



**REPORT OF**  
**THE**  
**STATE AUDITOR**

**SCHEDULE OF TABOR REVENUE**

**OCTOBER 2003**

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## STATE OF COLORADO

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October 9, 2003

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, 2003 and 2002. 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 \$7.7 billion and a TABOR limit of \$8.3 billion. State revenue, therefore, fell below the TABOR limit.

During our testwork we found adjustments that increased revenue by a net amount of \$32.2 million; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2003. We also determined that TABOR revenue was understated by about \$208,000 because of unreported revenue at the Department of Personnel and the Department of Revenue.

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JOANNE HILL, CPA  
State Auditor

## SCHEDULE OF TABOR REVENUE October 2003

### 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 2003 through October 2003.

The purpose and scope of the audit were to:

- C Express an opinion on the *Schedule of TABOR Revenue* as of June 30, 2003 and 2002.
- C Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2003 and 2002.

*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

Fiscal Year 2003 is the second consecutive year that state revenue did not exceed the TABOR revenue limit since the fiscal year ended June 30, 1997. In Fiscal Year 2003 actual revenue was less than the TABOR revenue limit by about \$584.1 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.

For Fiscal Years 1997 through 2001, there was a cumulative excess revenue of about \$3.4 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 refunded through 15 credits. Through 2003, \$971.8 million has been refunded related to the 2001 excess. Refunds for 2001 exceeded the liability by \$44.6 million. The refunds exceeding the liability will lower revenue in the year in which they are paid. Appendix B provides a more detailed description of each refunding mechanism.

| <b>Fiscal Year 2001 Refund Distribution Per Statute<br/>(Through June 30, 2003)</b> |                             |                                                    |
|-------------------------------------------------------------------------------------|-----------------------------|----------------------------------------------------|
| <b>Description</b>                                                                  | <b>Statute Citation</b>     | <b>Fiscal Year 2001<br/>Refunds<br/>(Millions)</b> |
| Sales Tax Refund                                                                    | Section 39-22-2003, C.R.S.  | \$576.7                                            |
| Other Credits:                                                                      |                             |                                                    |
| Business Personal Property Tax Credit                                               | Section 39-22-124, C.R.S.   | \$99.8                                             |
| Colorado Capital Gains Modification and Expansion                                   | Section 39-22-518, C.R.S.   | 78.0                                               |
| Interest, Dividends, and Capital Gains to \$1,200/\$2,400                           | Section 39-22-104, C.R.S.   | 44.2                                               |
| Motor Vehicle Registration Fees                                                     | Section 24-75-216, C.R.S.   | 34.0                                               |
| Earned Income Credit                                                                | Section 39-22-123, C.R.S.   | 32.8                                               |
| Child Care Credits                                                                  | Section 39-22-119, C.R.S.   | 25.4                                               |
| Interstate Commerce Sales and Use Tax Exemption                                     | Section 39-26-106, C.R.S.   | 5.1                                                |
| 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                                                              |                             | \$325.5                                            |
| Application of Fiscal Year 2000 Excess Refunds                                      | Section 24-77-103.7, C.R.S. | \$69.6                                             |
| <b>TOTAL REFUNDED</b>                                                               |                             | <b>\$971.8</b>                                     |
| <b>TOTAL AMOUNT TO BE REFUNDED</b>                                                  |                             | <b>\$927.2</b>                                     |
| <b>Excess of Refunds Over Liability</b>                                             |                             | <b>\$44.6</b>                                      |
| <b>Source:</b> Department of Revenue information.                                   |                             |                                                    |
| <sup>1</sup> Amount is \$13,136.                                                    |                             |                                                    |
| <sup>2</sup> Amount is \$3,336.                                                     |                             |                                                    |

