



REPORT OF
THE
STATE AUDITOR

SCHEDULE OF TABOR REVENUE

OCTOBER 2002

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STATE OF COLORADO

JOANNE HILL, CPA
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October 1, 2002

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, 2002 and 2001. 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 \$7,752,211,222 and a TABOR limit of \$8,126,189,326. Prior year adjustments of \$8,283,831 increased revenue to \$7,760,495,053. The result is total TABOR revenue below the limit by \$365,694,273.

During our audit we determined that TABOR revenue was \$7,751,448,914 and the revenue limit was \$8,126,189,326. Prior period adjustments of \$8,089,157 increased revenue to \$7,759,538,071. This results in total TABOR revenue below the limit by \$366,651,255. The difference in the amount of revenue reported as below the TABOR limit of \$956,982 was primarily due to a change in estimate for a tax case settlement at the Department of Revenue and a reversal in the write-off of a receivable balance at the University of Colorado, Colorado Springs.

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**STATE OF COLORADO
OFFICE OF THE STATE AUDITOR**

REPORT SUMMARY

**JOANNE HILL, CPA
State Auditor**

**SCHEDULE OF TABOR REVENUE
October 2002**

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 2002 through October 2002.

The purpose and scope of the audit were to:

- c Express an opinion on the *Schedule of TABOR Revenue* as of June 30, 2002 and 2001.
- c Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2002 and 2001.

For further information on this report, contact the Office of the State Auditor at (303) 869-2800.

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.

Prior Year Refunds

Fiscal Year 2002 is the first year that State revenue did not exceed the TABOR revenue limit since the fiscal year ended June 30, 1997. In Fiscal Year 2002 actual revenue was less than the TABOR revenue limit by about \$367 million. According to estimates by the Office of State Planning and Budgeting and Legislative Council, the State will not have surplus TABOR revenue over the next few fiscal years.

During Fiscal Years 1997 through 2001, there was a cumulative excess revenue of about \$3.3 billion that was refunded to taxpayers. 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 General Assembly 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. In 2000 the excess of \$941.1 million was refunded through nine mechanisms.

In Fiscal Year 2001 there was an excess of \$927.2 million that was required to be refunded. However, as shown in the following table, only \$837.3 million was refunded through 15 credits. Appendix B provides a more detailed description of each refunding mechanism.

Fiscal Year 2001 Refund Distribution Per Statute (As of June 30, 2002)		
Description	Statute Citation	Fiscal Year 2001 Refunds (Millions)
Sales Tax Refund	Section 39-22-2003, C.R.S.	\$542.0
Other Credits:		
Business Personal Property Tax Credit	Section 39-22-124, C.R.S.	\$101.2
Interest, Dividend, and Capital Gains to \$1,200/\$2,400	Section 39-22-104, C.R.S.	42.9
Colorado Capital Gains Modification and Expansion	Section 39-22-518, C.R.S.	54.3
Earned Income Credit	Section 39-22-123, C.R.S.	31.5
Motor Vehicle Registration Fees	Section 24-75-216, C.R.S.	31.4
Child Care Credits	Section 39-22-119, C.R.S.	24.0
Interstate Commerce Sales and Use Tax Exemption	Section 39-26-106, C.R.S.	4.4
Income Tax Deduction for Charity	Section 39-22-104, C.R.S.	2.8
Income Tax Credit for the Cost of Health Benefits	Section 39-22-125, C.R.S.	2.3
Rural Health Care Providers	Section 39-22-126, C.R.S.	.2
Income Tax Credit for Foster Parents	Section 39-22-127, C.R.S.	.2
Agriculture Value-Added Account	Section 39-22-527, C.R.S.	.1
Individual Development Accounts ¹	Section 39-22-524, C.R.S.	-
High Technology Scholarships ²	Section 39-22-523, C.R.S.	-
Subtotal Other Credits		\$295.3
TOTAL REFUNDED		\$837.3
TOTAL AMOUNT TO BE REFUNDED		\$927.2
TABOR LIABILITY REMAINING		\$89.9
Source: Department of Revenue information.		
¹ Amount is \$8,308.		
² Amount is \$1,620.		

