



**REPORT OF
THE
STATE AUDITOR**

SCHEDULE OF TABOR REVENUE

SEPTEMBER 2001

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STATE OF COLORADO

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September 14, 2001

Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the *Schedule of TABOR Revenue* as of June 30, 2001 and 2000. The audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of TABOR revenue. The State Controller reported TABOR revenue of \$8,877,105,406 and a TABOR limit of \$7,948,550,157, which resulted in a current year excess of \$928,555,249. Prior year adjustments resulted in a decrease in the refund of \$1,354,443, which resulted in total excess TABOR revenue of \$927,200,806.

During our audit we determined that TABOR revenue was \$8,876,858,556 and the revenue limit was \$7,948,550,157, which resulted in current year excess revenue of \$928,308,399. Prior year adjustments were \$1,655,674 decreasing the excess revenue to \$926,652,725. The difference in the refund of \$548,081 was primarily due to a mathematical error in calculating the prior year adjustments, in classifying gifts at Pueblo Community College, and recording deferred revenue at the Department of Agriculture.

TABLE OF CONTENTS

	PAGE
REPORT SUMMARY	1
TABOR Revenue	3
 AUDITOR’S REPORT AND SCHEDULE OF TABOR REVENUE	
Independent Auditor’s Report	13
Schedule of TABOR Revenue	15
 APPENDICES	
Appendix A - Description of Revenue Categories	19
Appendix B - Description of Refunding Mechanisms	23
Appendix C - Other TABOR Revenue	27



J. DAVID BARBA, CPA
State Auditor

SCHEDULE OF TABOR REVENUE

Authority, Purpose, and Scope

This audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires that the State Auditor conduct an audit of TABOR revenue. The audit was conducted in accordance with generally accepted auditing standards. We performed our audit work during the period August 2001 through September 2001.

The purpose and scope of the audit were to:

- Express an opinion on the *Schedule of TABOR Revenue* as of June 30, 2001 and 2000.
- Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2001 and 2000.

For further information on this report, contact the Office of the State Auditor at (303) 866-2051.

TABOR Revenue

Description and Background

The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20, of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in the State's population. The State Controller annually prepares a *Schedule of TABOR Revenue* and a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*. These reports are audited as part of the annual financial audit.

Revenue Limit

The TABOR revenue limit was exceeded for the first time during the fiscal year ended June 30, 1997. The revenue limit has also been exceeded in each year since then, for cumulative excess revenue of about \$3.2 billion. According to estimates by both the Colorado Legislative Council and the Office of State Planning and Budgeting, the State will continue to exceed the revenue limit for at least the next five years.

With regard to excess revenue, Article X, Section 20 (7) (d) of the State's Constitution states that "if revenue from sources not excluded from fiscal year spending exceeds these limits in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset." The State is not limited to refunding solely from general funds or ratably from those revenue sources in excess of the limit. Article X, Section 20 (1) says that "...districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return."

The excess revenue has been refunded in a variety of ways since the revenue surpluses first began in 1997. In both 1997 and 1998 the Legislature decided to distribute the entire excess as a sales tax credit on each full-year resident's individual income tax return. In 1999 the excess of \$679.6 million was refunded through three mechanisms. A total of \$25.3 million was refunded as earned income credits, \$79.6 million was refunded through personal property tax credits, and \$589.1 million was refunded as a sales tax credit on each full-year resident's individual income tax return. The total amount refunded was \$694 million.

The 2000 excess of \$941.1 million was refunded through the following mechanisms shown in the table below:

Fiscal Year 2000 Refund Distribution Per Statute		
Description	Statute Citation	Fiscal Year 2000 Refunds (Millions)
Sales Tax Refund	Section 39-22-2003, C.R.S.	\$703.7
Other Credits:		
Colorado Capital Gains Modification and Expansion	Section 39-22-518, C.R.S.	\$86.1
Business Personal Property Tax Credit	Section 39-22-124, C.R.S.	79.0
Interest, Dividend, and Capital Gains to \$1,200/\$2,400	Section 39-22-104, C.R.S.	43.3
Earned Income Credit	Section 39-22-122, C.R.S.	29.5
Child Care Credits	Section 39-22-119, C.R.S.	18.9
Income Tax Credit for the Cost of Health Benefits	Section 39-22-125, C.R.S.	2.6
Rural Health Care Providers	Section 39-22-126, C.R.S.	0.3
Pollution Control Provisions ¹	Section 39-26-502, C.R.S.	-
Subtotal Other Credits		\$259.7
TOTAL		\$963.4
Source: Department of Revenue information.		
¹ Amount is \$40,860.		

