



**REPORT OF  
THE  
STATE AUDITOR**

**SCHEDULE OF TABOR REVENUE**

**September 2005**

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## STATE OF COLORADO

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September 29, 2005

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, 2005 and 2004. 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 audited refund is as follows:

Fiscal Year 2005 Revenue	\$8,483,372,713
Less: Correction of Prior Years' Errors	<u>(3,046,846)</u>
Fiscal Year 2005 Adjusted Revenue and Prior Year Adjustments	\$8,480,325,867
Less: Fiscal Year 2005 TABOR Limit	<u>(8,309,480,454)</u>
Fiscal Year 2005 Revenue in Excess of the Limit	\$ 170,845,413
Less: Prior Years' Over Refunds	<u>(127,809,875)</u>
Fiscal Year 2005 TABOR Refund Liability	<u>\$ 43,035,538</u>

During our testwork there were adjustments that decreased revenue by a net amount of \$4.1 million; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2005.

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JOANNE HILL, CPA  
State Auditor

## SCHEDULE OF TABOR REVENUE September 2005

### 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 2005 through September 2005.

The purpose and scope of the audit were to:

- Express an opinion on the *Schedule of TABOR Revenue* as of June 30, 2005 and 2004.
- Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2005 and 2004.

*For further information on this report, contact the Office of the State Auditor at 303.869.2800.*

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# TABOR Revenue

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## 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

For Fiscal Years 1997 through 2001, cumulative excess revenue of about \$3.5 billion was refunded to taxpayers. For Fiscal Years 2002 through 2004 state revenue did not exceed the TABOR spending limit and there were no refunds for these 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 ". . . 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. 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 was refunded through three mechanisms, and in 2000 the excess was refunded through nine mechanisms. As the following chart shows, in Fiscal Year 2001 there was an excess of \$927.2 million that was refunded through 15 credits and the application of the Fiscal Year 2000 excess refunds. Through Fiscal Year 2005, \$1,051 million has been refunded related to the 2001 excess. Refunds paid for 2001 exceeded the refund liability by \$123.8 million. Appendix B1 and B2 provide more details regarding each refunding mechanism.

<b>Fiscal Year 2001 Refund Distribution Per Statute (Through June 30, 2005)</b>		
<b>Description</b>	<b>Statute Citation</b>	<b>Fiscal Year 2001 Refunds (Millions)</b>
Sales Tax Refund	Section 39-22-2003, C.R.S.	\$576.7
Other Credits:		
Colorado Capital Gains Modification and Expansion	Section 39-22-518, C.R.S.	\$156.8
Business Personal Property Tax Credit	Section 39-22-124, C.R.S.	99.8
Interest, Dividends, and Capital Gains	Section 39-22-104, C.R.S.	44.3
Motor Vehicle Registration Fees	Section 24-75-216, C.R.S.	34.0
Earned Income Credit	Section 39-22-123, C.R.S.	32.9
Child Care Credits	Section 39-22-119, C.R.S.	25.5
Interstate Commerce Sales and Use Tax Exemption	Section 39-26-106, C.R.S.	5.2
Income Tax Deduction for Charity	Section 39-22-104, C.R.S.	2.9
Income Tax Credit for the Cost of Health Benefits	Section 39-22-125, C.R.S.	2.4
Agriculture Value-Added Development	Section 39-22-527, C.R.S.	.5
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
Individual Development Accounts <sup>1</sup>	Section 39-22-524, C.R.S.	-
High Technology Scholarships <sup>2</sup>	Section 39-22-523, C.R.S.	-
Subtotal Other Credits		\$404.7
<b>Total Refunding Mechanisms</b>		<b>\$981.4</b>
Application of Fiscal Year 2000 Excess Refunds	Section 24-77-103.7, C.R.S.	\$69.6
<b>TOTAL REFUNDED</b>		<b>\$1,051.0</b>
<b>TOTAL AMOUNT TO BE REFUNDED</b>		<b>\$927.2</b>
<b>Excess of Refunds Over Refund Liability</b>		<b>\$123.8</b>
<b>Source:</b> Department of Revenue information.		
<sup>1</sup> Amount is \$10,816.		
<sup>2</sup> Amount is \$3,343.		

