jointly & surviving spouse	\$9,700
Single or married filing separately	\$4,850

Income Tax Credits

The income tax credits are grouped by filing status.

Corporate Filers

Credit	Amount
Colorado coal	— \$1 per ton purchased in excess of 1988 purchases.
Crops or livestock	— 25% of charitable contribution up to \$1,000.
New business facility	— \$50 for each new employee and an additional \$50 for each \$100,000 of investment in a new business facility up to 50% of tax liability. (Rural counties are allowed a \$100 credit for new employees and investment).
New investment	— 1% of investment.
Old investment	— 10% of the federal tax credit.
Impact assistance	— value of eligible contribution to a local government to mitigate impact problems related to mining or milling operations.

Individual Filers⁷

Credit	Amount
Child care/child tax	— Up to 50% of the federal credit claimed. ⁸
Colorado minimum tax	— 12% of the federal prior year's minimum tax credit.
Long-term care	— 25% of insurance premium paid, up to \$150 per policy. ⁸
Other state taxes	— Percentage based on taxes paid to another state(s).
Plastic recycling	— 20% of expenditures up to \$10,000.

Corporate and Individual Filers

Credit	Amount
Alternative fuel vehicle conversion	— 50% - 85% of differential or actual cost.
Alternative fuel refueling facility	— Up to 62.5% of construction or acquisition cost, limited to \$400,000 over 5 years.
Child care services	— 50% of the monetary contribution up to \$100,000.
Child care facilities	— 20% of investment in tangible property.
Colorado Works Program	— 20% of employer's expenses.
Conservation easement	— Fair market value up to \$260,000.

Contaminated land redevelopment (municipalities with a population of 10,000)	— Investment up to \$300,000 as follows: 50% of first \$100,000; 30% of next \$100,000; 20% of next \$100,000.
Employer child care facilities	— 10% of investment in tangible property.
Historic preservation	— 20% of costs up to \$50,000.
Rural technology	— 10% of investment up to \$100,000 to provide Internet access in designated rural areas.
School-to-Career Program	— 10% of investment in qualified program.

Enterprise Zone Filers⁹

Credit	Amount
Economic development plan	— 25% of the contribution up to \$100,000 for economic development, including assistance for homeless persons or a non-profit or government-funded community development project.
Investment	— 3% of investment.
Job training	— 10% of training costs.
New business facility	— \$500 for each new employee hired (\$2,500 if facility is located in an enhanced rural enterprise zone) plus \$200 for each employee who is insured under a health insurance plan provided by the employer.

New business agricultural processing facility	— \$1,000 for each new employee hired (\$3,500 if facility is located in an enhanced rural enterprise zone).
Research and development	— 3% of increased research and development costs.
Rehabilitation of vacant buildings	— 25% of the cost up to \$50,000 for buildings at least 20 years old and vacant for two years.

Credits Claimed for FY 2003-04
(in millions)

Corporations:	
Credits	\$5.3
Enterprise Zone Credits	11.4
Subtotal:	\$16.7
Individuals:	
Credits	\$216.7
Enterprise Zone Credits	10.7
Subtotal:	\$227.4
Total credits claimed	\$244.1

Income Tax Checkoffs

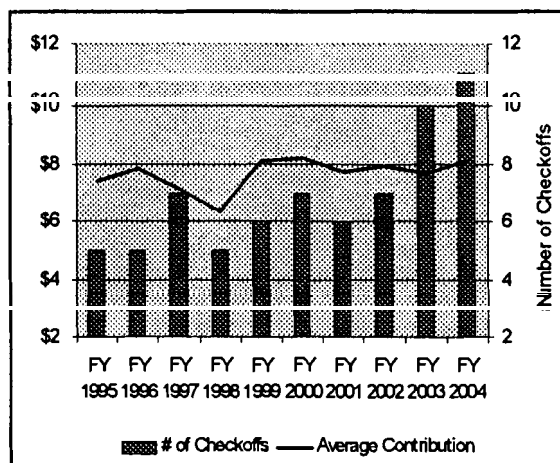
Colorado taxpayers can contribute to certain programs through "Colorado Checkoff." Taxpayers can donate a portion of their income tax refund or increase the amount owed on their tax return. The average contribution and total amount of contributions received by checkoffs during FY 2003-04 follow.