The total amount refunded of \$963.4 million exceeded the liability by about \$22.3 million. Refunds may occur in excess of the TABOR liability because the amount claimed for each refunding mechanism may exceed the amount estimated to be paid and because statute requires the State to calculate the sales tax refund at 105 percent of the projected liability. The refunds exceeding the liability will lower the revenue by the same amount in the subsequent year.

During the 2000 and 2001 legislative sessions several refunding mechanism bills were passed to distribute the Fiscal Year 2001 excess revenue. The amount of the excess revenue will determine what combination of the refunding methods are applicable. The table that follows provides a summary of the legislation and Appendix B provides a more detailed description of each refunding mechanism.

Fiscal Year 2001 Distribution Per Statute			
Description	Statute Citation	Applies When Refund Exceeds¹	Estimated Fiscal Year 2001 Refunds (Millions)
Sales Tax Refund	Section 39-22-2003, C.R.S.	Remaining	\$580.2
Other Credits:			
Business Personal Property Tax	Section 39-22-124, C.R.S.	\$204.2	\$94.5
Colorado Capital Gains Modification	Section 39-22-518, C.R.S.	312.2	38.4
Interest, Dividend, and Capital Gains to \$1200/2400	Section 39-22-104, C.R.S.	264.3	38.4
Earned Income Credit	Section 39-22-122, C.R.S.	60.1	34.1
Motor Vehicle Registration Fees	Section 24-75-216, C.R.S.	365.7	33.7
Expanded Colorado Capital Gains Modification	Section 39-22-124, C.R.S.	476.5	28.0
Income Tax Credit for Cost of Health Benefits	Section 39-22-125, C.R.S.	443.2	22.5
Child Care Credits	Section 39-22-119, C.R.S.	321.3	22.1
Income Tax Modification for Interest, Dividends, and Capital Gains	Section 39-22-104, C.R.S.	387.8	7.8
Interstate Commerce Sales and Use Tax Exemption	Section 39-26-106, C.R.S.	387.8	6.3
Income Tax Deduction for Charity	Section 39-22-104, C.R.S.	387.8	5.1
Individual Development Accounts	Section 39-22-524, C.R.S.	210.5	5.0
Agriculture Value-Added Development	Section 39-22-527, C.R.S.	443.2	4.0
Pollution Control Providers	Section 39-26-502, C.R.S.	387.8	4.0
Income Tax Credit for Foster Parents	Section 39-22-127, C.R.S.	200.0	2.0
High Technology Scholarships	Section 39-22-523, C.R.S.	365.7	0.4
Rural Health Care Providers	Section 39-22-126, C.R.S.	315.8	0.4
Telecommunication Education	Section 39-22-525, C.R.S.	387.8	0.3
Subtotal Other Credits			\$347.0
TOTAL			\$927.2
Source: Office of State Planning and Budgeting information.			
¹ Refunding mechanisms are in effect when the excess TABOR revenue exceeds the above amounts.			