## 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 \$435.5 million revenue reduction in Fiscal Year 2003 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. There were no permanent tax cuts enacted during the 2003 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 2003 revenue:

| <b>Impact of Voter Approved Revenue Changes on TABOR Revenue<br/>Fiscal Year 2003</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                          |                         |
|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Constitutional<br/>Amendment</b>                                                   | <b>Requirement</b>                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>TABOR<br/>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 \$3.1 billion reduced by \$177.0 million;</li> <li>• Corporate income taxes of \$225.1 million reduced by \$10.8 million;</li> <li>• Fiduciary income taxes of \$12.7 million reduced by \$0.6 million.</li> </ul> | \$188,400,000           |
| Amendment 14                                                                          | Assesses a fee on housed commercial swine feeding operations.                                                                                                                                                                                                                                                                                                                                                                            | \$145,803               |
| Amendment 20                                                                          | Assesses an application fee to obtain a Medicinal Marijuana identification card.                                                                                                                                                                                                                                                                                                                                                         | \$33,937                |
| <b>Total Reductions in Fiscal Year 2003 TABOR Revenue</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>\$188,579,740</b>    |
| <b>Source:</b> State Controller's Office and Department of Revenue information.       |                                                                                                                                                                                                                                                                                                                                                                                                                                          |                         |

## Revenue Limits

We reviewed the State Controller's computation of the TABOR revenue limit. For Fiscal Year 2003, the audited TABOR limit was \$8,296,786,375, and the revenue was \$7,712,720,014. This is a \$208,336 increase in the revenue reported by the State Controller's Office. The difference is due to revenue earned but not recorded at the Department of Personnel and the Department of Revenue. During our testwork we also found adjustments that increased revenue by a net amount of about \$32.2 million; these adjustments were posted by the State Controller's Office and are reflected in the TABOR revenue for Fiscal Year 2003.

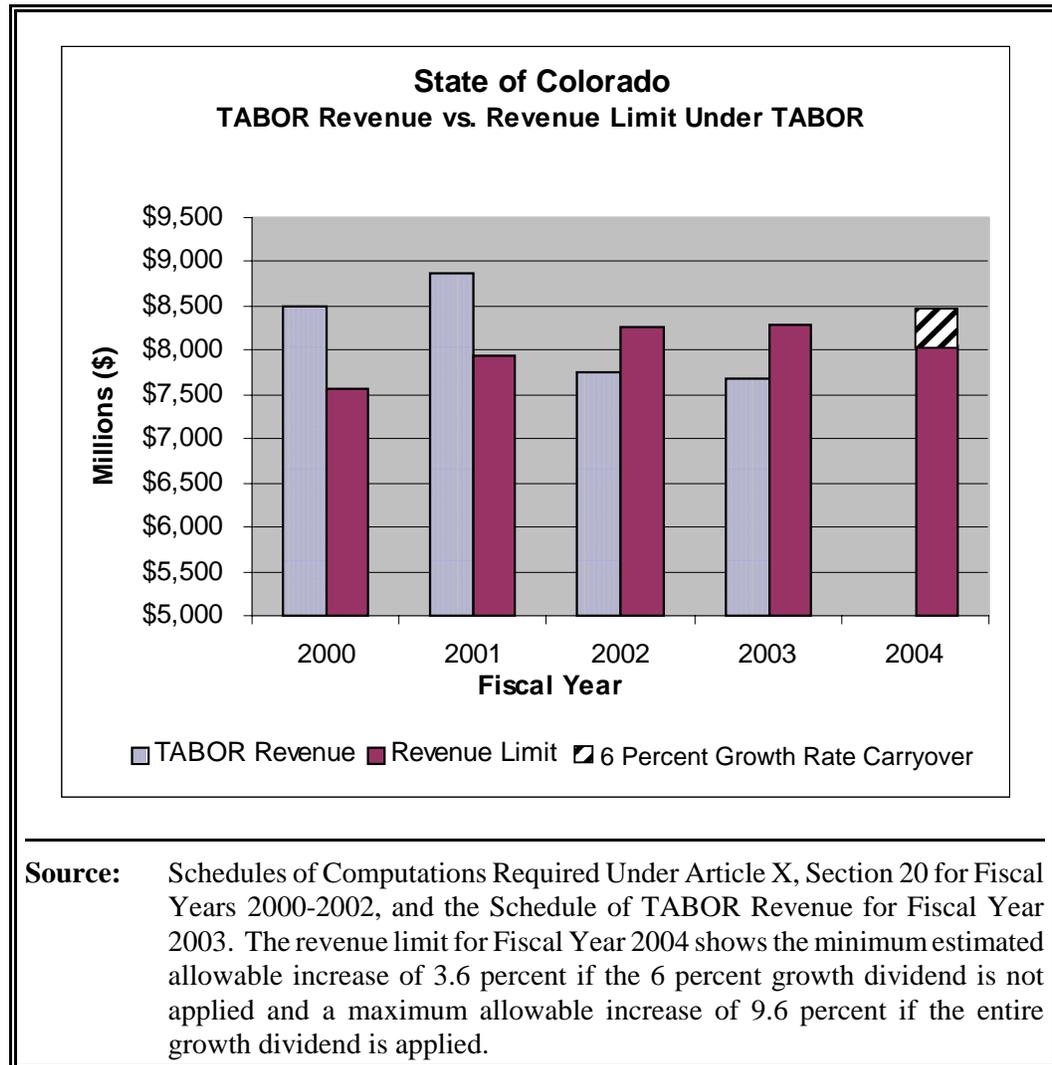
Article X, Section 20 (7) (a) of the State's Constitution requires that the change in population growth, in conjunction with inflation, be used to determine the change in fiscal year spending. This section of the Constitution states that "population shall be determined by annual federal census estimates 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.

