

COLORADO OFFICE OF THE STATE AUDITOR



SCHEDULE OF TABOR REVENUE



SEPTEMBER 2014

PERFORMANCE AUDIT

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OFFICE OF THE STATE AUDITOR



September 15, 2014

DIANNE E. RAY, CPA
—
STATE AUDITOR

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the financial report required under Article X, Section 20 of the Colorado Constitution (TABOR) as of June 30, 2014, as certified by the State Controller on September 2, 2014. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. This audit was also conducted pursuant to Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of the TABOR financial report and certification prepared by the State Controller, and transmit the results to the governor, Joint Budget Committee, Financial Committees of the House of Representatives and the Senate, and the executive director of the Department of Revenue.



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SUMMARY

OF AUDIT RESULTS LETTER





Office of the State Auditor

Dianne E. Ray, CPA
State Auditor

September 15, 2014

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Chrisanta Duran
Chair
Colorado Joint Budget Committee

The Honorable Michael Johnston
Chair
Colorado Senate Finance Committee

The Honorable Lois Court
Chair
Colorado House Finance Committee

Barbara Brohl
Executive Director
Colorado Department of Revenue

Dear Sirs and Mesdames:

This letter summarizes the results of our audit of the Taxpayer's Bill of Rights (TABOR) financial report as of June 30, 2014, as certified by the State Controller on September 2, 2014. Please find attached the letter of certification from the State Controller, the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]*; and the *Comparison of Non-Exempt TABOR Revenues for the Fiscal Year Ended June 30, 2014*. Our audit was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government, and Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of the TABOR financial report and certification prepared by the State Controller. Our full report will be presented to the Legislative Audit Committee in November 2014.

Pursuant to Section 24-77-106.5, C.R.S., for each fiscal year, the State Controller shall prepare a financial report for the purpose of ascertaining the State's compliance with the constitutional provisions of TABOR. Based on the financial report, the State Controller is required to certify to the Governor, the General Assembly, and the executive director of the Department of Revenue no later than September 1st subsequent to the end of the previous fiscal year the following:

- Amount of state revenues in excess of the limitation on state fiscal year spending (known as the TABOR Revenue Limit) imposed by Article X, Section 20(7)(a) of the Colorado Constitution.
- Amount of state revenues in excess of such limitation the state is authorized to retain and spend pursuant to voter approval of Section 24-77-103.6 C.R.S. (Referendum C).



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Office of the State Auditor
Page 2

We conducted a performance audit under generally accepted government auditing standards. The objectives of our audit were to determine (1) whether the Office of the State Controller complied with State Fiscal Policies related to Article X, Section 20 of the Colorado Constitution (TABOR) in preparing the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]*, *Comparison of Non-Exempt TABOR Revenues for the Fiscal Year ended June 30, 2014* (TABOR financial reports), and the certification required by Section 24-77-101 through 107, C.R.S., and (2) whether the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]* and *Comparison of Non-Exempt TABOR Revenues for the Fiscal Year ended June 30, 2014* were prepared in accordance with Section 24-77-106.5 C.R.S.

Subsequent to the State Controller's certification of the TABOR financial report on September 2, 2014, several accounting entries were submitted that affect TABOR revenue. These adjustments are not reflected in the TABOR revenue for Fiscal Year 2014 as reported in the attached Schedules; the net effect of the adjustments will reduce TABOR revenue by \$1,486,030. The adjustments are expected to be reflected in the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) [Final]* report and our opinion thereon that will be issued after the completion of the State's *Comprehensive Annual Financial Report* in December 2014.

Based on the results of our audit, we noted no instances of noncompliance with State Fiscal Policies related to Article X, Section 20 of the Colorado Constitution (TABOR) or Section 24-77-106.5, C.R.S., and, except for the net effect of the adjustments noted above, we noted no required revisions to the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]*, *Comparison of Non-Exempt TABOR Revenues for the Fiscal Year ended June 30, 2014*, and certification by the State Controller dated September 2, 2014.

Sincerely,



Dianne E. Ray, CPA
Colorado State Auditor

Enc.

TABOR

CERTIFICATION LETTER





COLORADO
Office of the State Controller
Department of Personnel
& Administration

1525 Sherman St.
Denver, CO 80203

September 2, 2014

The Honorable John W. Hickenlooper
Governor
State of Colorado

The Honorable Morgan Carroll
President of the Senate
Colorado General Assembly

The Honorable Mark Ferrandino
Speaker of the House
Colorado General Assembly

Barbara Brohl
Executive Director
Colorado Department of Revenue

Dear Ladies and Gentlemen:

Pursuant to CRS 24-77-106.5(1)(b), I hereby certify that for Fiscal Year 2013-14, the unaudited State revenues subject to Article X, Section 20 (TABOR) of the State Constitution are \$11,683,129,973. As of the certification date, these revenues are less than the Excess State Revenues Cap (ESRC) by \$169,252,717, and no refund of State revenues is required in Fiscal Year 2014-15 related to Fiscal Year 2013-14 revenues subject to TABOR. Please see the attached Preliminary Schedule of Computations Required Under Article X, Section 20.

Additionally, the Comparison of Nonexempt TABOR Revenues is attached, comparing general and program nonexempt TABOR revenues for Fiscal Year 2013-14 to Fiscal Year 2012-13. Total revenues not exempt from TABOR were more than the previous fiscal year by 5.2 percent. The \$11,683,129,973 nonexempt revenue is adjusted by:

- An increase of \$14,110,760 of newly qualified revenues recorded by Adams State University when it disqualified as a TABOR Enterprise in Fiscal Year 2013-14, and,
- A decrease of \$121,424 of newly disqualified partial-year revenues recorded by the Department of Natural Resources when the Colorado Geological Survey was transferred to the Colorado School of Mines, a TABOR enterprise, on January 31, 2013.

The growth rate of the nonexempt TABOR revenues is 5.2% for Fiscal Year 2013-14, which is more than the allowable TABOR growth rate of 3.3% for this fiscal year. As a result, the Amount Under the Adjusted ESRC limit declined from \$352,900,856 in Fiscal Year 2012-13 to \$169,252,717 in Fiscal Year 2013-14.



The nonexempt TABOR revenues The Fiscal Year Spending (FYS) limit, which, prior to Referendum C, was the trigger used for refunding to the taxpayers, is required to be reported. For Fiscal Year 2013-14, the State revenues subject to TABOR are over the FYS limit by \$2,116,544,248.

The amounts reported in the attached schedules are based on unaudited account balances, and they are therefore subject to change. The State Auditor is required by statute to report on the audit of these amounts by September 15, 2014.