## Revenue Reductions

Several significant revenue reductions were enacted during the 1999, 2000, and 2001 legislative sessions that will lower future TABOR revenue. The Office of State Planning and Budgeting estimated about a \$552.8 million revenue reduction in Fiscal Year 2005 due to these permanent tax cuts. The most significant reduction was in income taxes for individuals, estates, and trusts. The rate was reduced to 4.75 percent from 5 percent effective January 1, 1999, and was further reduced to 4.63 percent on 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. In addition, for those years when TABOR revenue exceeds the limit, taxpayers can receive a full or partial refund for a conservation easement instead of being required to carry forward an unused tax credit. Taxpayers can also receive a refund for certain child care costs. There were no permanent tax cuts enacted during the 2005 legislative session.

Further, 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 Years 2001 and 2005 and the effect on the Fiscal Year 2005 revenue:

<b>Impact of Voter Approved Revenue Changes on TABOR Revenue Fiscal Year 2005</b>		
<b>Constitutional Amendment</b>	<b>Requirement</b>	<b>TABOR Impact</b>
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"> <li>• Individual income taxes of \$3.68 billion reduced by \$290.5 million;</li> <li>• Corporate income taxes of \$315 million reduced by \$22.4 million;</li> <li>• Fiduciary income taxes of \$31.6 million reduced by \$1.0 million.</li> </ul>	\$313,934,000
Amendment 14	Assesses a fee on housed commercial swine feeding operations.	\$155,396
Amendment 20	Assesses an application fee to obtain a Medicinal Marijuana identification card.	\$75,129
Amendment 35	Assesses a statewide tax on cigarette and tobacco products.	\$80,691,957
<b>Total Reductions in Fiscal Year 2005 TABOR Revenue</b>		<b>\$394,856,482</b>
<b>Source:</b> State Controller's Office and Department of Revenue information.		

## Adjustments for Over Refunds

Article X, Section 20 (7) (a) of the State's Constitution requires the TABOR spending limit to be the lesser of the current fiscal year's actual revenue or the prior fiscal year's TABOR spending limit adjusted for inflation and the change in population. Prior to July 1, 2005, Section 24-77-103.7, C.R.S., provided a mechanism to apply refunds paid in excess of the TABOR refund liability for one fiscal year against the following year's TABOR refund liability, if one existed. If a TABOR refund liability did not exist in the following year, the excess refunds decreased the State's revenue in the year the excess refund was paid.

Effective as of Fiscal Year 2005, Section 24-77-103.7, C.R.S., was repealed and reenacted through House Bill 05-1310. This legislation requires the State Controller

to make two types of adjustments in Fiscal Year 2005 related to over refunds that were paid during Fiscal Years 2002 through 2004.

First, for Fiscal Year 2005 HB 05-1310 required the State Controller to calculate the limit on state fiscal year spending for Fiscal Years 2002 through 2004 without reducing TABOR revenue for over refunds paid during these years or carried forward from prior years. As a result, the State Controller made one-time “look back” adjustments of \$92.1 million and \$643,000 to the fiscal year spending limit for Fiscal Years 2003 and 2004, respectively, based on over refunds paid in those years. The \$92.7 million in adjustments is reflected in the Fiscal Year 2005 spending limit of \$8,309 million. In other words, the \$92.7 million was an increase to the limit to remove the affect of over refunds paid in Fiscal Years 2003 and 2004. Those refunds had been deducted from revenue and, as a result, reduced the fiscal year spending limit for the next fiscal year. In both instances, in the subsequent year (i.e., Fiscal Years 2004 and 2005) TABOR revenue exceeded the spending limit. Without HB 05-1310, the reduced limit increased the amount of the growth dividend used in Fiscal Year 2004 and the amount of the refund liability in Fiscal Year 2005. No adjustment was made to the Fiscal Year 2005 limit for over refunds paid in Fiscal Year 2002 because in Fiscal Year 2003, TABOR revenue was less than the limit on fiscal year spending calculated on the basis of Fiscal Year 2002 revenue. Therefore, for Fiscal Year 2003, the actual TABOR revenue earned by the State was the basis for calculating the subsequent year’s limit, and increases to the Fiscal Year 2002 revenue would have no impact.