In Fiscal Year 2003 the TABOR allowable growth rate was 6.9 percent, of which 2.2 percent is attributable to population growth and 4.7 percent is due to inflation. None of the unused 6 percent was applied. The graph on the following page compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 2000 to Fiscal Year 2003, with an estimate of the Fiscal Year 2004 limit. The preliminary Fiscal Year 2004 revenue limit is included to highlight the fact that Fiscal Year 2003 revenue does not exceed the Fiscal Year 2004 limit.

The Office of State Planning and Budgeting estimated that the minimum TABOR growth rate was 3.6 percent for Fiscal Year 2004. If the entire growth dividend of 6 percent is applied, the maximum allowable TABOR growth rate would be 9.6 percent.



## 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 fund 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 1.8 percent in Fiscal Year 2003 as compared with a 15.1 percent decrease in Fiscal Year 2002, while cash funds increased at a rate

of 2.3 percent in Fiscal Year 2003 as compared with a decrease of 5.7 percent for Fiscal Year 2002.

The following tables show the major sources of revenue in Fiscal Year 2003, with comparative figures for 2002 and 2001 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**

|                                  | <b>Fiscal Year</b><br><b>2003</b> | <b>Fiscal Year</b><br><b>2002</b> | <b>2002 to 2003</b><br><b>% Change</b> | <b>Fiscal Year</b><br><b>2001</b> | <b>2001 to 2002</b><br><b>% Change</b> |
|----------------------------------|-----------------------------------|-----------------------------------|----------------------------------------|-----------------------------------|----------------------------------------|
| <b>GENERAL-FUNDED</b>            |                                   |                                   |                                        |                                   |                                        |
| <b>REVENUE:</b>                  |                                   |                                   |                                        |                                   |                                        |
| Individual Income Tax, Net       | <sup>1</sup> \$ 2,932,538,532     | \$ 3,071,852,841                  | -4.5%                                  | \$ 3,835,338,129                  | -19.9%                                 |
| Sales and Use Tax, Net           | 1,819,884,315                     | 1,867,638,218                     | -2.6%                                  | 1,906,304,735                     | -2.0%                                  |
| Corporate Income Tax, Net        | <sup>2</sup> 214,306,883          | 164,661,376                       | 30.2%                                  | 319,037,240                       | -48.4%                                 |
| Insurance Taxes                  | 171,273,668                       | 154,588,623                       | 10.8%                                  | 141,992,774                       | 8.9%                                   |
| Tobacco Products Tax, Net        | 64,711,879                        | 65,550,423                        | -1.3%                                  | 67,987,018                        | -3.6%                                  |
| Estate and Inheritance Tax       | 53,382,543                        | 72,517,741                        | -26.4%                                 | 82,563,486                        | -12.2%                                 |
| Interest and Investment Income   | 51,540,952                        | 25,267,405                        | 104.0%                                 | 44,986,292                        | -43.8%                                 |
| Alcoholic Beverages Tax, Net     | 29,724,696                        | 29,497,434                        | 0.8%                                   | 29,297,194                        | 0.7%                                   |
| Court and Other Fines            | 27,037,745                        | 25,857,347                        | 4.6%                                   | 25,260,230                        | 2.4%                                   |
| Disproportionate Share Providers | 15,593,540                        | 11,171,358                        | 39.6%                                  | -                                 | 100.0%                                 |
| Employment Taxes                 | 14,567,909                        | -                                 | 100.0%                                 | -                                 | -                                      |
| Fiduciary Income Tax, Net        | <sup>3</sup> 12,105,030           | 13,815,708                        | -12.4%                                 | 31,594,182                        | -56.3%                                 |
| Gaming and Other Taxes           | 5,003,982                         | 6,221,565                         | -19.6%                                 | 6,706,402                         | -7.2%                                  |
| Business Licenses and Permits    | 4,604,987                         | 6,230,863                         | -26.1%                                 | 4,407,311                         | 41.4%                                  |
| Other General-Funded Revenue     | 4,177,696                         | 4,978,885                         | -16.1%                                 | 5,355,966                         | -7.0%                                  |
| <b>TOTAL GENERAL-FUNDED</b>      |                                   |                                   |                                        |                                   |                                        |
| <b>REVENUE</b>                   | <b>\$ 5,420,454,357</b>           | <b>\$ 5,519,849,787</b>           | <b>-1.8%</b>                           | <b>\$ 6,500,830,959</b>           | <b>-15.1%</b>                          |