Colorado Checkoff Programs
(FY 2003-04 Contributions)

Fund	Contributions	
	Average	Total
Nongame and Endangered Wildlife	\$9.95	\$308,804
Domestic Abuse	\$9.49	\$252,911
Pet Overpopulation	\$9.03	\$187,298
Homeless Prevention Activities	\$8.67	\$186,211
Special Olympics	\$9.08	\$184,092
Watershed Protection	\$6.91	\$96,800
Family Resource Centers	\$7.29	\$80,316
Court Appointed Special Advocates	\$7.87	\$77,378
Western Colorado State Veterans' Cemetery	\$5.89	\$60,705
U.S. Olympic Committee ¹⁰	\$5.02	\$39,753
Child Care ¹¹	\$9.74	\$8,701
Total	\$8.09	\$1,482,969

From FY 1994-95 to FY 2003-04, as the number of checkoffs has increased, the average individual contribution has stayed about the same.

Average Individual Contributions and Annual Checkoffs
FY 1994-95 to FY 2003-04
(Inflation adjusted)



The following 11 checkoffs are scheduled to appear on the 2004 income tax form:

- ✓ Colorado State Fair;
- ✓ Colorado Watershed Protection Fund;
- ✓ Court Appointed Special Advocates Fund;
- ✓ Domestic Abuse Program Fund;
- ✓ Family Resource Centers Fund;
- ✓ Homeless Prevention Fund;
- ✓ Nongame and Endangered Wildlife Fund;
- ✓ Organ Donation Awareness;
- ✓ Pet Overpopulation Fund;
- ✓ Special Olympics Colorado; and
- ✓ Western Colorado Veterans' Cemetery Fund.

Insurance Premiums Tax

FY 2003-04 Collections: \$175.9 million.

Enacted: 1913.

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

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

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

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

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

Disposition of Revenue: Credited to the General Fund.

Tax Credit: Insurance companies may claim tax credits against the insurance premiums tax for any investment in Certified Capital Companies (CAPCOs), the Colorado Venture Capital Authority, or CoverColorado. The total amount of the credits is capped at \$200 million and is spread over a ten-year period through FY 2014-15.¹²

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Nevada	1	\$2.75
U.S. Average	n/a	\$1.45
Colorado	40	\$1.13
Oregon	50	\$0.51

Liquor Tax

FY 2003-04 Collections: \$30.9 million.

Enacted: 1935.

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

Tax Base: Alcoholic beverages.

Rates: Vary by type of beverage as follows:

<u>Beverage</u>	<u>Tax Rate</u>
Beer	8¢ per gallon
Colorado vinous liquors (1 st 9,000 liters)	13.33¢ per liter
Hard cider	8¢ per gallon
Malt liquors	8¢ per gallon
Other vinous liquors	8.33¢ per liter
Spirituous liquors	60.26¢ per liter

Exemptions:

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

Administration: Department of Revenue. Taxes are due from the manufacturer or first wholesaler on the 20th day of each month for the preceding month's sales.

Disposition of Revenue: After the requirements of the Old Age Pension Fund are satisfied, the remainder is credited to the General Fund. Of the 13.33 cent per liter tax on Colorado wines, 6 cents per liter is credited to the Wine Industry Development Fund. Of the 8.33 cent per liter tax on all other wines, 1 cent per liter is credited to the Wine Industry Development Fund.

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Alaska	1	\$1.31
U.S. Average	n/a	\$0.49
Colorado	43	\$0.20
Wyoming	50	\$0.08

Federal Tax Rates for 2004:

Beer (any alcohol content)	\$18.00 per barrel (about 33¢ per 6-pack)
Distilled spirits	\$13.50 per proof gallon ³
Hard cider	\$0.226 per gallon
Wines:	
14% or less alcohol	\$1.07 per gallon
14% to 21% alcohol	\$1.57 per gallon
21% to 24% alcohol	\$3.15 per gallon
Artificially carbonated	
wine	\$3.30 per gallon
Champagne and other	
sparkling wines	\$3.40 per gallon

Pari-Mutuel Racing Tax

FY 2003-04 Collections: \$4.4 million.

Enacted: 1947.