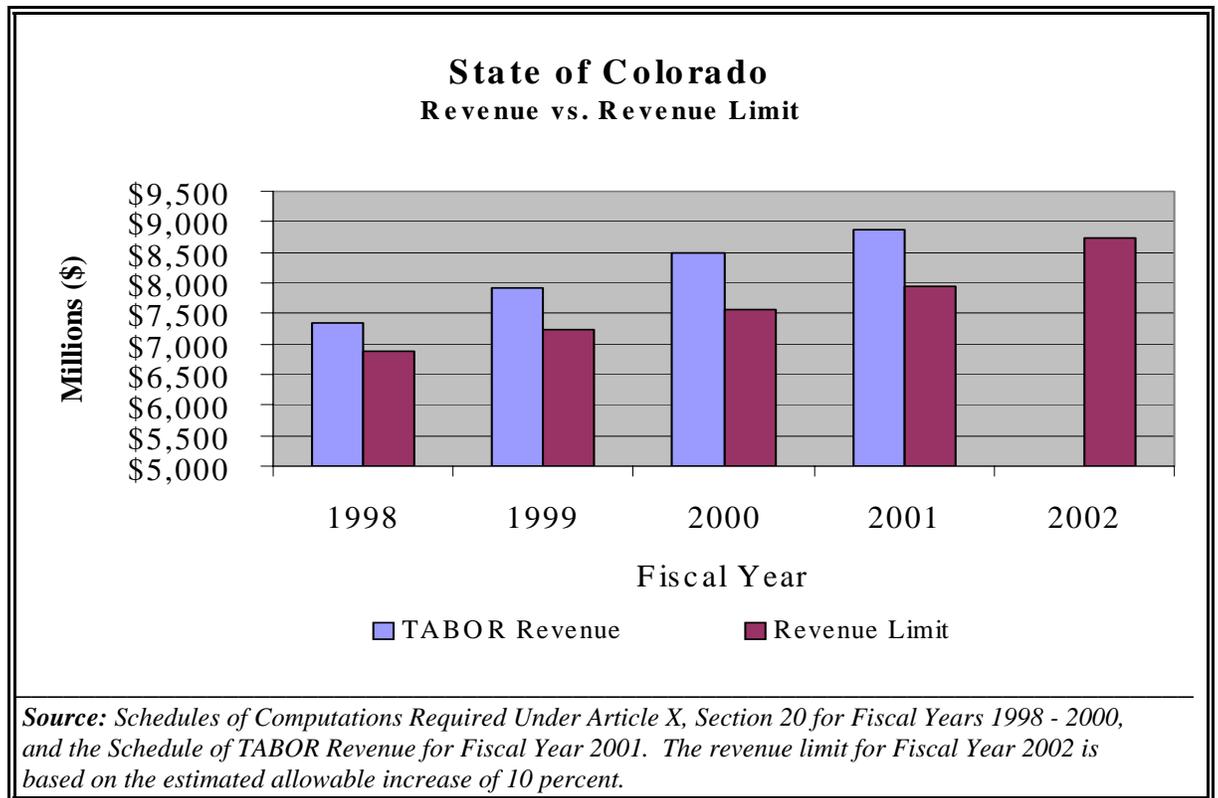
Several permanent tax cuts were enacted during the 1999, 2000, and 2001 legislative sessions that will also lower future TABOR revenue. The Office of State Planning and Budgeting estimates about a \$580.2 million revenue reduction in Fiscal Year 2002. The most significant reduction was in income taxes. The rate was reduced to 4.63 percent from 4.75 percent effective January 1, 2000. The sales tax rate was reduced to 2.9 percent effective January 1, 2001, down from the current 3 percent. There are a variety of other permanent tax reductions that include low-income housing owner credits, redevelopment incentives for contaminated property, prepaid tuition tax exclusions, bingo equipment exclusions, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions.

In addition, voters also approved changes that will lower future revenue subject to TABOR. These include the following for Fiscal Year 2001:

Voter Approved Revenue Changes		
Constitutional Amendment	Requirement	TABOR Impact (Millions)
Amendment 23	Creates the State Education Fund, which receives all state revenue collected from a tax of 1/3 of 1 percent of federal taxable income as follows: <ul style="list-style-type: none"> • Individual income taxes of \$3.985 billion reduced by \$149.8 million; • Corporate income taxes of \$332.3 million reduced by \$13.3 million; • Fiduciary income taxes of \$32.8 million reduced by \$1.2 million. 	\$164.3
Amendment 14	Assesses a fee on housed commercial swine feeding operations.	0.2
Amendment 20	Assesses an application fee to obtain a Medicinal Marijuana identification card. There is no Fiscal Year 2001 impact, but TABOR revenue will be reduced in future years.	-
TOTAL		\$164.5
Source: State Controller's Office and Department of Revenue information.		

We reviewed the State Controller’s computation of the TABOR revenue limit. For Fiscal Year 2001, the audited TABOR limit was \$7,948,550,157, the revenue was \$8,876,858,556, resulting in current excess revenue of \$928,308,399. Prior year adjustments decreased the refund by \$1,655,674 for a total excess TABOR revenue of \$926,652,725. This is a \$548,081 reduction in the refund reported by the State Controller's Office. The difference is primarily due to a mathematical error in calculating the prior year adjustments, in classifying gifts at Pueblo Community College, and recording deferred revenue at the Department of Agriculture.

The graph that follows compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 1998 to Fiscal Year 2001. In Fiscal Year 2001 the allowable growth was 5.1 percent. The preliminary Fiscal Year 2002 revenue limit is included to highlight the fact that current year revenue exceeds next year's limit. Although the allowable growth rate in Fiscal Year 2002 is 10 percent, TABOR revenue is also expected to increase and a refund is still expected to occur.