If there are questions concerning the information provided please feel free to contact me.

Sincerely yours,



Robert Jaros, CPA, MBA, JD
Colorado State Controller

cc: Kathy Nesbitt, Personnel & Administration
Henry Sobanet, OSPB



STATE OF COLORADO
OFFICE OF THE STATE CONTROLLER
COMPARISON OF NONEXEMPT TABOR REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Fiscal Year 2013-14	Fiscal Year 2012-13	Increase (Decrease)	Percent Change
GENERAL REVENUES				
Individual Income Tax, Net	\$ 5,224,325,302	\$ 5,114,790,948	\$ 109,534,354	2.1%
Sales and Use Tax, Net	2,657,063,024	2,454,454,528	202,608,496	8.3%
Corporate Income Tax, Net	665,362,734	597,441,383	67,921,351	11.4%
Insurance Taxes	239,059,118	210,415,209	28,643,909	13.6%
Tobacco Products Tax, Net	53,453,368	53,851,429	(398,061)	-0.7%
Alcoholic Beverages Tax, Net	40,335,006	39,211,611	1,123,395	2.9%
Fiduciary Income Tax, Net	48,323,488	34,002,352	14,321,136	42.1%
Interest and Investment Income	12,602,004	17,188,344	(4,586,340)	-26.7%
Court and Other Fines	8,129,137	7,566,620	562,517	7.4%
Business Licenses and Permits	7,036,456	4,893,664	2,142,792	43.8%
Miscellaneous Revenue	2,333,516	2,665,762	(332,246)	-12.5%
Gaming and Other Taxes	617,384	689,627	(72,243)	-10.5%
General Government Service Fees	493,620	550,608	(56,988)	-10.4%
Other General Revenue	569,714	177,546	392,168	220.9%
TOTAL GENERAL REVENUES	8,959,703,871	8,537,899,631	421,804,240	4.9%
PROGRAM REVENUE				
Health Service Fees	633,638,515	718,788,307	(85,149,792)	-11.8%
Fuel and Transportation Taxes, Net	575,456,506	554,403,825	21,052,681	3.8%
Severance Taxes	252,740,948	131,173,685	121,567,263	92.7%
Motor Vehicle Registrations	238,192,200	231,107,330	7,084,870	3.1%
Court and Other Fines	167,329,876	167,077,383	252,493	0.2%
Other Charges For Services	149,712,064	143,590,897	6,121,167	4.3%
Business Licenses and Permits	147,613,626	129,124,669	18,488,957	14.3%
Gaming and Other Taxes	95,824,618	94,897,462	927,156	1.0%
General Government Service Fees	50,906,419	42,415,050	8,491,369	20.0%
Sales and Use Tax, Net	48,420,449	42,825,789	5,594,660	13.1%
Rents and Royalties	47,512,429	45,411,040	2,101,389	4.6%
Interest and Investment Income	45,065,709	45,790,240	(724,531)	-1.6%
Local Governments and Authorities	44,876,434	26,139,529	18,736,905	71.7%
Nonbusiness Licenses and Permits	33,442,359	32,232,217	1,210,142	3.8%
Public Safety Service Fees	33,135,910	21,364,943	11,770,967	55.1%
Miscellaneous Revenue	30,216,857	27,718,343	2,498,514	9.0%
Driver's Licenses	29,484,105	32,134,527	(2,650,422)	-8.2%
Employment Taxes	28,634,556	25,723,693	2,910,863	11.3%
Certifications and Inspections	21,190,611	20,349,904	840,707	4.1%
Insurance Taxes	17,803,877	22,882,646	(5,078,769)	-22.2%
Higher Education Auxiliary Sales and Services	7,500,331	4,512,599	2,987,732	66.2%
Educational Fees	6,825,518	6,129,967	695,551	11.3%
Other Program Revenue	3,791,425	3,525,793	265,632	7.5%
TOTAL PROGRAM REVENUES	2,709,315,342	2,569,319,838	139,995,504	5.4%
Disqualification of TABOR Enterprise: Adams State University	14,110,760		14,110,760	N/A
Qualification of TABOR Enterprise: Colorado Geological Survey	-	121,424	(121,424)	N/A
TOTAL NONEXEMPT REVENUE	\$ 11,683,129,973	\$ 11,107,340,893	\$ 575,789,080	5.2%

**STATE OF COLORADO
PRELIMINARY SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20 -- UNAUDITED
AS OF JUNE 30, 2014**

Certification Date: September 2, 2014

	FISCAL YEAR 2012-13	FISCAL YEAR 2013-14
COMPUTATION OF NONEXEMPT REVENUES		
Total State Expenditures	\$ 37,259,054,162	\$ 38,550,430,603
Less: Exempt Activity	26,995,082,230	27,542,103,350
Nonexempt District Expenditures	10,263,971,932	11,008,327,253
District Reserve/Fund Balance Increase (Decrease)	843,368,961	674,802,720
Total Nonexempt District Revenues	\$ 11,107,340,893	\$ 11,683,129,973
COMPUTATION OF DISTRICT FUND BALANCE CHANGES		
Beginning District Fund Balance	\$ 5,259,747,850	\$ 6,122,074,058
Qualifications, Disqualifications and Other Adjustments	862,326,208	721,593,195
Ending District Fund Balance	\$ 6,122,074,058	\$ 6,843,667,253

	FISCAL YEAR SPENDING	EXCESS STATE REVENUES CAP
COMPUTATION OF SPENDING LIMITATIONS		
Fiscal Year 2012-13 Limit	\$ 9,247,466,372	\$ 11,460,241,749
Qualification of Enterprises	(121,424)	(121,424)
Other Adjustments	(31,332)	(31,332)
Fiscal Year 2012-13 Adjusted Limit	\$ 9,247,313,616	\$ 11,460,088,993
Allowable TABOR Growth Rate	3.3%	3.3%
Fiscal Year 2013-14 Unadjusted Limit	\$ 9,552,474,965	\$ 11,838,271,930
Disqualification of Enterprises	14,110,760	14,110,760
Fiscal Year 2013-14 Adjusted Limit	\$ 9,566,585,725	\$ 11,852,382,690
Less: Fiscal Year 2013-14 Nonexempt District Revenues	(11,683,129,973)	(11,683,129,973)
Amount (Over)Under Adjusted Limit	\$ (2,116,544,248)	\$ 169,252,717
Under(Over) Statement of Prior Years' Refunds Carried Forward to Next Refund Year		\$ 2,899,667
FY2004-05 Amount in Excess of the Limit - Not Refunded at June 30, 2013		\$ 705,716
FY2013-14 Retention of Revenues in Excess of the Limit (not refundable) CRS 24-77-103.6(1)(b)		\$ 2,116,544,248