Current Year Liability

The Fiscal Year 2001 TABOR liability was \$927.2 million. As of June 30, 2002, \$837.3 million of this had been refunded, leaving \$89.9 million remaining to be paid at the end of Fiscal Year 2002. Additionally, during Fiscal Year 2002 the State paid out about \$69.6 million in Fiscal Year 2000 TABOR refunds in excess of the actual TABOR liability for Fiscal Year 2000. At the end of Fiscal Year 2002, the State Controller's Office applied the \$69.6 million paid in excess of the Fiscal Year 2000 TABOR refunds to the remaining Fiscal Year 2001 TABOR liability. This reduced the Fiscal Year 2001 TABOR liability from \$89.9 million to about \$20.3 million at the end of Fiscal Year 2002. The Office of State Planning and Budgeting estimates that approximately \$28.6 million in addition to the \$20.3 million will be claimed by taxpayers in Fiscal Year 2003. In order to account for these additional estimated future refunds, the State Controller's Office recorded \$28.6 million in tax refunds payable as of June 30, 2002.

Revenue Reductions

Several revenue reductions were enacted during the 1999, 2000, and 2001 legislative sessions that will lower future TABOR revenue. Legislative Council estimated about a \$433.5 million revenue reduction in Fiscal Year 2002 due to these permanent tax cuts. The most significant was the reduction in income taxes to 4.63 percent from 4.75 percent effective January 1, 2000. The sales tax rate was reduced to 2.9 percent from 3 percent effective January 1, 2001. 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. There were no permanent tax cuts enacted during the 2002 legislative session.

In addition, voters approved changes that will lower future revenue subject to TABOR. The table on the following page shows the voter approved changes that were enacted during Fiscal Year 2001 and the effect on the Fiscal Year 2002 revenue:

Impact of Voter Approved Revenue Changes on TABOR Revenue Fiscal Year 2002		
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 \$3.3 billion reduced by \$258.3 million; • Corporate income taxes of \$178 million reduced by \$13.4 million; • Fiduciary income taxes of \$15 million reduced by \$1.2 million. 	\$272.9
Referendum A	Reduces the amount of property taxes for qualified senior citizens and requires the State to reimburse local governments for the lost property tax revenue.	44.1
Amendment 14	Assesses a fee on housed commercial swine feeding operations.	.2
Amendment 20 ¹	Assesses an application fee to obtain a Medicinal Marijuana identification card.	-
Total Reductions in Fiscal Year 2002 TABOR Revenue		\$317.2
Source: State Controller's Office and Department of Revenue information.		
¹ The amount is \$27,889.		