Sources of TABOR Revenue Growth

There are two types of revenue subject to the growth limitations set forth in TABOR—general funds and cash funds. General funds primarily include revenue from the general taxing authority of the State, such as individual and corporate income taxes. Cash funds generally include revenue from fees and other sources that are to be used for specific programs, such as education service fees and fuel/transportation taxes. In general, cash funds increases come from two sources—either a change in the rate charged or an increase in the usage of services. General funds grew at a rate of about 4 percent in Fiscal Year 2001 as compared with 9 percent in Fiscal Year 2000, while cash funds grew at a rate of nearly 6 percent in Fiscal Year 2001 as compared with 3 and one-half percent for Fiscal Year 2000. Those categories that increased by more than the allowable 5.1 percent limitation for 2001 were made up of about 31 percent general funded and 69 percent cash funded sources. This compares with about 93 percent general funded and 7 percent cash funded sources for 2000. The dramatic shift is primarily due to sales and use taxes increasing by less than the allowable growth rate in Fiscal Year 2001 and by the effect of Amendment 23 on income tax revenue subject to TABOR.

The following table shows the major sources of revenue where growth exceeded the 5.1 percent TABOR limitation in Fiscal Year 2001, with comparative figures for 2000 and 1999. Those sources not exceeding the 5.1 percent limit are included in this chart as “Other Revenue” and are detailed in Appendix C. The table and Appendix C are further organized by general-funded and cash-funded revenue. For those revenue sources used for both general- and cash-funded purposes, addition of amounts in the chart below and/or Appendix C is required to arrive at the totals of the individual revenue categories shown in the *Schedule of TABOR Revenue* on page 15.

State of Colorado Sources of TABOR Revenue Growth

	Fiscal Year 2001	Fiscal Year 2000	2000 to 2001 % Change	Fiscal Year 1999	1999 to 2000 % Change
GENERAL-FUNDED REVENUE:					
Corporate Income Tax, Net	\$ 319,037,240	\$ 289,228,619	10.3%	\$ 276,092,038	4.8%
Insurance Taxes	141,992,774	128,542,486	10.5%	117,867,039	9.1%
Estate and Inheritance Taxes	82,563,486	59,731,067	38.2%	67,140,458	-11.0%
Interest and Investment Income	44,986,292	41,987,857	7.1%	47,501,029	-11.6%
Other General-Funded Revenue	5,912,251,167	5,737,916,933	3.0%	5,240,969,901	9.5%
TOTAL GENERAL- FUNDED REVENUE	6,500,830,959	6,257,406,962	3.9%	5,749,570,465	8.8%
CASH-FUNDED REVENUE:					
Education Service Fees	579,993,648	550,871,201	5.3%	530,975,270	3.7%
Interest and Investment Income	212,504,202	189,199,047	12.3%	184,832,069	2.4%
Gaming and Other Taxes	90,033,599	77,628,225	16.0%	75,367,640	3.0%
Business Licenses and Permits	69,072,545	64,032,386	7.9%	66,095,935	-3.1%
Severance Tax	68,890,858	36,238,953	90.1%	32,752,467	10.6%
Court and Other Fines	56,176,042	49,521,474	13.4%	45,581,729	8.6%
Nonbusiness Licenses and Permits	54,530,534	44,509,685	22.5%	41,907,874	6.2%
Other Charges for Services	44,001,632	40,004,792	10.0%	32,536,694	23.0%
Local Governments and Authorities	32,242,950	20,660,355	56.1%	17,026,394	21.3%
Rents	26,348,947	21,585,226	22.1%	19,274,849	12.0%
General Government Service Fees	20,800,121	19,225,864	8.2%	22,089,204	-13.0%
Unclaimed Money	16,718,931	12,029,037	39.0%	12,045,242	-0.1%
Certifications and Inspections	16,285,779	15,407,198	5.7%	14,577,276	5.7%
Sales and Use Tax, Net	11,900,123	8,710,720	36.6%	5,279,258	65.0%
Other Cash-Funded Revenue	1,075,420,093	1,097,807,869	-2.0%	1,073,106,217	2.3%
TOTAL CASH-FUNDED REVENUE	2,374,920,004	2,247,432,032	5.7%	2,173,448,118	3.4%
TOTAL TABOR REVENUE	\$ 8,875,750,963	\$ 8,504,838,994	4.4%	\$ 7,923,018,583	7.3%

Source: Office of the State Auditor analysis of State Controller's Office data and does not include the adjustments noted in the Independent Auditor's Report.

¹ The amount of Corporate Income Tax was reduced by Amendment 23 transfers of \$13,290,000 from the amount shown on the Schedule of TABOR Revenue.

² This represents revenue not exceeding the allowable TABOR growth rate of 5.1 percent. See Appendix C for detail included in "Total Other General-Funded Revenue" and "Total Other Cash-Funded Revenue".