SCHEDULE

OF TABOR REVENUE 2014

OVERVIEW

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 are increased based on the annual inflation rate plus the percentage change in Colorado's population, known as the TABOR growth rate. The State Controller annually prepares a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]*, and the *Schedule of TABOR Revenue [Comparison of Non-Exempt TABOR revenues for*

the Fiscal Year Ended June 30, 2014] (collectively called the TABOR financial report). Based on the TABOR financial report, the State Controller is required to certify to the Governor, General Assembly, and the Executive Director of the Department of Revenue no later than September 1st following the end of a fiscal year (1) the amount of state revenues in excess of the limitation on state fiscal year spending, and (2) the state revenues in excess of such limitation the state is authorized to retain and spend pursuant to voter approval of Referendum C. The TABOR financial report is audited concurrently with the state's Comprehensive Annual Financial Report, or CAFR.

AUDIT SCOPE AND METHODOLOGY

This performance audit was conducted in order to comply with statutory requirements. Section 24-77-106.5, C.R.S., requires that the State Auditor conduct an audit of the TABOR financial report and certification of excess state revenues prepared by the State Controller. We performed our audit work during the period June 2014 through September 2014. We acknowledge the cooperation and assistance provided by the State Controller and staff at the Office of the State Controller.

The overall objective of our audit was to evaluate the TABOR financial report and certification of excess state revenues issued by the State Controller pursuant to Section 24-77-101 through 107, C.R.S. Specifically, we determined:

- Whether the Office of the State Controller complied with State Fiscal Policies related to Article X, Section 20 of the State Constitution (TABOR) in preparing the TABOR financial report and certification of excess state revenues.
- Whether schedules contained in the TABOR financial report and certification of excess state revenues prepared in accordance with Section 24-77-106.5, C.R.S. are accurate.

We planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives, and did not note any deficiencies in the effectiveness of internal controls significant to our audit objectives.

To accomplish our audit objectives, we:

- Researched applicable state laws and regulations.
- Determined the accuracy of key calculations in the Office of the State Controller's certification of excess state revenues, including TABOR revenues, the anticipated TABOR growth rate, exempted revenues and enterprises, the TABOR Adjusted Spending Limit, and the Excess State Revenue Cap (ESRC).
- Reviewed reports submitted by state agencies detailing changes in TABOR revenue for prior years, base fiscal year spending, changes in TABOR enterprise status, and proposed financial statement post-closing entries. We verified the changes were appropriate and accurately reflected in the TABOR financial report.

Reviewed the logic and accuracy of computations used by the Office of the State Controller to prepare the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]*, and the *Schedule of TABOR Revenue [Comparison of Non-Exempt TABOR Revenues for the Fiscal Year Ended June 30, 2014]*.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Subsequent to the State Controller's certification of the TABOR financial report on September 2, 2014, several accounting entries were submitted by multiple departments that affect TABOR revenue. These adjustments are not reflected in TABOR revenue for Fiscal Year 2014 as reported in the attached Schedules; the net effect of the adjustments will reduce TABOR revenue by \$1,486,030. The adjustments are expected to be reflected in the Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) [Final] report and our opinion thereon that will be issued after the completion of the State's Comprehensive Annual Financial Report in December 2014.

Based on the results of our audit, we noted no instances of noncompliance with State Fiscal Policies related to Article X, Section 20 of the Colorado Constitution (TABOR), or Section 24-77-106.5, C.R.S., and, except for the net effect of the adjustments noted above, we noted no required revisions to the *Schedule of Computations Required Under Article X, Section 20 of the State Constitution as of June 30, 2014 [Preliminary]* and the *Schedule of TABOR Revenue [Comparison of Non-Exempt TABOR Revenues for the Fiscal Year ended June 30, 2014]* and certification of excess state revenues by the State Controller dated September 2, 2014.

The *Schedule of Computations Required Under Article X, Section 20 of the Constitution (TABOR) [Final] as of June 30, 2014*, and our opinion thereon will be issued after our audit of the State of Colorado's *Comprehensive Annual Financial Report* for the year ended June 30, 2014, has been completed in December 2014.

The Office of the State Controller received and commented on a draft copy of this report, and we have incorporated the Office of the State Controller's comments into the final report where applicable and appropriate.

FISCAL YEAR 2014 TABOR REVENUE

Fiscal Year 2014 TABOR revenue was \$11,683,129,973, as certified by the State Controller on September 2, 2014.

Commencing in Fiscal Year 2011, the State is allowed to retain and spend the amount of revenue in excess of the TABOR Revenue Limit and up to the “Excess State Revenues Cap.” The “Excess State Revenues Cap” is defined as the highest total state TABOR revenue earned between Fiscal Years 2006 and 2010, adjusted for inflation and population growth for each subsequent year, the qualification/disqualification of enterprises, and debt service changes.

Calculation of the Fiscal Year TABOR Revenue Limit continues to apply, but the new Excess State Revenues Cap replaces it as the limit that triggers taxpayer refunds. The following figures show the TABOR revenue, TABOR Revenue Limit, TABOR Excess State Revenues Cap, and revenue under the Excess State Revenues Cap for Fiscal Year 2014:

Fiscal Year 2014 TABOR Revenue	\$ 11,683,129,973
Less:	
Fiscal Year 2014 TABOR Revenue Limit	\$ (9,566,585,725)
Less:	
Fiscal Year 2014 Excess of TABOR Revenue Limit Allowed to Retain and Spend	\$ (2,116,544,248)
Total Fiscal Year 2014 Excess State Revenues Cap	\$ (11,852,382,690)
Fiscal Year 2014 Revenue (Under)/Over the Excess State Revenues Cap	\$ (169,252,717)

The effect of Referendum C (see Revenue Limit section below) causes Fiscal Year 2014 revenue to be under the Excess State Revenues Cap by approximately \$169 million. Therefore, there is no TABOR refund for Fiscal Year 2014.

REFUNDING

Article X, Section 20(7)(d) of the State Constitution states that, “[I]f 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) also states, “...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.”