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

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

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

Distribution and Event **Tax Rate**

Distribution to the General Fund:	
Greyhound - Simulcast and Live	
all wagers	4.5%
Horse Racing - Simulcast	
all wagers	0.75%
Horse Racing - Live, the greater of:	
all wagers	0.75%
per race day	\$2,500

Distribution to CSU School of Veterinary Medicine (to be used for equine research):

Horse Racing - Simulcast	
all "exotic" wagers	0.25%

Held in escrow for the Horse Owners and Breeders Fund:

Horse Racing - Simulcast	
all "win, place, or show" wagers	0.50%
all "exotic" wagers	1.50%

Administration: Department of Revenue. Operators must remit taxes on the day of the event. Horse Owners and Breeders Fund moneys are remitted on the 15th day of each month for the preceding month's events. Distributions to CSU are due on the 10th of each month, for the preceding month.

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
West Virginia	1	\$0.33
U.S. Average	n/a	\$0.03
Colorado	23	\$0.03
14 States	50	\$0.00

Passenger-Mile Tax

FY 2003-04 Collections: \$0.5 million.¹⁴

Enacted: 1931.

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

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

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

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

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

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

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

Sales and Use Tax

FY 2003-04 Collections: Sales: \$1,771.0 million; Use: \$137.3 million.

Enacted: Sales Tax, 1935; Use Tax, 1937

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

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

Rate: 2.9 percent.

Exemptions: Since 1935, 67 types of sales/use tax exemptions have been enacted. These exemptions amounted to an estimated \$537.8 million in FY 2003-04. The following 11 types of sales accounted for 94 percent of the total amount exempted.

Exemptions	Revenue Impact (in millions)
Food for off-premises consumption	\$194.7
Gasoline and special fuel	118.6
Fuel for residential heat, light, and power	41.1
Prescription drugs	30.2
Governmental units	29.2
Machinery or tools used in manufacturing.	25.6
Cigarettes	25.0
Sales to charitable organizations	22.6
Energy used for industry or manufacturing.	7.1
Certain medical supplies and equipment	6.0
<u>Printers ink and newsprint</u>	<u>5.7</u>
Sub-total	\$505.8
Other types of sales ¹⁵	32.0
Total Exemptions	\$537.8

30 Sales and Use Tax

Administration: Department of Revenue. State sales and use taxes are collected by merchants when a transaction occurs. Whenever taxes due are \$300 or more, the tax is paid monthly on the 20th day of the following month. Taxpayers with liabilities less than \$300 per month pay quarterly and the tax is paid by the 20th day after the quarter ends. Wholesalers file annually. Retailers are entitled to retain 2.33 percent of the taxes to cover collection expenses.¹⁶

Disposition of Revenue: After the requirements of the Old Age Pension Fund are satisfied, the remainder is credited to the General Fund. When certain revenue conditions are met, 10 percent of state sales and use tax revenue is transferred to the State Highway Fund.

Comparison with Other States, FY 2003-04:

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

State	Rank	Tax
Hawaii	1	\$49.40
U.S. Average	n/a	\$21.23
Colorado	44	\$12.11
5 States	50	\$0.00

Sales and Use Tax 31

Severance Tax

FY 2003-04 Collections: \$119.1 million.

Enacted: 1977

Citations: Title 39, Article 29, C.R.S.

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

Rates: Vary by mineral type as follows:

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

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

Metallic Minerals (assessed on gross income):

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

Molybdenum:

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

Oil and Gas (assessed on net producer gains):

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

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

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

Administration: Department of Revenue. Taxes are collected annually on or before the 15th day of the fourth month following the end of the taxable year, except for molybdenum which must be filed by the 15th day of the month following the end of a quarter.

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

Tax Credits: Allowed against a company's state severance tax liability.

Credit	Amount
Coal	— 50% of the severance tax liability for coal produced by underground mines and an additional 50% for lignitic coal.
Impact assistance	— Contributions to local governments to mitigate social and economic impacts tied to mineral development activities.
Metallic minerals	— Property taxes paid capped at 50% of the state severance tax liability.
Oil and gas	— 87.5% of all property taxes paid except those imposed on equipment and facilities used for production, transportation, and storage.

Comparison with Other States, FY 2003-04:

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

<u>State</u>	<u>Rank</u>	<u>Tax</u>
Wyoming	1	\$42.68
U.S. Average	n/a	\$0.67
Colorado	15	\$0.58
16 States	50	\$0.00

Specific Ownership Tax

FY 2003-04 Collections: \$10.0 million state;
\$448.3 million local government revenue for
CY 2003.¹⁷

Enacted: 1937.