Second, HB 05-1310 required the State Controller to make a reduction to the Fiscal Year 2005 TABOR revenue in excess of the limit for the *total* amount of over refunds paid during Fiscal Years 2002 through 2004. This resulted in a \$127.8 million reduction to the TABOR refund liability for Fiscal Year 2005.

The following chart shows information regarding the \$92.1 million and \$643,000 over refunds in Fiscal Years 2003 and 2004 that increased the Fiscal Year 2005 spending limit, and the \$127.8 million of over refunds paid during Fiscal Years 2002 through 2004 that reduced the Fiscal Year 2005 TABOR refund liability.

HB 05-1310 requires that in Fiscal Year 2006 and future years TABOR revenue in excess of the limit on fiscal year spending be reduced by any amounts over refunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted.

<b>Reductions to Fiscal Year 2005 TABOR Refund Liability Based on Over Refunds Paid in Fiscal Years 2002 - 2004</b>				
	<b>Fiscal Year When Over Refund was Paid</b>			<b>Totals</b>
	<b>2002</b>	<b>2003</b>	<b>2004</b>	
<b>TABOR Refund for Fiscal Year</b>				
<b>1999</b>	\$ 53,051	\$ -	\$ -	\$ 53,051
<b>2000</b>	28,546,949	3,977,033	31,853	32,555,835
<b>2001</b>	6,516,715	88,073,013	611,262	95,200,990
				-
<b>Total Over Refunds Paid</b>	<b>\$ 35,116,715</b>	<b>\$ 92,050,046</b>	<b>\$ 643,115</b>	<b>\$ 127,809,876</b>

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

## Growth Dividend

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.

As a result, during the 2002 Session the General Assembly enacted legislation to account for underestimates of population growth in prior years. Section 24-77-103 (2) (b) (II.5), C.R.S., adds a carry forward mechanism for a census-related adjustment in population growth. The adjustment can be applied to future calculations of the limitation on the State's spending for up to nine years. This carry forward is referred to as the growth dividend. The growth dividend allowed the State to raise the TABOR spending limit and retain excess TABOR revenue.

During Fiscal Year 2004, we reported that 4.9 percent of the 6 percent growth dividend was utilized. The remaining unused 1.1 percent was carried forward to Fiscal Year 2005. The TABOR limit adjustment provided for under HB 05-1310, described above, increased the Fiscal Year 2004 spending limit by \$92.1 million and reduced the growth dividend used in Fiscal Year 2004 from 4.9 percent to 3.6 percent. As a result, an additional 1.3 percent (4.9 percent minus 3.6 percent) of the

growth dividend was carried forward and applied to Fiscal Year 2005. The total growth dividend carried forward and used in Fiscal Year 2005 was 2.4 percent (1.1 percent plus 1.3 percent). There is no remaining growth dividend to carry forward to Fiscal Year 2006.

In Fiscal Year 2005 the TABOR allowable growth rate was 2.2 percent, of which 1.1 percent is attributable to population growth and 1.1 percent is due to inflation. With the growth dividend, the total TABOR allowable growth for Fiscal Year 2005 was 4.6 percent.

## Revenue Limit

We reviewed the State Controller's computation of the TABOR revenue limit. For Fiscal Year 2005 the TABOR limit was \$8,309,480,454.

