



OFFICE OF THE STATE AUDITOR



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TAX EXPENDITURE ANALYSIS GIVES LAWMAKERS NEW TOOL TO ASSESS COLORADO TAX POLICY

DENVER—the Office of the State Auditor (OSA) has released its first compilation report from a new project that analyzes Colorado’s myriad of Tax Expenditures. Senate Bill 16-203 requires the OSA to examine every Tax Expenditure on the books within 5 years and report on their effectiveness. These are not audits, but analyses to allow lawmakers to determine whether Tax Expenditures are meeting their purpose, how they impact the State, and what actions, if any, are necessary.

Statute [Section 39-21-302(2), C.R.S.] defines a Tax Expenditure as “a tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue.” Tax expenditures are not subject to the State’s annual budget and appropriations process, but are called expenditures since they decrease available state funds.

Today’s compilation report examines 15 separate Tax Expenditures, some of them dating back to the 1930s. The results are wide ranging, from Tax Expenditures that appear to help no one, to Tax Expenditures, such as the Wholesales Exemption, which impacts \$4 billion in state revenue.

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As analyses, these reports do not offer recommendations but they do assess the impacts of repeals or changes to the over 200 Colorado Tax Expenditures and identify policy issues for lawmakers to consider.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.