Prior to the enactment of Senate Bill 10-212, excess revenue was refunded to the taxpayers through a variety of means. With the enactment of Senate Bill 10-212, three mechanisms for refunding state surplus revenues exist, including one with a threshold amount—the Earned Income Tax Credit. The other two refunding mechanisms in place are the Temporary State Income Tax Rate Reduction and the State Sales Tax Refund. Based on current law, the mechanism used to refund surplus revenues will depend on the amount of the revenues to be refunded. Appendices B1 and B2 provide more detail regarding refunding mechanisms.

During Fiscal Year 2005, the General Assembly enacted House Bill 05-1194, which was the enabling legislation for Referendum C. In November 2005, Referendum C was approved by a vote of the people and became effective as of July 1, 2005. Referendum C allowed the State to retain and expend all revenue in excess of the constitutional limit on fiscal year spending for each of the five fiscal years commencing with Fiscal Year 2006, and changed the basis on which TABOR refunds are calculated.

REVENUE REDUCTIONS

There were no permanent tax cuts enacted during the 2014 Legislative Session.

In prior years, voters have approved new taxes that are not subject to the provisions of TABOR. The table below shows all voter-approved changes, the year of voter approval, and the related decrease in Fiscal Years 2014 and 2013 revenues subject to TABOR:

IMPACT OF VOTER-APPROVED REVENUE CHANGES ON TABOR REVENUE		
	DECREASE IN TABOR REVENUE	
	FISCAL YEAR 2014	FISCAL YEAR 2013
AMENDMENT 14 (1998) Assesses a fee on housed commercial swine feeding operations.	\$274,023	\$273,073
AMENDMENT 20 (2000) Assesses an application fee to obtain a Medical Marijuana identification card.	\$2,994,712	\$3,776,829
AMENDMENT 23 (2000) 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:		
Individual income taxes	\$421,723,000	\$445,704,000
Corporate income taxes	55,303,000	38,852,000
Fiduciary income taxes	1,772,000	1,782,000
Total for Amendment 23	\$478,798,000	\$486,338,000
AMENDMENT 35 (2004) Assesses a statewide tax on cigarette and tobacco products.	\$138,937,308	\$143,422,695
AMENDMENT 50 (2008) Assesses a tax on extended limited gaming.	\$9,664,337	\$9,591,704
AMENDMENT 64 (2012) Assess a tax on Retail Marijuana	\$12,042,780	0
TOTAL REDUCTIONS IN TABOR REVENUE	\$642,711,160	\$643,402,301

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data. Amounts do not include transfers, interest, or unrealized gains and losses.

ADJUSTMENTS TO REFUNDS

House Bill 05-1310 requires that in Fiscal Year 2006 and future years, TABOR revenue in excess of the TABOR Revenue Limit be reduced by any amounts overrefunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted. During our Fiscal Year 2014 audit, no overrefund was identified in the previous Fiscal Years 2006 through 2013 that would affect the TABOR revenue in excess of the Excess State Revenues Cap for Fiscal Year 2014.

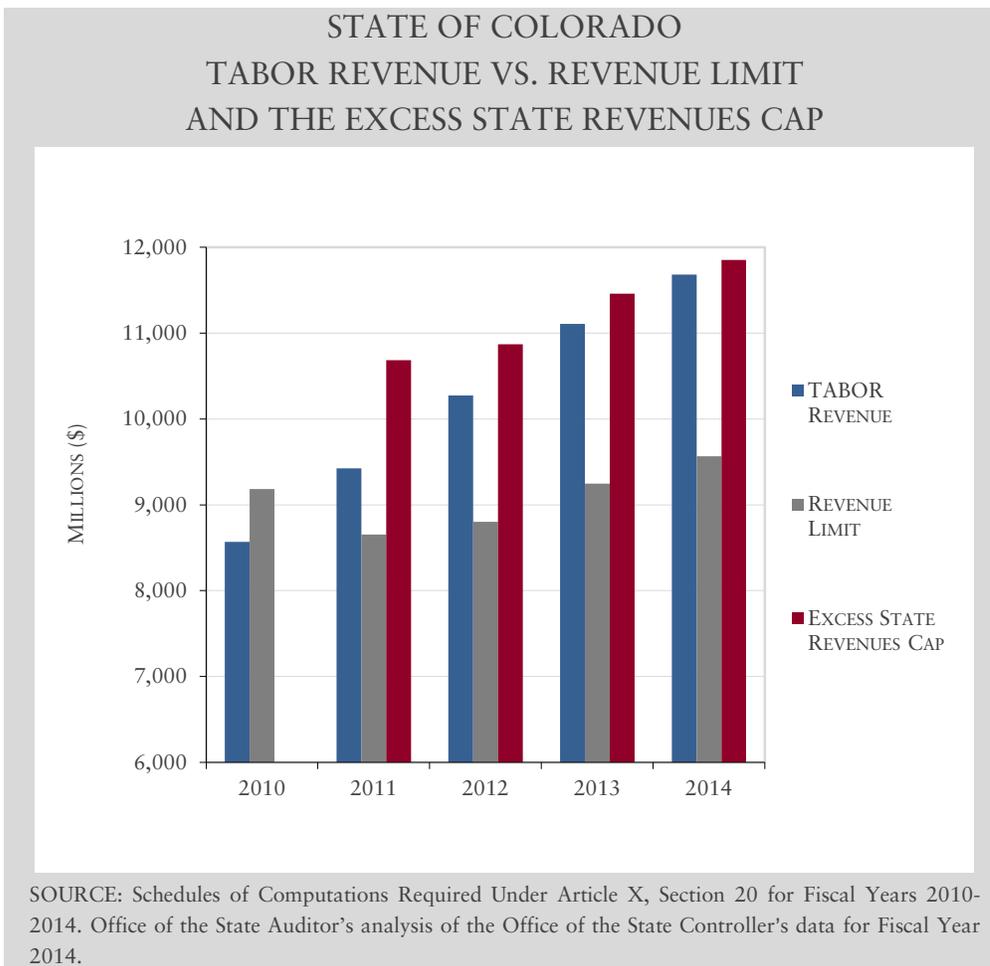
In Fiscal Year 2006, the Office of the State Controller identified and posted prior year adjustments totaling \$2,871,444 that increased the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2008, \$28,223 in adjustments was identified that increased the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2014, there were no adjustments identified that impact prior years' TABOR refund liability. Section 24-77-103.8, C.R.S., states that, "[A]ny amount of state revenues in excess of the limitation on state fiscal year spending for the 2001-02 fiscal year and for every fiscal year thereafter that voters statewide did not authorize the state to retain and spend and that are required to be refunded pursuant to section 20(7)(d) of article X of the state constitution, but that are not refunded by the state as required...shall be added to and refunded with subsequent fiscal years' state revenues in excess of the limitation on state fiscal year spending that are required to be refunded...." Because there has not been a refund year since Fiscal Year 2005, \$2,899,667 is being carried forward on the State's financial statements, which will be paid out in the next refund year.