Financial Information



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September 14, 2001

Independent Auditor's Report

Members of the Legislative Audit Committee:

We are in the process of auditing, in accordance with generally accepted auditing standards, the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*, as of June 30, 2001, and have not yet issued our report. As part of that audit, we have audited the *Schedule of TABOR Revenue* of the State of Colorado for the years ended June 30, 2001 and 2000. The *Schedule of TABOR Revenue* is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the *Schedule of TABOR Revenue* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying *Schedule of TABOR Revenue* was prepared for the purpose of demonstrating compliance with state fiscal policies relating to Article X, Section 20 of the State Constitution (TABOR) with regard to TABOR revenue. The schedule has been prepared in conformity with generally accepted accounting principles unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control. The schedule is not intended to be a complete presentation of the State's revenue.

In our opinion, the accompanying *Schedule of TABOR Revenue* presents fairly, in all material respects, the revenue as determined under Article X, Section 20 of the State Constitution for the years ended June 30, 2001 and 2000, in conformity with generally accepted accounting principles.

The *Schedule of TABOR Revenue* does not include audit adjustments of \$548,081. If the adjustments had been included revenue, as determined under Article X, Section 20 of the State Constitution, for the year ended June 30, 2001, would have been reduced to \$8,875,202,882 from \$8,875,750,963.

State of Colorado
Schedule of TABOR Revenue

	Fiscal Year 2001	Fiscal Year 2000	Increase (Decrease)	Percent Change
Individual Income Tax, Net	\$ 3,985,149,129	\$ 3,687,314,615	\$ 297,834,514	8.1%
Corporate Income Tax, Net	332,327,240	289,228,619	43,098,621	14.9%
Fiduciary Income Tax, Net	32,759,182	30,892,303	1,866,879	6.0%
Education Fund Transfers (Amend. 23)	(164,266,000)	-	(164,266,000)	
TOTAL INCOME TAX	4,185,969,551	4,007,435,537	178,534,014	4.5%
Sales Tax, Net	1,760,320,741	1,734,663,523	25,657,218	1.5%
Use Tax, Net	157,884,117	142,504,641	15,379,476	10.8%
Tobacco Products Tax, Net	67,987,018	67,236,497	750,521	1.1%
Alcoholic Beverages Tax, Net	29,765,147	28,199,190	1,565,957	5.6%
Other Excise Taxes, Net	183,612	209,760	(26,148)	-12.5%
TOTAL EXCISE TAX	2,016,140,635	1,972,813,611	43,327,024	2.2%
Fuel and Transportation Taxes, Net	529,229,326	522,598,118	6,631,208	1.3%
Employment Taxes	170,438,241	199,137,514	(28,699,273)	-14.4%
Insurance Taxes	185,216,028	171,187,111	14,028,917	8.2%
Estate and Inheritance Taxes	82,563,486	59,731,067	22,832,419	38.2%
Gaming and Other Taxes	96,740,001	85,237,781	11,502,220	13.5%
Severance Taxes	68,890,858	36,238,953	32,651,905	90.1%
TOTAL OTHER TAXES	1,133,077,940	1,074,130,544	58,947,396	5.5%
Education Tuition and Fees	579,993,648	550,871,201	29,122,447	5.3%
Motor Vehicle Registrations	148,724,924	148,986,616	(261,692)	-0.2%
Business Licenses and Permits	73,479,856	70,063,649	3,416,207	4.9%
Hunting and Fishing Licenses	53,472,420	53,358,093	114,327	0.2%
Nonbusiness Licenses and Permits	55,136,585	45,108,258	10,028,327	22.2%
Health Service Fees	31,046,138	30,886,020	160,118	0.5%
Other Charges for Services	44,001,632	40,004,792	3,996,840	10.0%
General Government Service Fees	20,988,548	19,626,925	1,361,623	6.9%
Driver's Licenses	20,070,114	21,744,243	(1,674,129)	-7.7%
Certifications and Inspections	17,386,062	16,420,460	965,602	5.9%
Public Safety Service Fees	3,015,713	2,832,419	183,294	6.5%
Employee Benefit Fees	302,407	1,573,994	(1,271,587)	-80.8%
Welfare Service Fees	284,528	257,871	26,657	10.3%
TOTAL LICENSES, PERMITS AND FEES	1,047,902,575	1,001,734,541	46,168,034	4.6%
Interest and Investment Income	257,493,446	231,186,904	26,306,542	11.4%
Court and Other Fines	81,545,250	79,158,164	2,387,086	3.0%
Disproportionate Share Providers	-	7,131,370	(7,131,370)	-100.0%
Higher Education Auxiliary				
Sales and Services	31,284,545	30,822,246	462,299	1.5%
Miscellaneous Revenue	31,098,370	27,815,790	3,282,580	11.8%
Rents	26,348,947	21,585,226	4,763,721	22.1%
Local Governments and Authorities	32,249,560	20,660,355	11,589,205	56.1%
Sales of Products	17,275,656	16,449,088	826,568	5.0%
Unclaimed Money, Net	16,718,931	12,029,037	4,689,894	39.0%
Prior Year Adjustments	(1,354,443)	1,886,581	(3,241,024)	-171.8%
TOTAL OTHER REVENUE	492,660,262	448,724,761	43,935,501	9.8%
TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS	\$ 8,875,750,963	\$ 8,504,838,994	\$ 370,911,969	4.4%