**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.

<sup>1</sup>The amount of Individual Income Tax was reduced by Amendment 23 transfers of \$177,012,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>2</sup>The amount of Corporate Income Tax was reduced by Amendment 23 transfers of \$10,794,000 from the amount shown on the Schedule of TABOR Revenue.

<sup>3</sup>The amount of Fiduciary Income Tax was reduced by Amendment 23 transfers of \$594,000 from the amount shown on the Schedule of TABOR Revenue.

**Cash-Funded Revenue**

|                                    | <u>Fiscal Year<br/>2003</u> | <u>Fiscal Year<br/>2002</u> | <u>2002 to 2003<br/>% Change</u> | <u>Fiscal Year<br/>2001</u> | <u>2001 to 2002<br/>% Change</u> |
|------------------------------------|-----------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
| <b>CASH-FUNDED REVENUE:</b>        |                             |                             |                                  |                             |                                  |
| Education Tuition and Fees         | \$ 742,346,344              | \$ 646,161,262              | 14.9%                            | \$ 579,993,648              | 11.4%                            |
| Scholarship Allowances             | (147,324,387)               | (128,789,733)               | -14.4%                           | -                           | -100.0%                          |
| Fuel and Transportation Taxes, Net | 544,319,913                 | 546,484,337                 | -0.4%                            | 529,229,326                 | 3.3%                             |
| Employment Taxes                   | 206,516,253                 | 170,292,023                 | 21.3%                            | 170,438,241                 | -0.1%                            |
| Motor Vehicle Licenses             | 151,048,546                 | 151,414,842                 | -0.2%                            | 148,724,924                 | 1.8%                             |
| Interest and Investment Income     | 126,826,968                 | 176,628,881                 | -28.2%                           | 212,504,202                 | -16.9%                           |
| Gaming and Other Taxes             | 98,480,878                  | 96,803,744                  | 1.7%                             | 90,033,599                  | 7.5%                             |
| Business Licenses and Permits      | 76,546,747                  | 64,448,613                  | 18.8%                            | 69,072,545                  | -6.7%                            |
| Court and Other Fines              | 59,365,984                  | 55,725,587                  | 6.5%                             | 56,176,042                  | -0.8%                            |
| Insurance Taxes                    | 55,659,719                  | 55,083,246                  | 1.0%                             | 43,223,254                  | 27.4%                            |
| Nonbusiness Licenses and Permits   | 52,392,415                  | 53,347,068                  | -1.8%                            | 54,530,534                  | -2.2%                            |
| Health Service Fees                | 36,153,286                  | 22,241,347                  | 62.5%                            | 31,046,138                  | -28.4%                           |
| Local Governments and Authorities  | 35,259,754                  | 39,216,761                  | -10.1%                           | 32,242,950                  | 21.6%                            |
| Unclaimed Money, Net               | 33,838,740                  | 12,372,110                  | 173.5%                           | 16,718,931                  | -26.0%                           |
| General Government Service Fees    | 28,129,731                  | 27,680,072                  | 1.6%                             | 20,800,121                  | 33.1%                            |
| Other Charges for Services         | 26,606,368                  | 34,560,735                  | -23.0%                           | 44,001,632                  | -21.5%                           |
| Severance Tax                      | 26,218,572                  | 50,550,128                  | -48.1%                           | 68,890,858                  | -26.6%                           |
| Rents                              | 25,330,294                  | 28,209,372                  | -10.2%                           | 26,348,947                  | 7.1%                             |
| Higher Education Auxiliary         |                             |                             |                                  |                             |                                  |
| Sales and Services                 | 22,862,230                  | 31,508,030                  | -27.4%                           | 31,284,545                  | 0.7%                             |
| Driver's Licenses                  | 21,058,598                  | 21,444,506                  | -1.8%                            | 20,070,114                  | 6.8%                             |
| Certifications and Inspections     | 16,957,793                  | 17,906,253                  | -5.3%                            | 16,285,779                  | 10.0%                            |
| Sales and Use Tax, Net             | 10,828,189                  | 9,844,878                   | 10.0%                            | 11,900,123                  | -17.3%                           |
| Sales of Products                  | 2,902,874                   | 14,406,282                  | -79.8%                           | 17,259,479                  | -16.5%                           |
| Hunting and Fishing Licenses       | -                           | -                           | -                                | 53,472,420                  | -100.0%                          |
| Other Cash-Funded Revenue          | 39,731,512                  | 43,104,922                  | -7.8%                            | 30,671,652                  | 40.5%                            |
| <b>TOTAL CASH-FUNDED REVENUE</b>   | <u>\$ 2,292,057,321</u>     | <u>\$ 2,240,645,266</u>     | <u>2.3%</u>                      | <u>\$ 2,374,920,004</u>     | <u>-5.7%</u>                     |
| <b>TOTAL TABOR REVENUE</b>         | <u>\$ 7,712,511,678</u>     | <u>\$ 7,760,495,053</u>     | <u>-0.6%</u>                     | <u>\$ 8,875,750,963</u>     | <u>-12.6%</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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October 9, 2003