REVENUE LIMIT

Article X, Section 20(7)(a) of the State Constitution requires the TABOR Revenue Limit to be the lesser of the prior fiscal year's actual revenue adjusted for inflation and the change in population, or the prior fiscal year's TABOR Revenue Limit adjusted for inflation and

the change in population. We reviewed the State Controller's computations of the Fiscal Year 2014 TABOR Revenue Limit and the Excess State Revenues Cap. The prior year actual revenue with adjustments was \$9,566,585,725 while the prior year TABOR Revenue Limit with adjustments was \$11,852,382,690. However, under Referendum C the actual limit on Fiscal Year 2014 TABOR Revenue is the Excess State Revenues Cap—\$11,852,382,690.

The chart below compares the TABOR Revenue Limit computed each year to the TABOR revenue from Fiscal Year 2010 to Fiscal Year 2014. As of Fiscal Year 2011, both the TABOR Revenue Limit and the Excess State Revenues Cap will be calculated independently. However, the State will be allowed to retain and spend the amount of revenue in excess of the TABOR Revenue Limit and up to the Excess State Revenues Cap as set forth in Referendum C.



SOURCES OF TABOR REVENUE

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. General funds increased by 4.9 percent in Fiscal Year 2014, while cash funds increased by 6.0 percent in Fiscal Year 2014. Overall, TABOR revenue increased by 5.2 percent in Fiscal Year 2014.

The following tables show the major sources of revenue in Fiscal Year 2014, with comparative figures for Fiscal Year 2013, separated by general-funded and cash-funded revenue. The Schedule of TABOR Revenue on page 23 combines the general fund, shown on page 21, and cash fund revenue presented on page 22.

STATE OF COLORADO
SOURCES OF TABOR REVENUE
GENERAL FUND REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

GENERAL FUND REVENUE	FISCAL YEAR 2014	FISCAL YEAR 2013	2013 TO 2014 % CHANGE
Individual Income Tax, Net ¹	\$5,224,325,302	\$5,114,790,948	2.1%
Sales and Use Tax, Net	2,657,063,024	2,454,454,528	8.3%
Corporate Income Tax, Net ¹	665,362,734	597,441,383	11.4%
Insurance Taxes	239,059,118	210,415,209	13.6%
Tobacco Products Tax, Net	53,453,368	53,851,429	-0.7%
Alcoholic Beverages Tax, Net	40,335,006	39,211,611	2.9%
Fiduciary Income Tax, Net ¹	48,323,488	34,002,352	42.1%
Interest and Investment Income	12,602,004	17,188,344	-26.7%
Court and Other Fines	8,129,137	7,566,620	7.4%
Business Licenses and Permits	7,036,456	4,893,664	43.8%
Miscellaneous Revenue	2,333,516	2,665,762	-12.5%
Gaming and Other Taxes	617,384	689,627	-10.5%
General Government Service Fees	493,620	550,608	-10.4%
Other General Revenue ²	569,714	177,546	220.9%
TOTAL GENERAL FUND REVENUE	\$8,959,703,871	\$8,537,899,631	4.9%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

¹ Net of Amendment 23 transfers, interest, gains and losses, and other financial sources.

² Includes Nonbusiness Licenses and Permits, Estate and Inheritance Taxes, Certifications and Inspections, Sales of Products, Child Welfare Service Fees, and Other Charges for Services.

STATE OF COLORADO
SOURCES OF TABOR REVENUE
CASH FUND REVENUE
JUNE 30, 2014
UNAUDITED

CASH FUND REVENUE	FISCAL YEAR 2014	FISCAL YEAR 2013	2013 TO 2014 % CHANGE
Health Service Fees	\$ 633,638,515	\$ 718,788,307	-11.8%
Fuel and Transportation Taxes, Net	575,456,506	554,403,825	3.8%
Motor Vehicle Registrations	238,192,200	231,107,330	3.1%
Severance Taxes	252,740,948	131,173,685	92.7%
Court and Other Fines	167,329,876	167,178,935	0.2%
Other Charges For Services	149,712,064	143,658,875	4.3%
Business Licenses and Permits	147,613,626	129,124,669	14.3%
Gaming and Other Taxes	95,824,618	94,897,462	1.0%
Interest and Investment Income	45,065,709	45,740,446	-1.6%
Rents and Royalties	47,512,429	45,411,040	4.6%
Local Governments and Authorities	44,876,434	28,166,087	71.7%
General Government Service Fees	50,906,419	42,415,050	20.0%
Sales and Use Tax, Net	48,420,449	42,825,789	13.1%
Driver's Licenses	29,484,105	32,134,527	-8.2%
Nonbusiness Licenses and Permits	33,442,359	32,232,217	3.8%
Miscellaneous Revenue	30,216,857	27,784,397	9.0%
Certifications and Inspection	21,190,611	20,349,904	4.1%
Employment Taxes	28,634,556	25,723,693	11.3%
Insurance Taxes	17,803,877	22,882,646	-22.2%
Public Safety Service Fees	33,135,910	19,427,273	55.1%
Higher Education Auxiliary Sales and Services	7,500,331	4,512,599	66.2%
Educational Fees	6,825,518	6,129,967	11.3%
Other Program Revenue ¹	3,791,425	3,592,703	7.5%
TOTAL CASH FUND REVENUE	2,709,315,342	2,569,319,838	5.4%
CHANGES TO ENTERPRISE STATUS			
Adams State University ²	14,110,760	-	N/A
Colorado Geological Survey ³	-	121,424	N/A
TOTAL NONEXEMPT CASH FUND REVENUE	2,723,426,102	2,569,441,262	6.0%
TOTAL NONEXEMPT REVENUE	\$11,683,129,973	\$11,107,340,893	5.2%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.

¹ Includes Sales of Products; Child Welfare Service Fees; Alcoholic Beverage Tax, Net; Other Excise Taxes, Net; Disproportionate Share Providers; and Tobacco Products Tax, Net.

² Adams State University did not qualify for TABOR enterprise status in Fiscal Year 2014. As a result, TABOR revenues increased by \$14,110,760.

³ The Colorado Geological Survey was transferred from the Department of Natural Resources (DNR) to the Colorado School of Mines (CSM) on January 31, 2013, and partial year revenues are reflected in the qualification amount. Colorado Geological Survey revenues are exempt from the provisions of TABOR because it was moved from a TABOR non-exempt entity (DNR) to a TABOR-exempt enterprise (CSM).