Appendices

Appendix A

Description of Revenue Categories

Category	Description
INCOME TAX	
Individual Income Tax, Net	Tax paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS, child support), and tax checkoffs
Corporate Income Tax, Net	Taxes based on the net profits of corporations
Fiduciary Income Tax, Net	Taxes on trust and estate income
Education Fund Transfers	Reduction of income taxes for transfers made to the State Education Fund
EXCISE TAX	
Sales Tax, Net	Taxes collected by retailers on consumer purchases of tangible personal property
Use Tax, Net	Taxes remitted by the end consumer of tangible personal property purchased at retail prices
Tobacco Products Tax, Net	Tax on the sale, use, consumption, handling, or distribution of tobacco products
Alcoholic Beverages, Net	Taxes collected from retailers who sell alcohol products
Other Excise Taxes, Net	Tax for occupational license renewals, tourism and promotion, and certain penalties
OTHER TAXES	
Fuel and Transportation Taxes, Net	Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, gasohol, and other fuels

Category	Description
Employment Taxes	Employment insurance paid by employers for funding unemployment benefits
Insurance Taxes	Taxes on insurance premiums collected by insurance companies
Estate and Inheritance Tax	Taxes collected on the assets of estates
Gaming and Other Taxes	Taxes on gaming facilities based on percentages of income
Severance Tax	Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals
LICENSES, PERMITS AND FEES	
Education Tuition and Fees	Tuition and other education-related fees collected by state colleges and universities from students
Motor Vehicle Licenses	Collection of fees for license plates and tags
Business Licenses and Permits	Licenses and permits for special functions of a business (e.g., child care licenses, alcoholic beverage licenses, and waste management permits)
Hunting and Fishing Licenses	Licenses issued to individuals for hunting and fishing
Nonbusiness Licenses and Permits	Environmental response surcharges, park passes, distributive data processing fees, motorcycle operator safety training, waste tire recycling, etc.
Health Service Fees	Fees collected for health services, including laboratory test fees and animal diagnostic lab fees

Category	Description
Other Charges for Services	Various fees, the majority of which are collected by the Public Utilities Commission, the Division of Banking, Universities, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations
General Government Service Fees	Service charges by various agencies to the public (e.g., fees charged by the Central Indexing System Board, filing fees with the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture)
Driver's Licenses	Fees for driver's licenses
Certifications and Inspections	Emission inspection stickers, emission registration, emission inspection station licenses, and other fees
Public Safety Service Fees	Fees for firefighter response, food protection programs, and background investigations
Employee Benefit Fees	Fees primarily collected for premiums paid under COBRA
Welfare Service Fees	Child abuse registry fees
OTHER REVENUE	
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
Court and Other Fines	Fines and forfeits levied by the courts
Disproportionate Share Providers	Medicaid disproportionate share from University Hospital and Denver Health Medical Center, and donations from private and public sources
Higher Education Auxiliary Sales and Services	Revenue from operations such as bookstores, cafeterias, student unions, etc.

Category	Description
Miscellaneous Revenue	Revenue not included in another category (e.g., charges by colleges and universities for services to outside entities and operating transfers from TABOR exempt enterprises and auxiliaries to other non-exempt state agencies)
Rents	Income from the lease of state land to private parties
Local Governments and Authorities	Funds from counties, cities, special districts, etc. primarily in the form of grants
Sales of Products	Sales of publications, maps, materials, and supplies
Unclaimed Money, Net	Abandoned property, unclaimed insurance proceeds, and unclaimed interests in business associations; net of claims paid and allowance for future claims payments
Prior Year Audit Adjustments	Effect of errors in classifications of TABOR revenue in prior years