### 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, 2003, 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, 2003 and 2002. 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, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of TABOR Revenue* does not include audit adjustments of \$208,336. If the adjustments had been included revenue, as determined under Article X, Section 20 of the State Constitution, for the year ended June 30, 2003, would have been increased to \$ 7,712,720,014 from \$7,712,511,678.

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

|                                                           | <b>Fiscal Year<br/>2003</b> | <b>Fiscal Year<br/>2002</b> | <b>Increase<br/>(Decrease)</b> | <b>Percent<br/>Change</b> |
|-----------------------------------------------------------|-----------------------------|-----------------------------|--------------------------------|---------------------------|
| Individual Income Tax                                     | \$ 3,109,550,532            | \$ 3,330,181,841            | \$ (220,631,309)               | -6.6%                     |
| Corporate Income Tax                                      | 225,100,883                 | 178,034,376                 | 47,066,507                     | 26.4%                     |
| Fiduciary Income Tax                                      | 12,699,030                  | 15,013,708                  | (2,314,678)                    | -15.4%                    |
| Education Fund Transfers (Amend. 23)                      | (188,400,000)               | (272,900,000)               | 84,500,000                     | 31.0%                     |
| <b>TOTAL INCOME TAX</b>                                   | <b>3,158,950,445</b>        | <b>3,250,329,925</b>        | <b>(91,379,480)</b>            | <b>-2.8%</b>              |
| Sales Tax, Net                                            | 1,694,232,732               | 1,736,839,780               | (42,607,048)                   | -2.5%                     |
| Use Tax, Net                                              | 136,479,772                 | 140,643,316                 | (4,163,544)                    | -3.0%                     |
| Tobacco Products Tax, Net                                 | 64,711,879                  | 65,550,423                  | (838,544)                      | -1.3%                     |
| Alcoholic Beverages Tax, Net                              | 30,078,294                  | 30,049,568                  | 28,726                         | 0.1%                      |
| Other Excise Taxes, Net                                   | 201,466                     | 208,201                     | (6,735)                        | -3.2%                     |
| <b>TOTAL EXCISE TAX</b>                                   | <b>1,925,704,143</b>        | <b>1,973,291,288</b>        | <b>(47,587,145)</b>            | <b>-2.4%</b>              |
| Fuel and Transportation Taxes, Net                        | 544,319,913                 | 546,484,337                 | (2,164,424)                    | -0.4%                     |
| Insurance Taxes                                           | 226,933,387                 | 209,671,869                 | 17,261,518                     | 8.2%                      |
| Employment Taxes                                          | 221,084,162                 | 170,292,023                 | 50,792,139                     | 29.8%                     |
| Gaming and Other Taxes                                    | 103,484,860                 | 103,025,309                 | 459,551                        | 0.4%                      |
| Estate and Inheritance Taxes                              | 53,382,543                  | 72,517,741                  | (19,135,198)                   | -26.4%                    |
| Severance Tax                                             | 26,218,572                  | 50,550,128                  | (24,331,556)                   | -48.1%                    |
| <b>TOTAL OTHER TAXES</b>                                  | <b>1,175,423,437</b>        | <b>1,152,541,407</b>        | <b>22,882,030</b>              | <b>2.0%</b>               |
| Education Tuition and Fees                                | 742,346,344                 | 646,161,262                 | 96,185,082                     | 14.9%                     |
| Scholarship Allowances                                    | (147,324,387)               | (128,789,733)               | (18,534,654)                   | -14.4%                    |