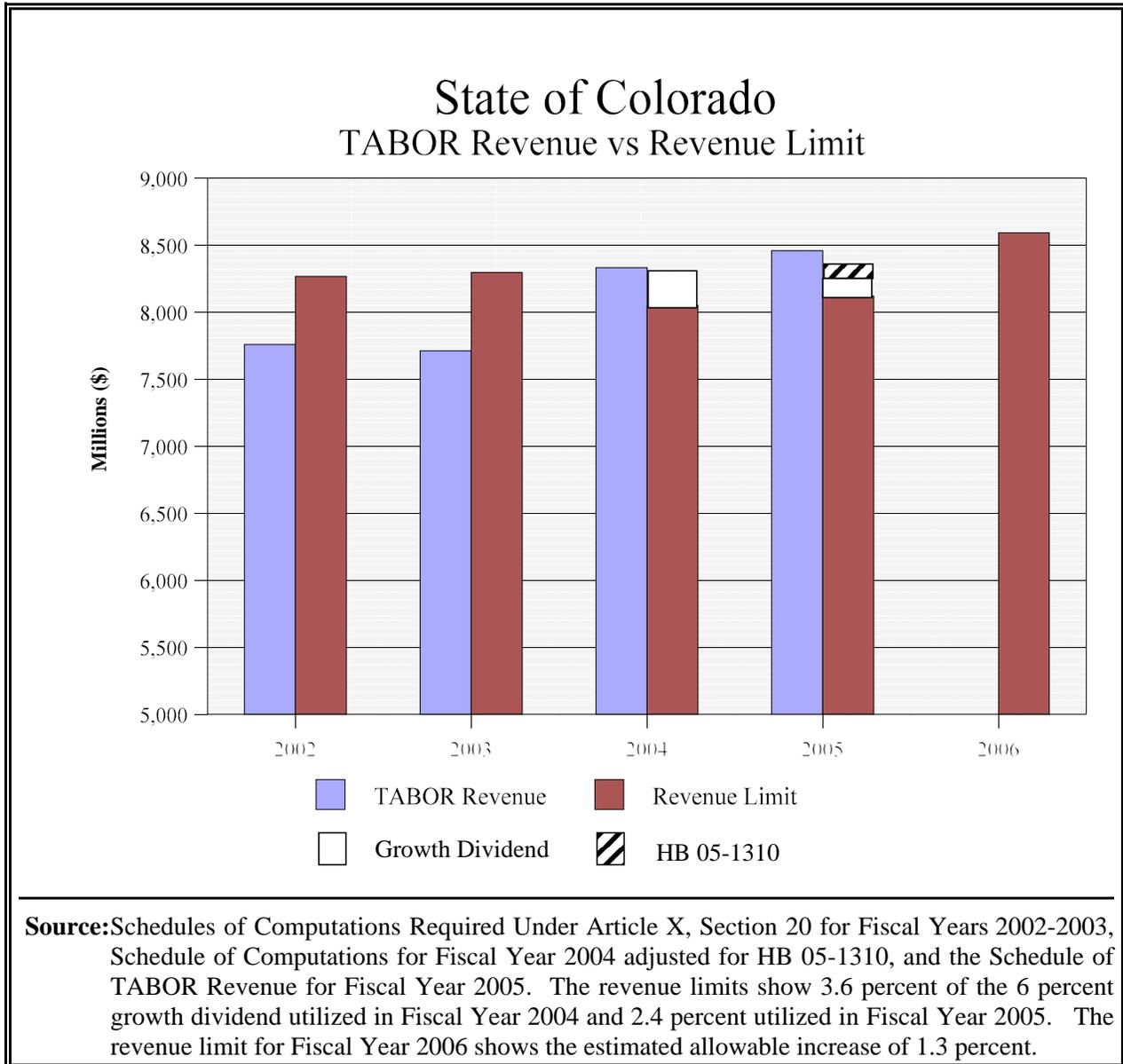
## Revenue

During our testwork we found adjustments that decreased revenue by a net amount of \$4,105,244; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue of \$8,483,372,713 for Fiscal Year 2005. Uncorrected misstatements of \$67,030 identified during the Fiscal Year 2005 audit were determined by management and the Office of the State Auditor to be immaterial, both individually and in the aggregate.