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

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

Rates: Vary by Class A, B, or C and age of
vehicle as follows:¹⁸

Vehicle Class and Age **Tax Rate**

Trucks (A & B) and passenger motor vehicles (C):

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

Above percentages are applied as follows:

Trucks:

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

Passenger motor vehicles 85% of MSRP

Exemptions:

- farm tractors and implements used in agricultural operations;
- firefighting and police ambulances and patrol wagons;
- mobile homes;
- mobile machinery and self-propelled construction equipment not operated on highways if the equipment is listed with and assessed by the county assessor;
- vehicles of non-resident military personnel stationed in Colorado;¹⁹
- one Class B and one Class C vehicle weighing less than 6,500 pounds owned by a disabled veteran, veteran with a Purple Heart, or P.O.W.;
- U.S. and Colorado government vehicles including vehicles leased by the state; and
- vehicles displaying plates issued by the U.S. Armed Forces in a foreign country (45-day exemption).

Disposition of Revenue: Revenue from Class A vehicles is apportioned to the counties according to the number of miles of state highways within their jurisdiction. Revenues from all other vehicle classes are collected by counties and apportioned annually among the county and each political subdivision located within the county based upon the proportion of property taxes levied within the county during the preceding calendar year.

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

Tobacco Products Tax

FY 2003-04 Collections: \$12.0 million.

Enacted: 1986.

Citations: Article X, Section 21, Colorado Constitution; Title 39, Article 28.5, C.R.S.

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

Rates: Effective January 1, 2005, 40 percent of the manufacturer's list price or the invoice price paid by the distributor to a manufacturer or supplier.

Administration: Department of Revenue. Distributors must file a "Tobacco Products Tax Return" on a quarterly basis. The return and tax payment must be filed by the 20th day of the month following the reporting quarter.

Disposition of Revenue: Half of the tax is credited to the General Fund after the requirements of the Old Age Pension Fund are satisfied. The remaining half is targeted for state and local health care and tobacco-related programs.

Comparison with Other States, FY 2003-04:

See Cigarette Tax.

Federal Tax Rates for 2004:

Chewing Tobacco	19.5¢ per pound
Cigars	
Large (more than 3 lbs. per 1,000):	
20.72% of wholesale capped at \$48.75 per 1,000	
Small (3 lbs. or less per 1,000):	
	\$1.83 per 1,000
Pipe Tobacco	1.0969¢ per pound
Snuff	58.5¢ per pound

Unemployment Insurance Tax

FY 2003-04 Collections: \$352.9 million.

Enacted: 1936.

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

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

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

Employer	Tax Rate
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Regular rates (based on the history of benefits paid to a employer's former employees relative to taxes paid):

Most first-year employers	1.70%
Other employers	0.0% to 5.4%
Solvency tax ²⁰	
(1st year in effect)	0.000% to 0.011%
(2nd year in effect)	0.000% to 0.022%
(3rd year in effect)	0.000% to 0.033%
(4th year in effect)	0.000% to 0.044%
(5th year in effect)	0.000% to 0.054%

Surcharge tax rate 0.22%

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

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

Workers' Compensation Tax

FY 2003-04 Collections: \$52.7 million.

Enacted: 1945.

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

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

Rates and Disposition of Revenue: Annually adjusted. The total tax, with surcharges, beginning July 1, 2004, is 3.818 percent, which is distributed as follows:

Distribution	Tax Rate or Surcharge
Premium Cost Containment Fund ²¹	0.030%
Subsequent Injury and Major Medical Insurance Fund	2.888%
Workers' Compensation Cash Fund	0.900%
Total assessed on premiums	3.818%

Plus:

Subsequent Injury and Major Medical Insurance Fund \$15,000 per death

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

State Property Tax Relief Programs

There are three state programs that either reduce or defer payment of property taxes for qualifying senior citizens. One of the three programs also benefits disabled persons.

Property Tax/Rent and Heat/Fuel Grant Program. This program is administered by the Department of Revenue and rebates property taxes or rent and heating expenses paid by qualifying low-income senior and disabled persons.

Available to: Colorado residents age 65 or older or a surviving spouse at least age 58 by December 31 of the year the grant is claimed; Colorado residents who are disabled for the entire year for which the grant is claimed. Grants are phased out when income for single filers exceeds \$11,000 or income for married filers exceeds \$14,700.