Appendix B

Description of Refunding Mechanisms

Mechanism (Effective Date)	Description
Business Personal Property Tax Credit (July 1, 1999)	When the excess TABOR revenue exceeds \$170 million annually adjusted for inflation, a personal property tax credit is allowed for 16 percent of the aggregate amount of personal property tax paid, plus the lesser of 84 percent of the amount paid or \$588. This is an increase from the prior year amount of the lesser of \$500 plus 13.37 percent of the amount exceeding \$500 or the amount of actual taxes paid.
Colorado Capital Gains Modification (January 1, 2000)	When the excess TABOR revenue exceeds \$260 million annually adjusted for inflation, a deduction is provided for capital gains taken on assets purchased prior to May 9, 1994 that were held for at least five years prior to a gain on the disposition. Both individuals and corporations are eligible for the deduction.
Interest, Dividends, and Capital Gains to \$1,200/\$2,400 (January 1, 2000)	When the excess TABOR revenue exceeds \$220 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,200 or their total amount of interest, dividend, and capital gains income on their state income tax return. Married taxpayers will be allowed to deduct up to \$2,400 of such income.
Earned Income Credit (January 1, 1999)	When the excess TABOR revenue exceeds \$50 million annually adjusted for inflation, an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed. This percentage increased from the 8.5 percent allowed in Fiscal Year 1999.
Motor Vehicle Registration Fees (July 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, there is a reduction in the annual registration fees for passenger vehicles, trucks, truck tractors, and certain trailers. Revenue lost to the Highway Users Tax Fund is replaced by General Fund revenue.

Mechanism (Effective Date)	Description
Expanded Colorado Capital Gains Modification (January 1, 2001)	When the excess TABOR revenue exceeds \$430 million annually adjusted for inflation, the exemption allowed in the Colorado Capital Gains Modification Act is expanded to include Colorado capital gains made for any tax year beginning on or after January 1, 1999. It reduces the holding period of the asset for such capital gains exclusions from five years to one year. The credit is equal to the amount of income attributable to qualifying Colorado gains receiving capital treatment and included in federal taxable income.
Income Tax Credit for Cost of Health Benefits (January 1, 2000)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit for health benefit plans not paid for by an employer or deducted from federal adjusted gross income is allowed. The credit is capped at \$500, with qualifying income capped at \$25,000 for individuals without dependents, \$30,000 for joint filers without dependents, and \$35,000 for individual or joint filers with dependents. The credit is only available to the extent of the individual's tax liability.
Child Care Credits (January 1, 2000)	When the excess TABOR revenue exceeds \$290 million annually adjusted for inflation, a credit of 20 or 70 percent of an individual's federal child care credits may be claimed. The credit allowed depends on the taxpayer's income level with a maximum allowable income of \$64,000. In addition, the credit increased from \$200 per child to \$300 per child for tax years beginning on or after January 1, 2000. The bill also allows in-home child care providers to claim credits for their own children.
Income Tax Modification for Interest, Dividends, and Capital Gains (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, taxpayers may deduct the lesser of \$1,500 or their total amount of interest, dividend, and capital gains income on their income tax return. Married taxpayers will be allowed to deduct up to \$3,000 of such income. This is an increase of \$300 for single taxpayers and \$600 for married taxpayers from the previous year.

Mechanism (Effective Date)	Description
Interstate Commerce Sales and Use Tax Exemption (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, a refund for sales taxes paid above a rate of 0.01 percent that are imposed on new or used commercial trucks, truck tractors, tractors, semi trailers, or vehicles used in interstate commerce with a gross vehicle weight in excess of 26,000 pounds is allowed.
Income Tax Deduction for Charity (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for charitable contributions in excess of \$500 for individuals who claim the basic standard deduction on their federal return is allowed.
Individual Development Accounts (January 1, 2001)	When the excess TABOR revenue exceeds \$190 million annually adjusted for inflation, a tax credit is allowed for contributors of matching funds for the Individual Development Accounts program. The program permits the establishment of accounts for eligible individuals or dependents for funding of post-secondary education, for purchasing a first home, or for capitalizing a business. Contributions to these accounts are exempt from income taxation.
Agriculture Value-Added Development (January 1, 2001)	When the excess TABOR revenue exceeds \$400 million annually adjusted for inflation, an income tax credit to eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects is allowed. The credit is equal to the lesser of 50 percent of the member's investment or \$15,000, up to an aggregate amount of \$1.5 million per project and \$4 million per year.
Pollution Control Providers (July 1, 1999)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, certain pollution control equipment is exempt from state sales and use tax, including solid waste, noise pollution, wind power, solar and thermal generation equipment.
Income Tax Credit for Foster Parents (January 1, 2001)	When the excess TABOR revenue exceeds \$200 million annually adjusted for inflation, an income tax credit for providing foster care to children under 18 years of age is allowed. The credit is equal to the lesser of 100 percent of the nonreimbursed expenses of providing foster care to children or \$500.