The following shows the TABOR revenue limit and TABOR revenue for Fiscal Year 2005:

Fiscal Year 2005 Revenue	\$8,483,372,713
Less: Correction of Prior Years' Errors	<u>(3,046,846)</u>
Fiscal Year 2005 Adjusted Revenue and Prior Year Adjustments	\$8,480,325,867
Less: Fiscal Year 2005 TABOR Limit	<u>(8,309,480,454)</u>
Fiscal Year 2005 Revenue in Excess of the Limit	\$ 170,845,413
Less: Prior Years' Over Refunds	<u>(127,809,875)</u>
Fiscal Year 2005 TABOR Refund Liability	<u>\$ 43,035,538</u>

The graph on the following page compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 2002 to Fiscal Year 2005, with an estimate of the Fiscal Year 2006 limit. The preliminary Fiscal Year 2006 revenue limit is included to highlight the fact that Fiscal Year 2005 revenue does not exceed the Fiscal Year 2006 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. General funds increased at a rate of 6.7 percent in Fiscal Year 2005, while cash funds, excluding the impact of TABOR enterprise

qualifications, increased at a rate of 7 percent in Fiscal Year 2005. In general, cash fund increases come from two sources—either an increase in the rate charged or an increase in the usage of services.

The following tables show the major sources of revenue in Fiscal Year 2005, with comparative figures for 2004, 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 17.

**State of Colorado**  
**Sources of TABOR Revenue**  
**General-Funded Revenue**  
**June 30, 2005**

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>2004 to 2005 % Change</u>
<b>GENERAL-FUNDED REVENUE</b>			
Individual Income Tax, Net <sup>1</sup>	\$3,390,610,407	\$3,167,967,223	7.0%
Sales and Use Tax, Net	2,007,962,580	1,908,355,392	5.2%
Corporate Income Tax, Net <sup>2</sup>	292,614,927	217,703,035	34.4%
Insurance Taxes	189,202,038	175,903,027	7.6%
Tobacco Products Tax, Net	65,636,084	65,726,065	-0.1%
Alcoholic Beverages Tax, Net	31,230,428	30,915,564	1.0%
Fiduciary Income Tax, Net <sup>3</sup>	30,575,552	20,798,321	47.0%
Court and Other Fines	29,951,933	34,196,826	-12.4%
Interest and Investment Income	27,652,018	19,440,939	42.2%
Estate and Inheritance Taxes	26,004,399	47,196,940	-44.9%
Other General Revenue	4,299,018	4,598,121	-6.5%
Gaming and Other Taxes	4,230,957	4,765,727	-11.2%
Business Licenses and Permits	4,093,280	6,065,693	-32.5%
Employment Taxes	-	15,515,388	-100.0%
<b>TOTAL GENERAL-FUNDED REVENUE</b>	<u>6,104,063,621</u>	<u>5,719,148,261</u>	<u>6.7%</u>

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

<sup>1</sup>The amount of Individual Income Tax for Fiscal Year 2005 was reduced by Amendment 23 transfers of \$290,487,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>2</sup>The amount of Corporate Income Tax for Fiscal Year 2005 was reduced by Amendment 23 transfers of \$22,397,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>3</sup>The amount of Fiduciary Income Tax for Fiscal Year 2005 was reduced by Amendment 23 transfers of \$1,050,000 from the amount shown on the Schedule of TABOR Revenue.