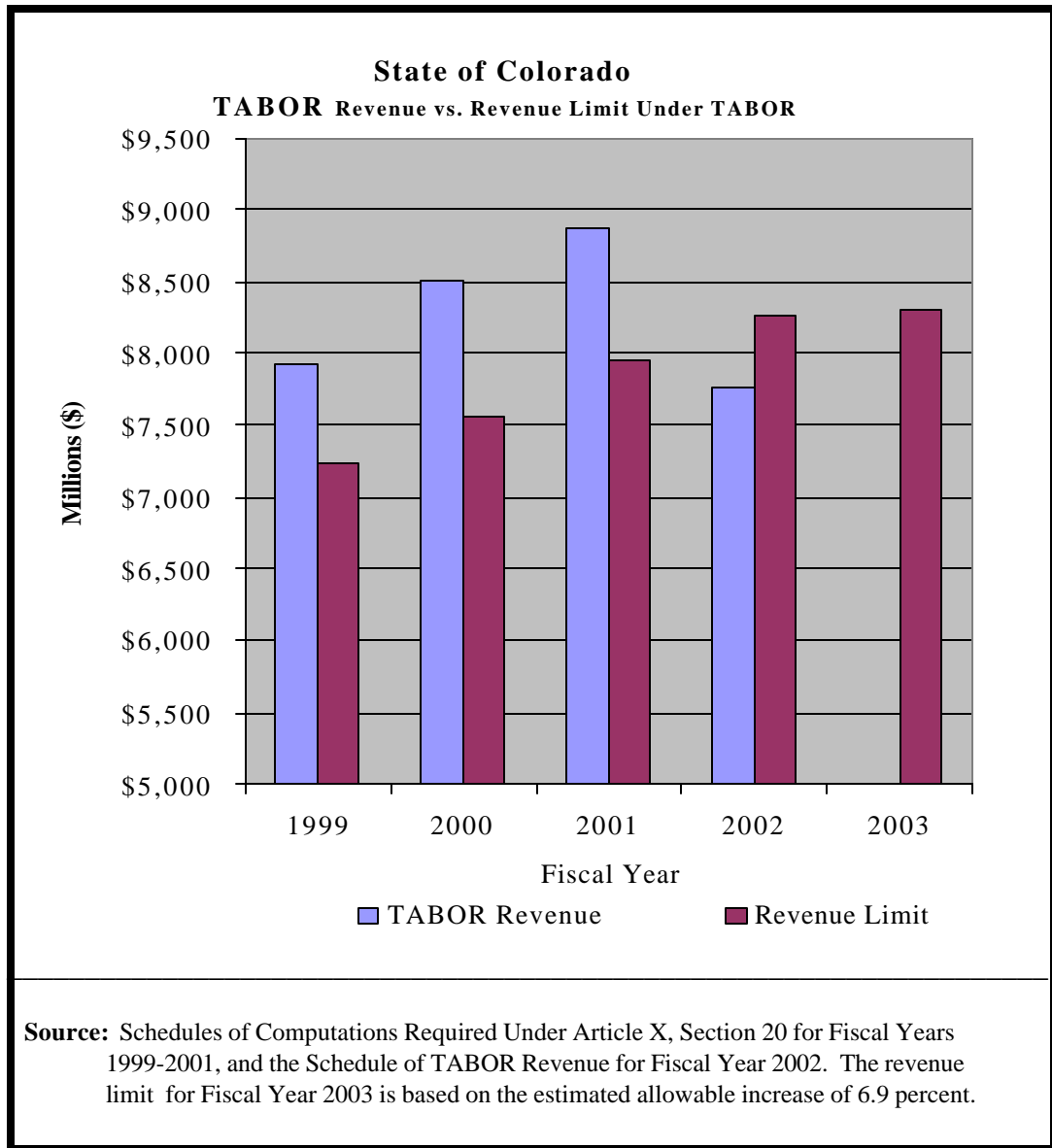
Revenue Limits

We reviewed the State Controller's computation of the TABOR revenue limit. For Fiscal Year 2002, the audited TABOR limit was \$8,126,189,326, the revenue was \$7,751,448,914. Prior year adjustments increased the revenue by \$8,089,157 for total TABOR revenue of \$7,759,538,071. This is a \$956,982 decrease in the revenue reported by the State Controller's Office. The difference is primarily due to a change in estimate for a tax case settlement at the Department of Revenue and a reversal in the write-off of an accounts receivable balance at the University of Colorado, Colorado Springs. During our testwork we also found adjustments that decreased revenue by a net amount of \$53,856,045; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2002.

In Fiscal Year 2002 the TABOR allowable growth rate was adjusted down to 4 percent from the projected 10 percent. Article X, Section 20 (7) (a) of the State's Constitution requires that the change in population growth, in conjunction with inflation, be used to determine the change in fiscal year spending. This section of the Constitution states that "population shall be determined by annual federal census estimates and such number shall be 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. Because of this, the State refunded more money to taxpayers than would have been had the population estimates more accurately reflected population growth in Colorado.

During the 2002 legislative session, the General Assembly enacted legislation to recoup revenue lost to the State due to underestimates of population growth in prior years. Section 24-77-103 (2) (b) (II.5) (A), C.R.S., allows the percentage change used in calculating the TABOR growth rate to be reduced in years where actual revenue is less than the limitation on state fiscal year spending. In Fiscal Year 2002 the population growth rate of 6 percent was not used to calculate the TABOR growth rate due to actual revenue being less than the limit. Under statutes, the unused 6 percent can be carried forward for up to nine years. This allows the State to raise the TABOR limit in future years and retain future excess TABOR revenue up to the amount of the 6 percent.

The graph that follows compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 1999 to Fiscal Year 2002, with an estimate of the Fiscal Year 2003 limit. The preliminary Fiscal Year 2003 revenue limit is included to highlight the fact that Fiscal Year 2002 revenue does not exceed the Fiscal Year 2003 limit.