| Motor Vehicle Licenses                                    | 151,048,546                 | 151,414,842                 | (366,296)                      | -0.2%                     |
| Business Licenses and Permits                             | 81,151,734                  | 70,932,479                  | 10,219,255                     | 14.4%                     |
| Nonbusiness Licenses and Permits                          | 53,031,793                  | 53,951,345                  | (919,552)                      | -1.7%                     |
| Health Service Fees                                       | 36,153,286                  | 22,306,573                  | 13,846,713                     | 62.1%                     |
| General Government Service Fees                           | 28,458,344                  | 27,962,557                  | 495,787                        | 1.8%                      |
| Other Charges for Services                                | 26,626,820                  | 34,022,557                  | (7,395,737)                    | -21.7%                    |
| Driver's Licenses                                         | 21,058,598                  | 21,444,506                  | (385,908)                      | -1.8%                     |
| Certifications and Inspections                            | 17,817,793                  | 18,809,230                  | (991,437)                      | -5.3%                     |
| Public Safety Service Fees                                | 3,314,843                   | 3,133,362                   | 181,481                        | 5.8%                      |
| Employee Benefit Fees                                     | 444,320                     | 578,114                     | (133,794)                      | -23.1%                    |
| Welfare Service Fees                                      | 348,322                     | 315,031                     | 33,291                         | 10.6%                     |
| <b>TOTAL LICENSES, PERMITS AND FEES</b>                   | <b>1,014,476,356</b>        | <b>922,242,125</b>          | <b>92,234,231</b>              | <b>10.0%</b>              |
| Interest and Investment Income                            | 178,367,920                 | 195,854,630                 | (17,486,710)                   | -8.9%                     |
| Court and Other Fines                                     | 86,403,729                  | 81,582,934                  | 4,820,795                      | 5.9%                      |
| Miscellaneous Revenue                                     | 37,379,728                  | 39,852,006                  | (2,472,278)                    | -6.2%                     |
| Local Governments and Authorities                         | 35,259,754                  | 39,216,761                  | (3,957,007)                    | -10.1%                    |
| Unclaimed Money, Net                                      | 33,838,740                  | 12,372,110                  | 21,466,630                     | 173.5%                    |
| Rents                                                     | 25,330,294                  | 27,832,795                  | (2,502,501)                    | -9.0%                     |
| Higher Education Auxiliary                                |                             |                             |                                |                           |
| Sales and Services                                        | 22,862,230                  | 31,508,030                  | (8,645,800)                    | -27.4%                    |
| Disproportionate Share Providers                          | 15,593,540                  | 11,171,358                  | 4,422,182                      | 39.6%                     |
| Sales of Products                                         | 2,921,362                   | 14,415,853                  | (11,494,491)                   | -79.7%                    |
| Prior Year Audit Adjustments                              | -                           | 8,283,831                   | (8,283,831)                    | -100.0%                   |
| <b>OTHER REVENUE</b>                                      | <b>437,957,297</b>          | <b>462,090,308</b>          | <b>(24,133,011)</b>            | <b>-5.2%</b>              |
| <b>TOTAL TABOR REVENUE AND<br/>PRIOR YEAR ADJUSTMENTS</b> | <b>\$ 7,712,511,678</b>     | <b>\$ 7,760,495,053</b>     | <b>\$ (47,983,375)</b>         | <b>-0.6%</b>              |