**State of Colorado**  
**Sources of TABOR Revenue**  
**Cash-Funded Revenue**  
**June 30, 2005**

	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2004</b>	<b>2004 to 2005 % Change</b>
<b>TOTAL CASH-FUNDED REVENUE</b>			
Fuel and Transportation Taxes, Net	556,879,060	557,682,598	-0.1%
Employment Taxes	480,629,574	352,941,317	36.2%
Education Tuition and Fees, Net	337,350,654	325,177,513	3.7%
Motor Vehicle Registrations	170,225,762	161,817,015	5.2%
Severance Taxes	143,383,071	119,124,475	20.4%
Gaming and Other Taxes	99,934,909	99,452,024	0.5%
Court and Other Fines	81,327,734	72,519,022	12.1%
Business Licenses and Permits	79,534,931	80,351,657	-1.0%
Interest and Investment Income	66,485,987	88,559,016	-24.9%
Nonbusiness Licenses and Permits	64,414,521	64,652,699	-0.4%
Insurance Taxes	53,309,548	52,736,694	1.1%
Local Governments and Authorities	37,844,230	36,697,398	3.1%
General Government Service Fees	31,447,666	32,024,249	-1.8%
Other Program Revenue	30,402,481	17,818,932	70.6%
Rents	27,303,952	19,078,089	43.1%
Higher Education Auxiliary Sales and Services	23,420,894	22,073,809	6.1%
Driver's Licenses	21,054,610	19,693,182	6.9%
Certifications and Inspections	20,906,628	20,367,046	2.6%
Health Service Fees	16,543,003	16,374,263	1.0%
Other Charges for Services	16,301,015	20,460,528	-20.3%
Sales and Use Tax, Net	14,136,542	10,729,528	31.8%
Sales of Products	3,425,474	3,457,055	-0.9%
Unclaimed Money, Net	-	26,224,733	-100.0%
<b>TOTAL CASH-FUNDED REVENUE EXCLUDING TABOR ENTERPRISE QUALIFICATIONS</b>	<b>2,376,262,246</b>	<b>2,220,012,842</b>	<b>7.0%</b>
University of Colorado*	-	387,804,393	-100.0%
Brand Board*	-	4,660,632	-100.0%
Capital Parking Authority*	-	364,489	-100.0%
<b>TOTAL CASH-FUNDED REVENUE</b>	<b>2,376,262,246</b>	<b>2,612,842,356</b>	<b>-9.1%</b>
<b>TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS</b>	<b>\$8,480,325,867</b>	<b>\$8,331,990,617</b>	<b>1.8%</b>

\* For comparative purposes. These entities qualified as TABOR enterprises in Fiscal Year 2005.  
Amounts do not reflect reductions for payments to other agencies of about \$4.1 million.

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

# **Financial Information**



## STATE OF COLORADO

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September 29, 2005

### 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, 2005, 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, 2005 and 2004. 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 auditing standards generally accepted in the United States of America. 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, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