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. In general, cash

funds decreases come from two sources—either a change in the rate charged or a decrease in the usage of services. General funds decreased at a rate of about 15 percent in Fiscal Year 2002 as compared with a 4 percent increase in Fiscal Year 2001, while cash funds decreased at a rate of 6 percent in Fiscal Year 2002 as compared with an increase of 6 percent for Fiscal Year 2001.

The following tables show the major sources of revenue in Fiscal Year 2002, with comparative figures for 2001 and 2000 separated by general-funded and cash-funded revenue. For those revenue sources used for both general- and cash-funded purposes, addition of amounts in the charts below 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
General-Funded Revenue**

	Fiscal Year 2002	Fiscal Year 2001	2001 to 2002 % Change	Fiscal Year 2000	2000 to 2001 % Change
GENERAL-FUNDED REVENUE:					
Individual Income Tax, Net	\$ 3,071,852,841	\$ 3,835,338,129	-19.9%	\$ 3,687,314,615	4.0%
Sales and Use Tax, Net	1,867,638,218	1,906,304,735	-2.0%	1,868,457,444	2.0%
Corporate Income Tax, Net	164,661,376	319,037,240	-48.4%	289,228,619	10.3%
Insurance Taxes	154,588,623	141,992,774	8.9%	128,542,486	10.5%
Estate and Inheritance Tax	72,517,741	82,563,486	-12.2%	59,731,067	38.2%
Tobacco Products Tax, Net	65,550,423	67,987,018	-3.6%	67,236,497	1.1%
Alcoholic Beverages Tax, Net	29,497,434	29,297,194	0.7%	27,978,957	4.7%
Court and Other Fines	25,857,347	25,260,230	2.4%	29,636,690	-14.8%
Interest and Investment Income	25,267,405	44,986,292	-43.8%	41,987,857	7.1%
Fiduciary Income Tax, Net	13,815,708	31,594,182	-56.3%	30,892,303	2.3%
Disproportionate Share Providers	11,171,358	-	100.0%	7,131,370	-100.0%
Business Licenses and Permits	6,230,863	4,407,311	41.4%	6,031,263	-26.9%
Gaming and Other Taxes	6,221,565	6,706,402	-7.2%	7,609,556	-11.9%
Other General-Funded Revenue	4,978,885	5,355,966	-7.0%	5,628,238	-4.8%
TOTAL GENERAL-FUNDED REVENUE	\$ 5,519,849,787	\$ 6,500,830,959	-15.1%	\$ 6,257,406,962	3.9%

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

¹The amount of Individual Income Tax was reduced by Amendment 23 transfers of \$258,329,000 from the amount shown on the Schedule of TABOR Revenue.

²The amount of Corporate Income Tax was reduced by Amendment 23 transfers of \$13,373,000 from the amount shown on the Schedule of TABOR Revenue.

³The amount of Fiduciary Income Tax was reduced by Amendment 23 transfers of \$1,198,000 from the amount shown on the Schedule of TABOR Revenue.