Mechanism (Effective Date)	Description
High Technology Scholarships (January 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted for inflation, an income tax credit for 25 percent of the contributions made to the Colorado high technology scholarship program is allowed. The income tax credit may not exceed 15 percent of income taxes due.
Rural Health Care Providers (January 1, 2000)	When the excess TABOR revenue exceeds \$285 million annually adjusted for inflation, a temporary income tax credit will be provided for health care professionals who reside and practice in areas of Colorado that are understaffed. The definition of health care provider has been expanded to include dentists. This credit is effective from January 1, 2000 to January 1, 2008.
Telecommunication Education (January 1, 2001)	When the excess TABOR revenue exceeds \$350 million annually adjusted for inflation, an income tax credit for 15 percent of monetary contributions made to the Colorado Institute for Telecommunication Education is allowed. The credit cannot be carried forward or refunded.
Sales Tax Refund (January 1, 1999)	When there is excess TABOR revenue after the above mechanisms have been applied, a tiered income bracket system will be used to distribute the excess sales tax as a credit to be taken on individual income tax returns.

Appendix C

State of Colorado Other TABOR Revenue For the Fiscal Years Ended June 30, 2001, 2000, and 1999

	Fiscal Year 2001	Fiscal Year 2000	2000 to 2001 % Change	Fiscal Year 1999	1999 to 2000 % Change
OTHER GENERAL-FUNDED REVENUE:					
Individual Income Tax, Net	¹ \$ 3,835,338,129	\$ 3,687,314,615	4.0%	\$ 3,298,698,366	11.8%
Sales and Use Tax, Net	1,906,304,735	1,868,457,444	2.0%	1,703,878,495	9.7%
Tobacco Products Taxes	67,987,018	67,236,497	1.1%	68,578,532	-2.0%
Fiduciary Income Tax, Net	² 31,594,182	30,892,303	2.3%	28,006,395	10.3%
Alcoholic Beverages Tax	29,297,194	27,978,957	4.7%	25,788,839	8.5%
Court and Other Fines	25,369,188	29,636,690	-14.4%	28,577,589	3.7%
Gaming and Other Taxes	6,706,402	7,609,556	-11.9%	6,682,223	13.9%
Miscellaneous Revenue	5,247,008	5,628,238	-6.8%	3,465,036	62.4%
Business Licenses and Permits	4,407,311	6,031,263	-26.9%	4,289,352	40.6%
Disproportionate Share Providers	-	7,131,370	-100.0%	73,005,074	-90.2%
TOTAL GENERAL-FUNDED REVENUE	\$5,912,251,167	\$5,737,916,933	3.0%	\$5,240,969,901	9.5%
OTHER CASH-FUNDED REVENUE:					
Fuel and Transportation Taxes, Net	\$ 529,229,326	\$ 522,598,118	1.3%	\$ 497,573,948	5.0%
Employment Taxes	170,438,241	199,137,514	-14.4%	191,148,992	4.2%
Motor Vehicle and Driver's Licenses	168,795,038	170,730,859	-1.1%	158,240,651	7.9%
Hunting and Fishing Licenses	53,472,420	53,358,093	0.2%	60,326,967	-11.6%
Insurance Taxes	43,223,254	42,644,625	1.4%	43,051,506	-0.9%
Higher Education Auxiliary					
Sales and Services	31,284,545	30,822,246	1.5%	30,446,509	1.2%
Health Service Fees	31,046,138	30,886,020	0.5%	34,786,852	-11.2%
Miscellaneous Revenue	17,770,416	18,218,603	-2.5%	19,537,059	-6.7%
Sales of Products	17,259,479	16,421,539	5.1%	15,461,179	6.2%
Other Program Revenue	12,901,236	12,990,252	-0.7%	22,532,554	-42.3%
TOTAL OTHER CASH-FUNDED REVENUE	\$1,075,420,093	\$1,097,807,869	-2.0%	\$1,073,106,217	2.3%

Source: Office of the State Auditor analysis of State Controller's Office data and does not include the adjustments as noted in the Independent Auditor's Report.

¹ The amount of Individual Income Tax was reduced by Amendment 23 transfers of \$149,811,000 from the amount shown on the Schedule of TABOR Revenue.

² The amount of Fiduciary Income Tax was reduced by Amendment 23 transfers of \$1,165,000 from the amount shown on the Schedule of TABOR Revenue.

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