



# OFFICE OF THE STATE AUDITOR



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## **Evaluations Continue to Provide Lawmakers with Important Insight into State's Tax Provisions**

DENVER—The Office of the State Auditor (OSA) has released its third annual compilation report of tax expenditures, an effort that began when Senate Bill 16-203 directed the OSA to examine every tax expenditure on the books within 5 years and report back to the General Assembly annually on their effectiveness.

The individual evaluations are released periodically throughout the year; however, this 2020 compilation released today pulls together all of the OSA's work over the past 12 months into a single report and includes five new evaluations that had not previously been available—Old and New Investment Tax Credits, Impact Assistance Credits, Railroad Exemptions, Residential Power Exemptions, and Coal Severance Tax Expenditures.

The 2020 compilation report covers 72 tax expenditures that are grouped into 30 separate evaluations. The subjects are wide ranging, from Enterprise Zones Tax Expenditures, which are focused on incentivizing businesses to locate and expand their operations in economically distressed parts of the state; to exemptions from state excise tax on the production of homemade alcohol for personal use; to severance tax exemptions and credits related to coal mining operations in Colorado.

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These evaluation reports are not audits and they do not offer recommendations, but they do provide important analysis to help lawmakers determine whether tax expenditures established in state law are meeting their purpose, how they impact the state, and what actions, if any, are suggested.

The OSA's tax expenditure evaluations continue to draw national attention and recognition from organizations such as the PEW Charitable Trusts and the Colorado Fiscal Institute. The OSA's 2018 Tax Expenditure Compilation Report won the National State Auditors Association Excellence in Accountability Award for Special Projects.

State statute defines a tax expenditure as "a tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue." Tax expenditures are not subject to any state department's oversight or the State's annual budget and appropriations process, but are called expenditures because they decrease available state funds by reducing the amount of state revenue collected.

The full 2020 compilation report, as well as evaluation reports for individual tax expenditures are available online at [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

#### **About the Office of the State Auditor (OSA)**

Under the direction of the State Auditor, the OSA is the State's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA also conducts evaluations of the State's tax expenditures (e.g., credits, exemptions, deductions) established in statute and tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits, evaluations, and other work products that promote accountability and positive change in government.

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