State of Colorado
Sources of TABOR Revenue
Cash-Funded Revenue

	<u>Fiscal Year 2002</u>	<u>Fiscal Year 2001</u>	<u>2001 to 2002 % Change</u>	<u>Fiscal Year 2000</u>	<u>2000 to 2001 % Change</u>
CASH-FUNDED REVENUE:					
Education Tuition and Fees	\$ 646,161,262	\$ 579,993,648	11.4%	\$ 550,871,201	5.3%
Scholarship Allowances	(128,789,733)	-	-100.0%	-	-
Fuel and Transportation Taxes, Net	546,484,337	529,229,326	3.3%	522,598,118	1.3%
Interest and Investment Income	176,628,881	212,504,202	-16.9%	189,199,047	12.3%
Employment Taxes	170,292,023	170,438,241	-0.1%	199,137,514	-14.4%
Motor Vehicle Licenses	151,414,842	148,724,924	1.8%	148,986,616	-0.2%
Gaming and Other Taxes	96,803,744	90,033,599	7.5%	77,628,225	16.0%
Business Licenses and Permits	64,448,613	69,072,545	-6.7%	64,032,386	7.9%
Court and Other Fines	55,725,587	56,176,042	-0.8%	49,521,474	13.4%
Insurance Taxes	55,083,246	43,223,254	27.4%	42,644,625	1.4%
Nonbusiness Licenses and Permits	53,347,068	54,530,534	-2.2%	44,509,685	22.5%
Hunting and Fishing Licenses	-	53,472,420	-100.0%	53,358,093	0.2%
Severance Tax	50,550,128	68,890,858	-26.6%	36,238,953	90.1%
Local Governments and Authorities	39,216,761	32,242,950	21.6%	20,660,355	56.1%
Other Charges for Services	34,560,735	44,001,632	-21.5%	40,004,792	10.0%
Higher Education Auxiliary					
Sales and Services	31,508,030	31,284,545	0.7%	30,822,246	1.5%
Rents	28,209,372	26,348,947	7.1%	21,585,226	22.1%
General Government Service Fees	27,680,072	20,800,121	33.1%	19,225,864	8.2%
Unclaimed Money, Net	12,372,110	16,718,931	-26.0%	12,029,037	39.0%
Health Service Fees	22,241,347	31,046,138	-28.4%	30,886,020	0.5%
Driver's Licenses	21,444,506	20,070,114	6.8%	21,744,243	-7.7%
Certifications and Inspections	17,906,253	16,285,779	10.0%	15,407,198	5.7%
Sales of Products	14,406,282	17,259,479	-16.5%	16,421,539	5.1%
Sales and Use Tax, Net	9,844,878	11,900,123	-17.3%	8,710,720	36.6%
Other Cash-Funded Revenue	43,104,922	30,671,652	40.5%	31,208,855	-1.7%
TOTAL CASH-FUNDED REVENUE	<u>\$ 2,240,645,266</u>	<u>\$ 2,374,920,004</u>	<u>-5.7%</u>	<u>\$ 2,247,432,032</u>	<u>5.7%</u>
TOTAL TABOR REVENUE	<u>\$ 7,760,495,053</u>	<u>\$ 8,875,750,963</u>	<u>-12.6%</u>	<u>\$ 8,504,838,994</u>	<u>4.4%</u>

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

Financial Information



STATE OF COLORADO

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State Auditor

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October 1, 2002

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, 2002, 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, 2002 and 2001. 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 accounting principles generally accepted in the United States of America 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, 2002 and 2001, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of TABOR Revenue* does not include audit adjustments of \$956,982. If the adjustments had been included revenue, as determined under Article X, Section 20 of the State Constitution, for the year ended June 30, 2002, would have been reduced to \$ 7,759,538,071 from \$7,760,495,053.

The State of Colorado adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001. Governmental Accounting Standards Board Statement No. 34 requires that revenue be reported net of discounts and allowances. Therefore, scholarship allowances at higher education institutions are shown as a reduction of revenue on the *Schedule of TABOR Revenue*.

A handwritten signature in cursive script, appearing to read "Janice Hill".