STATE OF COLORADO
SCHEDULE OF TABOR REVENUE
GENERAL AND CASH FUNDS COMBINED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	FISCAL YEAR 2013-14	FISCAL YEAR 2012-13	INCREASE (DECREASE)	2013 TO 2014 % CHANGE
Individual Income Taxes, Net	\$ 5,224,325,302	\$ 5,114,790,948	\$ 109,534,354	2.1%
Corporate Income Taxes, Net	665,362,734	597,441,383	67,921,351	11.4%
Fiduciary Income Taxes, Net	48,323,488	34,002,352	14,321,136	42.1%
TOTAL INCOME TAX	5,938,011,524	5,746,234,683	191,776,841	3.3%
Sales Tax, Net	2,464,051,521	2,254,552,532	209,498,989	9.3%
Use Tax, Net	241,431,952	242,727,785	(1,295,833)	-0.5%
Tobacco Products Tax, Net	53,453,748	53,851,890	(398,142)	-0.7%
Alcoholic Beverages Tax, Net	41,043,233	39,903,741	1,139,492	2.9%
Other Excise Taxes, Net	322,126	204,064	118,062	57.9%
TOTAL EXCISE TAX	2,800,302,580	2,591,240,012	209,062,568	8.1%
Fuel and Transportation Taxes, Net	575,456,506	554,403,825	21,052,681	3.8%
Insurance Taxes	256,862,995	233,297,855	23,565,140	10.1%
Severance Taxes	252,740,948	131,173,685	121,567,263	92.7%
Gaming and Other Taxes	96,442,002	95,587,089	854,913	0.9%
Employment Taxes	28,634,556	25,723,693	2,910,863	11.3%
Estate and Inheritance Taxes	434,103	13,596	420,507	3092.9%
TOTAL OTHER TAXES	1,210,571,110	1,040,199,743	170,371,367	16.4%
Health Service Fees	633,638,515	718,788,307	(85,149,792)	-11.8%
Motor Vehicle Registrations	238,192,200	231,107,330	7,084,870	3.1%
Other Charges for Services	149,730,989	143,661,740	6,069,249	4.2%
Business Licenses and Permits	154,650,082	133,963,819	20,686,263	15.4%
General Government Service Fees	51,400,039	42,965,658	8,434,381	19.6%
Driver's Licenses	29,484,105	32,134,527	(2,650,422)	-8.2%
Nonbusiness Licenses and Permits	33,546,479	32,346,417	1,200,062	3.7%
Certifications and Inspections	21,203,097	20,370,696	832,401	4.1%
Public Safety Service Fees	33,135,910	21,364,943	11,770,967	55.1%
Educational Fees	6,825,518	6,129,967	695,551	11.3%
Welfare Service Fees	810,736	893,211	(82,475)	-9.2%
TOTAL LICENSES, PERMITS, AND FEES	1,352,617,670	1,383,726,615	(31,108,945)	-2.2%
Court and Other Fines	175,459,013	174,644,003	815,010	0.5%
Interest and Investment Income	57,667,713	62,978,584	(5,310,871)	-8.4%
Rents and Royalties	47,512,429	45,411,040	2,101,389	4.6%
Local Governments and Authorities	44,876,434	26,139,529	18,736,905	71.7%
Miscellaneous Revenue	32,550,380	30,384,105	2,166,275	7.1%
Higher Education Auxiliary Sales and Services	7,500,331	4,512,599	2,987,732	66.2%
Sales of Products	1,950,029	1,748,556	201,473	11.5%
TOTAL OTHER REVENUE	367,516,329	345,818,416	21,697,913	6.3%
SUBTOTAL TABOR REVENUE BEFORE DISQUALIFICATION/QUALIFICATION OF TABOR ENTERPRISES	11,669,019,213	11,107,219,469	561,799,744	5.1%
Disqualification of TABOR Enterprises	14,110,760		14,110,760	N/A
Qualification of TABOR Enterprises		121,424	(121,424)	N/A
TOTAL QUAL/DISQUAL OF TABOR ENTERPRISES	14,110,760	121,424	13,989,336	N/A
TOTAL TABOR REVENUE	\$ 11,683,129,973	\$ 11,107,340,893	\$ 575,789,080	5.2%

SOURCE: Office of the State Auditor's analysis of the Office of the State Controller's data.



APPENDIX A



DESCRIPTION OF REVENUE CATEGORIES

The revenue categories described in Appendix A correspond to the categories presented on the Schedule of TABOR Revenue – page 22.

INCOME TAX

Individual Income Tax, Net

Taxes paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS and child support), tax checkoffs, and Amendment 23 transfers to the State Education Fund.

Corporate Income Tax, Net

Taxes based on the net profits of corporations net of Amendment 23 transfers to the State Education Fund.

Fiduciary Income Tax, Net

Taxes on trust and estate income net of Amendment 23 transfers to the State Education Fund.

EXCISE TAX

Sales Tax, Net

Taxes collected by retailers on consumer purchases of tangible personal property net of refunds.

Use Tax, Net

Taxes remitted by the end consumer of tangible personal property purchased at retail prices net of refunds.

Tobacco Products Tax, Net

Taxes on the sale, use, consumption, handling, or distribution of tobacco products net of refunds.

Alcoholic Beverages Tax, Net

Taxes collected from retailers who sell alcohol products net of refunds.

Other Excise Taxes, Net

Taxes for occupational license renewals and certain penalties net of refunds.

OTHER TAXES

Fuel and Transportation Taxes, Net

Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, aviation jet fuel, aviation gasoline, and other fuels net of refunds.

Insurance Taxes, Net

Taxes on insurance premiums collected by insurance companies net of refunds.

Severance Taxes, Net

Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals net of refunds.

Gaming and Other Taxes, Net

Taxes on gaming facilities based on percentages of income net of refunds.

Employment Taxes, Net

Employment insurance paid by employers for funding unemployment benefits net of refunds.

Estate and Inheritance Taxes, Net

Taxes collected on the assets of estates net of refunds.

LICENSES, PERMITS, AND FEES

Health Service Fees

Hospital Provider Fees and other fees collected other for health services including laboratory test fees, genetic testing, vital records fees, and children's health plan premiums.

Motor Vehicle Registrations

Collection of fees for license plates, tags, and registrations.

Other Charges for Services

Various fees, the majority of which are collected by Public Utilities Commission, the Division of Banking, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations.