**State of Colorado**  
**Schedule of TABOR Revenue**

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Individual Income Tax, Net	\$ 3,681,097,407	\$ 3,428,369,223	\$ 252,728,184	7.4%
Corporate Income Tax, Net	315,011,927	235,215,035	79,796,892	33.9%
Fiduciary Income Tax, Net	31,625,552	21,584,321	10,041,231	46.5%
Education Fund Transfers (Amend 23)	(313,934,000)	(278,700,000)	(35,234,000)	-12.6%
<b>TOTAL INCOME TAX</b>	<b><u>3,713,800,886</u></b>	<b><u>3,406,468,579</u></b>	<b><u>307,332,307</u></b>	<b><u>9.0%</u></b>
Sales Tax, Net	1,869,200,550	1,781,770,733	87,429,817	4.9%
Use Tax, Net	152,898,572	137,314,187	15,584,385	11.3%
Tobacco Products Tax, Net	65,636,084	65,726,065	(89,981)	-0.1%
Alcoholic Beverages Tax, Net	31,230,428	30,915,564	314,864	1.0%
Other Excise Taxes, Net	217,740	212,264	5,476	2.6%
<b>TOTAL EXCISE TAX</b>	<b><u>2,119,183,374</u></b>	<b><u>2,015,938,813</u></b>	<b><u>103,244,561</u></b>	<b><u>5.1%</u></b>
Fuel and Transportation Taxes, Net	556,879,060	557,682,598	(803,538)	-0.1%
Employment Taxes	480,629,574	368,456,705	112,172,869	30.4%
Insurance Taxes	242,511,586	228,639,721	13,871,865	6.1%
Severance Taxes	143,383,071	119,124,475	24,258,596	20.4%
Gaming and Other Taxes	104,165,866	104,217,751	(51,885)	0.0%
Estate and Inheritance Taxes	26,004,399	47,196,940	(21,192,541)	-44.9%
<b>TOTAL OTHER TAXES</b>	<b><u>1,553,573,556</u></b>	<b><u>1,425,318,190</u></b>	<b><u>128,255,366</u></b>	<b><u>9.0%</u></b>
Education Tuition and Fees, Net	337,350,654	325,177,513	12,173,141	3.7%
Motor Vehicle Registrations	170,225,762	161,817,015	8,408,747	5.2%
Business Licenses and Permits	83,628,211	86,417,350	(2,789,139)	-3.2%
Nonbusiness Licenses and Permits	64,414,521	64,652,699	(238,178)	-0.4%
General Government Service Fees	31,108,002	32,024,249	(916,247)	-2.9%
Driver's Licenses	21,054,610	19,693,182	1,361,428	6.9%
Certifications and Inspections	20,906,628	20,367,046	539,582	2.6%
Health Service Fees	16,543,003	16,374,263	168,740	1.0%
Other Charges for Services	16,301,014	20,460,528	(4,159,514)	-20.3%
Public Safety Service Fees	4,273,893	4,031,342	242,551	6.0%
Welfare Service Fees	848,913	799,789	49,124	6.1%
<b>TOTAL LICENSES, PERMITS AND FEES</b>	<b><u>766,655,211</u></b>	<b><u>751,814,976</u></b>	<b><u>14,840,235</u></b>	<b><u>2.0%</u></b>
Court and Other Fines	111,279,667	106,715,848	4,563,819	4.3%
Interest and Investment Income	104,453,059	107,999,955	(3,546,896)	-3.3%
Local Governments and Authorities	37,844,230	36,697,398	1,146,832	3.1%
Rents	27,303,952	19,078,089	8,225,863	43.1%
Higher Education Auxiliary Sales and Services	23,420,894	22,073,809	1,347,085	6.1%
Miscellaneous Revenue	22,432,410	17,373,658	5,058,752	29.1%
Sales of Products	3,425,474	3,457,055	(31,581)	-0.9%
Unclaimed Money, Net	-	26,224,733	(26,224,733)	-100.0%
Prior Year Adjustments	(3,046,846)	-	(3,046,846)	-100.0%
<b>TOTAL OTHER REVENUE</b>	<b><u>327,112,840</u></b>	<b><u>339,620,545</u></b>	<b><u>(12,507,705)</u></b>	<b><u>-3.7%</u></b>
<b>SUBTOTAL TABOR REVENUE BEFORE QUALIFICATION OF TABOR ENTERPRISES</b>	<b><u>8,480,325,867</u></b>	<b><u>7,939,161,103</u></b>	<b><u>541,164,764</u></b>	<b><u>6.8%</u></b>
University of Colorado *	-	387,804,393	(387,804,393)	-100.0%
Brand Board *	-	4,660,632	(4,660,632)	-100.0%
Capital Parking Authority *	-	364,489	(364,489)	-100.0%
<b>TOTAL QUALIFICATION OF TABOR ENTERPRISES</b>	<b><u>-</u></b>	<b><u>392,829,514</u></b>	<b><u>(392,829,514)</u></b>	<b><u>-100.0%</u></b>
<b>TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS</b>	<b><u>\$ 8,480,325,867</u></b>	<b><u>\$ 8,331,990,617</u></b>	<b><u>\$ 148,335,250</u></b>	<b><u>1.8%</u></b>

\* For comparative purposes. These entities qualified as TABOR enterprises in Fiscal Year 2005. Amounts do not reflect reductions for payments to other agencies of about \$4.1 million.

# **Appendices**

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# Appendix A

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## Description of Revenue Categories

<b>Category</b>	<b>Description</b>
<b>INCOME TAX</b>	
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
<b>EXCISE TAX</b>	
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 and certain penalties

<b>Category</b>	<b>Description</b>
<b>OTHER TAXES</b>	
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
Employment Taxes	Employment insurance paid by employers for funding unemployment benefits
Insurance Taxes	Taxes on insurance premiums collected by insurance companies
Severance Tax	Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals
Gaming and Other Taxes	Taxes on gaming facilities based on percentages of income
Estate and Inheritance Tax	Taxes collected on the assets of estates
<b>LICENSES, PERMITS AND FEES</b>	
Education Tuition and Fees, Net	Tuition and other education-related fees collected by state colleges and universities from students, net of scholarship allowances
Motor Vehicle Registrations	Collection of fees for license plates, tags, and registrations.
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)
Nonbusiness Licenses and Permits	Environmental response surcharges, park passes, motorcycle operator safety training, waste tire recycling, etc.