Qualifying persons must file: Form 104 PTC with the Department of Revenue each year the grant is claimed.

Program allows: up to \$600 for property taxes paid or 20 percent of actual rent paid and \$192 for heat/fuel expenses actually paid.

Property Tax Deferral Program. This program allows seniors to annually defer payment of property taxes on their personal residence and is administered by the Department of Treasury.

Available to: Colorado residents age 65 or older or a surviving spouse at least age 60 by January 1 of the year the deferral is claimed.

Qualifying persons must file: An application with the county treasurer each year property taxes are deferred.

Program allows: Filers to defer or postpone the payment of their property taxes and special assessments on their residence, townhouse, condominium, or mobile home. In general, the amount deferred, plus interest, is due after the property is sold or the mortgage changes hands.

Colorado's Homestead Exemption. This program exempts a portion of the taxable value of a home for seniors who have owned and occupied their home for the preceding ten years. This program is administered by the Division of Property Taxation. The General Assembly temporarily suspended the program for the 2003 through 2005 property tax years. The exemption is scheduled to be reinstated in property tax year 2006.

Available to: Colorado residents age 65 or older by January 1 of the year the exemption is claimed. There is no age requirement for an unmarried surviving spouse of a previously qualified individual.

Qualifying persons must file: An application with the county assessor by July 15 the first year the exemption is claimed.

Program allows: Filers to exempt up to one-half of the first \$200,000 of a home's value from property taxation.

End Notes

1. The federal phase out of the estate tax credit will eliminate state revenues from this source beginning FY 2006-07.
2. Crop dusters using a private airstrip can receive a refund equal to 50% of the gallonage taxes paid.
3. State law requires at least 6.5 percent of gaming revenue be distributed annually to the Local Government Limited Gaming Impact Fund. The distribution was temporarily suspended for FY 2003-04. However, proceeds from the tax amnesty program allowed for the money to be paid back to the fund.
4. Distribution to the State Highway Fund is at the discretion of the legislature.
5. State law requires that 0.2 percent of gaming revenue be distributed annually to the Tourism Promotion Fund. The distribution was suspended for FY 2003-04.
6. National Conference of State Legislatures 2004 survey.
7. Includes fiduciaries, such as estates and trusts, and certain businesses, such as sole proprietorships and limited liability companies.
8. This credit is subject to income limitations.
9. An enterprise zone is an economically distressed area for which special tax incentives are offered. Enterprise zone credits can be claimed by both individuals and corporations.
10. This checkoff did not meet the contribution threshold and will not appear on the 2004 income tax form.

11. This checkoff last appeared on the 2002 income tax form because it did not meet the contribution threshold to appear on the 2003 income tax form. Contribution amounts for FY 2003-04 represent carryover late and amended returns only.
12. For additional information on the CAPCO program, please see Legislative Council Staff Issue Brief 04-09, "The CAPCO Program and 2004 Legislation."
13. A proof gallon is a liquid gallon consisting of 50 percent alcohol. The current rate of \$13.50 per proof gallon results in a tax of about 21 cents per ounce of alcohol.
14. Collection amount is excluded from the summary of total tax collections on pages 1 and 2 because a portion of these revenues is fee-based.
15. Of the 67 exemptions, three are TABOR refund mechanisms that are not available or included in the amounts for FY 2003-04.
16. This percentage increases to 3.33 percent for sales after June 30, 2005.
17. Collection amounts are excluded from revenues in the summary of total tax collections on pages 1 and 2 of this report because local governments retain the revenues generated from the tax.
18. For tax purposes, a truck, truck tractor, trailer, or semitrailer that is classified as an interstate commercial carrier and used to transport persons or property over public highways in the state is a Class A motor vehicle. Trucks not included in Class A (non-interstate commercial carriers) are Class B motor vehicles. Passenger automobiles are Class C motor vehicles. Utility and camper trailers and certain mobile machinery are Class D and F motor

vehicle types and are not included in this booklet. There is no longer a Class E category.

19. Federal Soldiers and Sailors Civil Relief Act (SSCRA).
20. The solvency tax is levied when the Unemployment Insurance Trust Fund balance falls below 0.9 percent of total private wages. Based on the December 2004 LCS forecast, the solvency tax will be effective in CYs 2004 through 2007.
21. Self-insured employers are not subject to this surcharge and pay a total rate equal to 3.788 percent.