Business Licenses and Permits

Licenses and permits for special functions of a business (e.g., alcoholic beverage licenses, tobacco products licenses, business registrations, health licenses, child care licenses, and waste management permits).

General Government Service Fees

Service charges by various agencies to the public (e.g., filing fees charged by the Department of State, charges by the Motor Vehicle Division for driving record inquiries, and certain fees charged by the Department of Agriculture and Department of Natural Resources).

Driver's Licenses

Fees for driver's licenses and ID cards.

Nonbusiness Licenses and Permits

Environmental response surcharges, park passes, motorcycle operator safety training, waste tire recycling, etc.

Certifications and Inspections

Emission inspection stickers, emission registration, emission inspection station licenses, and other fees.

Public Safety Service Fees

Fees for firefighter response, fire service education and training, search and rescue fund fees.

Educational Fees

Conference fees and teacher certification fees collected primarily by the Department of Education.

Child Welfare Service Fees

Child abuse registry fees.

OTHER REVENUE

Court and Other Fines

Fines and forfeits levied by the courts.

Interest and Investment Income

Interest income, finance charges, and gains/losses on investments.

Rents and Royalties

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.

Miscellaneous Revenue

Revenue not included in another category.

Higher Education Auxiliary Sales and Services

Revenue from library fees, internal service center fees, athletic camp fees.

Sales of Products

Sales of publications, maps, materials, and supplies.



APPENDIX B1



DESCRIPTION OF TABOR REVENUE REFUNDING MECHANISMS

STATE SALES TAX REDUCTION

(January 1, 1999)

Depending on the amount of excess TABOR revenues to be refunded, a tiered income bracket system will be used to distribute the surplus as a sales tax credit to be taken on individual income tax returns.

AMOUNT OF TABOR REFUND: Up to \$94.5 million.

EARNED INCOME TAX CREDIT

(January 1, 1999)

When excess TABOR revenue exceeds \$50 million plus the personal income growth rate for Colorado adjusted annually since Fiscal Year 2000 (\$94.5 million as of June 30, 2014), an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed. After this credit, any excess TABOR revenues between \$94.5 and \$279.5 million will be refunded through the State Sales Tax Refund.

AMOUNT OF TABOR REFUND: \$94.5 to \$279.5 million.

TEMPORARY INCOME TAX RATE REDUCTION

(July 1, 2010)

Starting with income tax year 2011, the state income tax rate will be temporarily reduced from the rate of 4.63 percent to 4.50 percent when the state experiences excess TABOR revenues large enough to support the rate reduction. The amount of the excess must exceed: (1) \$50 million plus the personal income growth rate for Colorado adjusted annually since Fiscal Year 2000 (\$94.5

million as of June 30, 2014), plus (2) the estimated tax rate reduction refund amount of \$197.7 million as of June 30, 2014. Any TABOR Revenues in excess of \$279.5 million will be refunded through the State Sales Tax Refund.

AMOUNT OF TABOR REFUND: \$279.5 million or more.

APPENDIX B2



REFUNDING MECHANISM THRESHOLDS

(As applicable to Fiscal Year 2014)

REFUNDING MECHANISM	ORIGINAL THRESHOLD	FISCAL YEAR 2014 THRESHOLD ¹
Earned Income Credit	\$ 50,000,000	\$ 94,500,000

SOURCE: Office of the State Auditor's analysis of Department of Revenue data.

¹ Thresholds are adjusted annually by the personal income growth rate for Colorado. With the enactment of Senate Bill 10-212, the Earned Income Tax Credit became the only mechanism with a threshold for refunding state surplus revenues.



APPENDIX C



TABOR HISTORY: FISCAL YEARS 1993 - 2014

The following provides highlights of certain legislation or voter-approved changes affecting the Office of the State Controller's *Schedule of TABOR Revenue* contained in this report. The fiscal year in which the change was effective and a brief summary of the legislation or voter-approved change is provided below.

1993

VOTER APPROVAL. 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 Colorado's population unless voters approve a revenue change.

1997 AND 1998

REFUNDS. The TABOR Revenue Limit was exceeded for the first time during the fiscal year ended June 30, 1997, and again for fiscal year ended June 30, 1998. The General Assembly decided to distribute the entire excess from general funds as a sales tax credit on each full-year resident's individual tax return.

1999—2001

REFUNDS. TABOR revenue exceeded the TABOR Revenue Limit for each of these years, resulting in refunds. In 1999, the excess was refunded through three mechanisms; in 2000, nine mechanisms were used, and in 2001, the excess was refunded through 15 mechanisms.

REVENUE REDUCTIONS. During the period, there were several revenue reductions enacted that lowered the amount of TABOR revenue to be received in subsequent years. The most significant reduction was the

lowering of income tax rates effective January 1, 1999, for individuals, estates, and trusts from 5 percent to 4.75 percent, and a further reduction effective January 1, 2000, of the rate to 4.63 percent. Effective January 1, 2001, the sales tax rate was reduced from 3 percent to 2.9 percent. Other permanent tax reductions include the establishment of low-income housing owner credits, redevelopment incentives for contaminated property, sales and use tax exemptions for certain agricultural items, unemployment insurance tax credits, and oil and gas severance tax exemptions.

CONSTITUTIONAL AMENDMENT. Amendment 14 was approved by the voters in November 1998 and authorized a permit fee that is exempt from TABOR for the regulation of commercial hog facilities.

2001

CONSTITUTIONAL AMENDMENTS. Voters approved changes that lowered revenue subject to TABOR requirements through some constitutional amendments. The amendment having the largest impact on decreasing revenue subject to TABOR was Amendment 23, passed in November 2000. The Amendment created the State Education Fund, funded through a transfer of an amount equivalent to a tax of 1/3 of 1 percent of federal taxable income. This essentially reduces the State's TABOR revenue by the amount of the transfer. At this same time, voters also approved Amendment 20 that authorized a fee for patients receiving an identification card for the medical use of marijuana. The resulting revenues are TABOR exempt.

2002

GROWTH DIVIDEND. TABOR states that the TABOR Revenue Limit will be the lesser of the current fiscal year's revenue or the prior fiscal year's TABOR Revenue Limit adjusted by the population growth and the inflation factor. The population growth is adjusted every decade to match the federal census. Based on the 2000 census, it was determined that the federal government underestimated Colorado's population during the 1990s, resulting in greater TABOR refunds than required.