State of Colorado
Schedule of TABOR Revenue

	Fiscal Year 2002	Fiscal Year 2001	Increase (Decrease)	Percent Change
Individual Income Tax, Net	\$ 3,330,181,841	\$ 3,985,149,129	\$ (654,967,288)	-16.4%
Corporate Income Tax, Net	178,034,376	332,327,240	(154,292,864)	-46.4%
Fiduciary Income Tax, Net	15,013,708	32,759,182	(17,745,474)	-54.2%
Education Fund Transfers (Amend. 23) ¹	(272,900,000)	(164,266,000)	(108,634,000)	66.1%
TOTAL INCOME TAX	3,250,329,925	4,185,969,551	(935,639,626)	-22.4%
Sales Tax, Net	1,736,839,780	1,760,320,741	(23,480,961)	-1.3%
Use Tax, Net	140,643,316	157,884,117	(17,240,801)	-10.9%
Tobacco Products Tax, Net	65,550,423	67,987,018	(2,436,595)	-3.6%
Alcoholic Beverages Tax, Net	30,049,568	29,765,147	284,421	1.0%
Other Excise Taxes, Net	208,201	183,612	24,589	13.4%
TOTAL EXCISE TAX	1,973,291,288	2,016,140,635	(42,849,347)	-2.1%
Fuel and Transportation Taxes, Net	546,484,337	529,229,326	17,255,011	3.3%
Employment Taxes	170,292,023	170,438,241	(146,218)	-0.1%
Insurance Taxes	209,671,869	185,216,028	24,455,841	13.2%
Estate and Inheritance Taxes	72,517,741	82,563,486	(10,045,745)	-12.2%
Gaming and Other Taxes	103,025,309	96,740,001	6,285,308	6.5%
Severance Tax	50,550,128	68,890,858	(18,340,730)	-26.6%
TOTAL OTHER TAXES	1,152,541,407	1,133,077,940	19,463,467	1.7%
Education Tuition and Fees	646,161,262	579,993,648	66,167,614	11.4%
Scholarship Allowances	(128,789,733)	-	(128,789,733)	-100.0%
Motor Vehicle Licenses	151,414,842	148,724,924	2,689,918	1.8%
Business Licenses and Permits	70,932,479	73,479,856	(2,547,377)	-3.5%
Hunting and Fishing Licenses	-	53,472,420	(53,472,420)	-100.0%
Nonbusiness Licenses and Permits	53,951,345	55,136,585	(1,185,240)	-2.1%
Health Service Fees	22,306,573	31,046,138	(8,739,565)	-28.2%
Other Charges for Services	34,022,557	44,001,632	(9,979,075)	-22.7%
General Government Service Fees	27,962,557	20,988,548	6,974,009	33.2%
Driver's Licenses	21,444,506	20,070,114	1,374,392	6.8%
Certifications and Inspections	18,809,230	17,386,062	1,423,168	8.2%
Public Safety Service Fees	3,133,362	3,015,713	117,649	3.9%
Employee Benefit Fees	578,114	302,407	275,707	91.2%
Welfare Service Fees	315,031	284,528	30,503	10.7%
TOTAL LICENSES, PERMITS AND FEES	922,242,125	1,047,902,575	(125,660,450)	-12.0%
Interest and Investment Income	195,854,630	257,493,446	(61,638,816)	-23.9%
Court and Other Fines	81,582,934	81,545,250	37,684	0.0%
Disproportionate Share Providers	11,171,358	-	11,171,358	100.0%
Higher Education Auxiliary				
Sales and Services	31,508,030	31,284,545	223,485	0.7%
Miscellaneous Revenue	39,852,006	31,098,370	8,753,636	28.1%
Rents	27,832,795	26,348,947	1,483,848	5.6%
Local Governments and Authorities	39,216,761	32,249,560	6,967,201	21.6%
Sales of Products	14,415,853	17,275,656	(2,859,803)	-16.6%
Unclaimed Money, Net	12,372,110	16,718,931	(4,346,821)	-26.0%
Prior Year Audit Adjustments	8,283,831	(1,354,443)	9,638,274	811.6%
OTHER REVENUE	462,090,308	492,660,262	(30,569,954)	-6.2%
TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS	\$ 7,760,495,053	\$ 8,875,750,963	\$ (1,115,255,910)	-12.6%

¹Per HB01-1262, Amendment 23 transfers did not begin until December 28, 2000. Therefore, the Fiscal Year 2001 Amendment 23 amount includes only 6 months of transfers.

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
Scholarship Allowances	The difference between the stated charge for tuition and other education-related fees collected by state colleges and universities and the actual amount that is paid by 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 Fiscal Year 2000 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.

Mechanism (Effective Date)	Description
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.
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.

Mechanism (Effective Date)	Description
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 Fiscal Year 2000.
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.

Mechanism (Effective Date)	Description
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.
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 equal to the taxpayer's income tax liability but is not to exceed the taxpayer's student loan obligation. This credit is effective from January 1, 2000 to January 1, 2008.

Mechanism (Effective Date)	Description
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.
Tangible Personal Property used for Research and Development (January 1, 2002)	When the excess TABOR revenue exceeds \$358.4 million annually adjusted for inflation, a 50 percent sales tax credit for the sale, purchase, storage, use, or consumption of tangible personal property used in Colorado directly for research and development is allowed.
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.

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