<b>Category</b>	<b>Description</b>
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
Certifications and Inspections	Emission inspection stickers, emission registration, emission inspection station licenses, and other fees
Health Service Fees	Fees collected for health services, including laboratory test fees, genetic testing, vital records fees, and children's health plan premiums
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
Public Safety Service Fees	Fees for firefighter response, fire service education and training, search and rescue fund fees
Welfare Service Fees	Child abuse registry fees
<b>OTHER REVENUE</b>	
Court and Other Fines	Fines and forfeits levied by the courts
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
Local Governments and Authorities	Funds from counties, cities, special districts, etc. primarily in the form of grants
Rents	Income from the lease of state land to private parties

<b>Category</b>	<b>Description</b>
Higher Education Auxiliary Sales and Services	Revenues from library fees, internal service center fees, athletic camp fees
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)
Sales of Products	Sales of publications, maps, materials, and supplies
Unclaimed Money, Net	Abandoned property, unclaimed insurance proceeds, and unclaimed interests in business association; net of claims paid and allowance for future claims payments
Prior Year Adjustments	Effect of errors in classifications of TABOR revenue in prior years
University of Colorado	Revenue from tuition and other education fees, net of scholarship allowances; investment income and miscellaneous revenue attributable to the university
Brand Board	Revenue from business licenses and permits, general government service fees, and miscellaneous revenue attributable to the Brand Board
Capital Parking Authority	Revenue from general government service fees attributable to the Capital Parking Authority

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# Appendix B1

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## Description of Refunding Mechanisms

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Colorado Capital Gains Modification (January 1, 1999)	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.
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.
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.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Income Tax Modification for Interest, Dividends, and Capital Gains (January 1, 2000)	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 state 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.
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.
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.
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.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
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.
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.
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.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
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.
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.
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.
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.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
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.
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 (July 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.

# Appendix B2

## Refunding Mechanism Thresholds

(As of June 30, 2005)

Refunding Mechanism	Original Threshold	Fiscal Year 2005 Threshold Adjusted for Inflation
Sales Tax Refund	\$ 0	\$ 0
Earned Income Credit	\$ 50,000,000	\$ 66,800,000
Income Tax Credit for Foster Parents	\$ 200,000,000	\$ 225,100,000
Business Personal Property Tax Credit	\$ 170,000,000	\$ 227,200,000
Individual Development Accounts	\$ 190,000,000	\$ 235,200,000
Colorado Capital Gains Modification	\$ 260,000,000	\$ 347,500,000
Rural Health Care Providers	\$ 285,000,000	\$ 352,800,000
Child Care Credits	\$ 290,000,000	\$ 359,000,000
Telecommunication Education	\$ 350,000,000	\$ 393,900,000
Tangible Personal Property Used for R & D **	\$ 358,400,000	\$ 403,600,000
Motor Vehicle Registration Fees	\$ 330,000,000	\$ 408,600,000
High Technology Scholarships	\$ 330,000,000	\$ 408,600,000
Income Tax Deduction for Charity	\$ 350,000,000	\$ 433,200,000
Interest, Dividends, and Capital Gains	\$ 350,000,000	\$ 433,200,000
Pollution Control Providers	\$ 350,000,000	\$ 433,200,000
Interstate Commerce Sales and Use Tax Exemption	\$ 350,000,000	\$ 433,200,000
Agriculture Value-Added Development	\$ 400,000,000	\$ 450,300,000
Income Tax Credit for Cost of Health Benefits	\$ 400,000,000	\$ 495,100,000
Expand Colorado Capital Gains Modification	\$ 430,000,000	\$ 532,300,000
**Requires that the threshold be adjusted for growth in personal income from Calendar Year 2000 to 2002.		

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