In 2002, the General Assembly enacted Senate Bill 02-179 to account for underestimates of population growth in prior years, adding a carry-forward mechanism for a census-related adjustment in population growth. This can be applied to future calculations of the TABOR Revenue Limit for up to 9 years. This carry-forward is referred to as the growth dividend. The growth dividend determined from the 2000 census allowed the State to raise the TABOR Revenue Limit by \$565.3 million. This amount was fully utilized during Fiscal Years 2004 and 2005.

2004

QUALIFIED ENTERPRISES. The TABOR amendment allows qualified enterprises to be exempt from TABOR requirements. Over the years, the General Assembly has enacted statutes to designate certain state entities as TABOR-exempt enterprises. One of the most significant of these bills was Senate Bill 04-189, which enabled higher education governing boards to designate a qualified institution or group of institutions to be exempt from TABOR requirements. In 2004, the University of Colorado was approved as a TABOR-exempt enterprise. In 2005, 10 additional higher education institutions were approved as TABOR-exempt enterprises. Once designated as a TABOR-exempt enterprise, the institution will retain the designation as long as it continues to meet the requirements for an enterprise.

2005 AND 2006

REFERENDUM C. Referendum C was approved by the voters in the November 2005 election. Referendum C allows the State to retain and spend all revenue in excess of the TABOR Revenue Limit annually for 5 fiscal years starting with Fiscal Year 2006. After July 1, 2010, the State is allowed to retain revenues in excess of the TABOR Revenue Limit up to a newly defined

“Excess State Revenues Cap.” The Excess State Revenues Cap is defined as the highest total state revenue earned between Fiscal Years

2006 and 2010, adjusted for inflation and population growth for each subsequent year.

For Fiscal Years 2006, 2007, and 2008, the amounts of excess revenue that the State was allowed to retain and spend were \$1,116,134,410, \$1,308,040,131, and \$1,169,428,121, respectively, for a 3-year total of \$3,593,602,662. The funds retained by the State were to be applied toward education; healthcare; roads, bridges, and other strategic transportation projects; and retirement plans for firefighters and police officers. TABOR Revenue did not exceed the TABOR Revenue Limit in Fiscal Years 2009 and 2010.

CONSTITUTIONAL AMENDMENT. Amendment 35 was passed by voters in November 2004. The Amendment assesses a statewide TABOR-exempt tax of 64 cents per pack of cigarettes and 20 percent on tobacco products. The Amendment requires that the revenue be used for health care services and tobacco education and cessation programs.

OVERREFUNDS. Prior to July 1, 2005, state statutes provided a mechanism to apply refunds paid in excess of the TABOR refund liability (“overrefunds”) for one fiscal year against the following year’s TABOR refund liability, if one exists. Effective Fiscal Year 2005 under House Bill 05-1310, the State Controller was required to change the methodology for calculating the TABOR Revenue Limit for Fiscal Years 2002 through 2004 by applying the overrefunds after the TABOR Revenue Limit was set. This resulted in an increase of \$92.7 million to the Fiscal Year 2005 TABOR Revenue Limit.

In addition, the State Controller was required to reduce the Fiscal Year 2005 TABOR revenue in excess of the TABOR Revenue Limit for the total amount of overrefunds paid during Fiscal Years 2002 through 2004. This resulted in a \$127.8 million reduction to the TABOR refund liability for Fiscal Year 2005.

House Bill 05-1310 requires that, in Fiscal Year 2006 and future years, TABOR revenue in excess of the TABOR Revenue Limit be reduced by any amounts overrefunded in the prior year. Any unused

amount is to be carried forward and decrease future refund liabilities until the excess is depleted.

2008

CONSTITUTIONAL AMENDMENT. Amendment 50 was passed by voters in November 2008. The Amendment made several revisions to gaming limits. Casinos pay taxes on income from gaming and pay various fees and fines. Most of the revenue the state receives from new gaming limits is to be used for financial aid and classroom instruction at the state's community colleges and distributed to the gaming communities.

2011

REFUND MECHANISMS. The General Assembly enacted Senate Bill 10-212, which repealed the following TABOR surplus refund mechanisms except for the Earned Income Tax Credit and the Sales Tax Refund, effective July 1, 2010:

REFUNDING MECHANISM	ORIGINAL THRESHOLD ¹
Earned Income Credit ¹	\$ 50,000,000
Charitable Contributions Deduction	\$ 100,000,000
Foster Parents Credit	\$ 200,000,000
Business Personal Property Tax Credit	\$ 170,000,000
Child Care Credits	\$ 290,000,000
Tangible Personal Property Used for Research and Development	\$ 358,400,000
Motor Vehicle Registration Fees	\$ 330,000,000
High Technology Scholarship Program Credit	\$ 330,000,000
Interest, Dividends, and Capital Gains Deduction	\$ 350,000,000
Pollution Control Provisions	\$ 350,000,000
Interstate Commerce Sales and Use Tax Refund	\$ 350,000,000
Agriculture Value-Added Development Credit	\$ 400,000,000
Cost of Health Benefits Credit	\$ 400,000,000
Sales Tax Refund ¹	Remaining

¹ Still in effect under current law.

² Thresholds were adjusted annually by the personal income growth rate for Colorado.

For any year in which a refund of TABOR surplus revenue is required, the remaining refund mechanism with a threshold in statute is the

Earned Income Tax Credit. In addition, House Bill 05-1317 created a TABOR refund mechanism that—starting with income tax year 2010—reduces the state income tax rate from the rate of 4.63 percent to 4.50 percent when the state experiences a revenue surplus large enough to support the rate reduction. The Temporary Income Tax Rate Reduction follows the Earned Income Tax Credit refund mechanism. See Appendices B1 and B2.

2013

EARNED INCOME TAX CREDIT. The General Assembly enacted Senate Bill 13-001 concerning income tax credits to support working families. A permanent and refundable state earned income tax credit was established for all income tax years regardless if there is a refund of excess state revenues required by the taxpayer's bill of rights (TABOR) through the Earned Income Tax Credit (EITC) refund mechanism. The credit is equal to 10 percent of a resident individual's federal earned income tax credit. When a refund of revenue surplus is required, the Earned Income Tax Credit is considered to count toward the EITC TABOR refund mechanism threshold.

CONSTITUTIONAL AMENDMENT. Amendment 64 “Use and Regulation of Marijuana,” passed in November 2012, required the general assembly to enact an excise tax to be levied upon wholesale sales of marijuana. The Amendment requires that the first \$40 million raised annually goes to school capital construction. Proposition AA “Marijuana Products Sales Tax,” passed in November 2013, assesses a statewide TABOR-exempt tax of 15 percent excise tax to be levied upon wholesale sales of marijuana.