# **Appendices**

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# Appendix A

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## Description of Revenue Categories

| Category                           | Description                                                                                                                                                                      |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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, tourism and promotion, and certain penalties                                                                                              |
| <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                                                      |

| <b>Category</b>                   | <b>Description</b>                                                                                                                                                                              |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance Taxes                   | Taxes on insurance premiums collected by insurance companies                                                                                                                                    |
| Employment Taxes                  | Employment insurance paid by employers for funding unemployment benefits                                                                                                                        |
| Gaming and Other Taxes            | Taxes on gaming facilities based on percentages of income                                                                                                                                       |
| Estate and Inheritance Tax        | Taxes collected on the assets of estates                                                                                                                                                        |
| Severance Tax                     | Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals                                                                                                |
| <b>LICENSES, PERMITS AND FEES</b> |                                                                                                                                                                                                 |
| 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., alcoholic beverage licenses, tobacco products licenses, business registrations and waste management permits)                    |
| Nonbusiness Licenses and Permits  | Environmental response surcharges, park passes, snowmobile passes, off highway vehicle fees, 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, and children's health plan premiums                                                          |

| <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) |
| Other Charges for Services      | Various fees, the majority of which are collected by the State Fair, Public Utilities Commission, the Division of Banking, and the Oil and Gas Conservation Fund, which are used to ensure compliance with applicable regulations                                           |
| 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, fire service education and training, search and rescue fund fees                                                                                                                                                                             |
| Employee Benefit Fees           | Fees collected for 457 deferred compensation plan and 401 (a) defined contribution plan                                                                                                                                                                                     |
| Welfare Service Fees            | Child abuse registry fees                                                                                                                                                                                                                                                   |
| <b>OTHER REVENUE</b>            |                                                                                                                                                                                                                                                                             |
| Interest and Investment Income  | Interest income, finance charges, and gains/losses on investments                                                                                                                                                                                                           |
| Court and Other Fines           | Fines and forfeits levied by the courts                                                                                                                                                                                                                                     |
| 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)                                             |

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| <b>Category</b>                               | <b>Description</b>                                                                                                                                                   |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Local Governments and Authorities             | Funds from counties, cities, special districts, etc. primarily in the form of grants                                                                                 |
| Unclaimed Money, Net                          | Abandoned property, unclaimed insurance proceeds, and unclaimed interests in business association; net of claims paid and allowance for future claims payments       |
| Rents                                         | Income from the lease of state land to private parties                                                                                                               |
| Higher Education Auxiliary Sales and Services | Revenues from library fees, internal service center fees, athletic camp fees                                                                                         |
| Disproportionate Share Providers              | Donations under the Medicaid disproportionate share program from University Hospital and Denver Health Medical Center, and donations from private and public sources |
| Sales of Products                             | Sales of publications, maps, materials, and supplies                                                                                                                 |
| Prior Year Audit Adjustments                  | Effect of errors in classifications of TABOR revenue in prior years                                                                                                  |

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# Appendix B

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## Description of Refunding Mechanisms

| <b>Mechanism (Effective Date)</b>                                                 | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Personal Property Tax Credit<br>(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<br>(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.                                                                                                                                                                                                               |
| Expanded Colorado Capital Gains<br>Modification<br>(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. |
| Interest, Dividends, and Capital Gains to<br>\$1,200/\$2,400<br>(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.                                                                                                                                                                                                                        |

| <b>Mechanism (Effective Date)</b>                                    | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Motor Vehicle Registration Fees<br>(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<br>(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<br>(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. |
| Interstate Commerce Sales and Use Tax Exemption<br>(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<br>(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.                                                                                                                                                                                                                                                             |

| <b>Mechanism (Effective Date)</b>                                  | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Income Tax Credit for Cost of Health Benefits<br>(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<br>(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.                                                                                                                        |
| Rural Health Care Providers<br>(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<br>(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.                                                                                                                                                                                                                 |

| <b>Mechanism (Effective Date)</b>                                                          | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual Development Accounts<br>(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<br>(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.                                                                                                                                                                          |
| Income Tax Modification for Interest,<br>Dividends, and Capital Gains<br>(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.                                             |
| Pollution Control Providers<br>(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<br>(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.                                                                                                                                                                                  |

**Mechanism (Effective Date)**

**Description**

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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