



**REPORT OF
THE
STATE AUDITOR**

**SCHEDULE OF COMPUTATIONS
REQUIRED UNDER ARTICLE X,
SECTION 20, OF THE
STATE CONSTITUTION (TABOR)**

January 2006

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STATE OF COLORADO

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January 27, 2006

Members of the Legislative Audit Committee:

This report contains the results of the financial audit of the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* as of June 30, 2005, dated January 27, 2006, and the *Schedule of TABOR Revenue*, as of June 30, 2005 and 2004, dated September 29, 2005. 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 the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*.

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JOANNE HILL, CPA
State Auditor

**SCHEDULE OF COMPUTATIONS
REQUIRED UNDER ARTICLE X, SECTION 20,
OF THE STATE CONSTITUTION (TABOR)**

Authority, Purpose, and Scope

The audit of TABOR revenue was conducted under the authority of Section 24-77-106.5, C.R.S., which requires that the State Auditor to conduct an audit of the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* and the *Schedule 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 January 2006.

The purpose and scope of the audit were to:

- Express an opinion on the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* of June 30, 2005.
- 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.

TABOR Revenue

Description and Background

The Taxpayer's Bill of Rights (TABOR) was added as Article X, Section 20, of the Colorado Constitution in the November 1992 general election. TABOR limits increases in the State's revenue to the annual inflation rate plus the percentage change in the State's population. The State Controller annually prepares a *Schedule of TABOR Revenue* and a *Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR)*. These reports are audited as part of the annual financial audit.

Prior Year Refunds

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.

Fiscal Year 2001 Refund Distribution Per Statute (Through June 30, 2005)		
Description	Statute Citation	Fiscal Year 2001 Refunds (Millions)
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 ¹	Section 39-22-524, C.R.S.	-
High Technology Scholarships ²	Section 39-22-523, C.R.S.	-
Subtotal Other Credits		\$404.7
Total Refunding Mechanisms		\$981.4
Application of Fiscal Year 2000 Excess Refunds	Section 24-77-103.7, C.R.S.	\$69.6
TOTAL REFUNDED		\$1,051.0
TOTAL AMOUNT TO BE REFUNDED		\$927.2
Excess of Refunds Over Refund Liability		\$123.8
Source: Department of Revenue information. ¹ Amount is \$10,816. ² 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, college saving 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 and the effect on the Fiscal Year 2005 revenue:

Impact of Voter Approved Revenue Changes on TABOR Revenue Fiscal Year 2005		
Constitutional Amendment	Requirement	TABOR Impact
Amendment 23	Creates the State Education Fund, which receives all state revenue collected from a tax of 1/3 of 1 percent of federal taxable income as follows: <ul style="list-style-type: none"> • Individual income taxes of \$3.68 billion reduced by \$290.5 million; • Corporate income taxes of \$315 million reduced by \$22.4 million; • Fiduciary income taxes of \$31.6 million reduced by \$1.0 million. 	\$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
Total Reductions in Fiscal Year 2005 TABOR Revenue		\$394,856,482
Source: State Controller's Office and Department of Revenue information. Amounts do not include interest or unrealized gains and losses.		

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 revised spending limit of \$8,314.4 million. (Note: Subsequent to the issuance of the *Schedule of TABOR Revenue* report dated September 2005, which reported the Fiscal Year 2005 spending limit as \$8,309.5 million, the State Controller made additional adjustments of almost \$4.9 million. These adjustments, explained later in this report, increased the Fiscal Year 2005 spending limit to \$8,314.4 million.) In other words, the \$92.7 million was an increase to the limit to remove the effect 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.

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

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.

On the *Schedule of Computations* for Fiscal Year 2005 the State Controller reported an increase in the Fiscal Year 2004 TABOR revenue limit of \$275,579 as a result of adjustments for errors in prior years. This amount is the net of two adjustments: one for \$3,322,425 that increased revenue, and another for \$3,046,846 that decreased revenue. In turn these adjustments affected the Fiscal Year 2005 TABOR limit and TABOR refund liability.

Section 24-77-103.5, C.R.S., allows the State Controller to correct errors that impact prior fiscal years in the year in which the errors are identified. In making the corrections noted above, the State Controller properly adjusted the Fiscal Year 2005 TABOR limit. The net amount of the errors was added to the Fiscal Year 2004 adjusted TABOR limit, and the total amount was grossed up by the 2.2 percent allowable TABOR growth rate for Fiscal Year 2005 to determine the Fiscal Year 2005 TABOR limit.

The State Controller did not handle the adjustments for errors in prior years consistently with respect to the growth rate when calculating the corrections of prior years' refunds and the impact on the Fiscal Year 2005 TABOR refund liability. The State Controller does not believe that the error correction statute applies to the \$3,322,425 adjustment because this amount was identified, but not adjusted, in Fiscal Year 2004. We believe both amounts are corrections of prior years' errors, and both should have been adjusted for the growth rate. Had both amounts been adjusted, the Fiscal Year 2005 TABOR refund liability would have decreased by \$2,161 from \$41,063,503 to \$41,061,342.

Revenue Limit

We reviewed the State Controller's computation of the Fiscal Year 2005 TABOR revenue limit. In our Fiscal Year 2005 *Schedule of TABOR Revenue* report, dated September 29, 2005, we reported the TABOR limit as \$8,309,480,454. Since the issuance of that report, additional adjustments came to our attention that increased

the limit by \$4,893,232 to \$8,314,373,686. The primary components of this increase include \$4,678,134 in transfers between the University of Colorado, a TABOR enterprise, and the Auraria Higher Education Center.

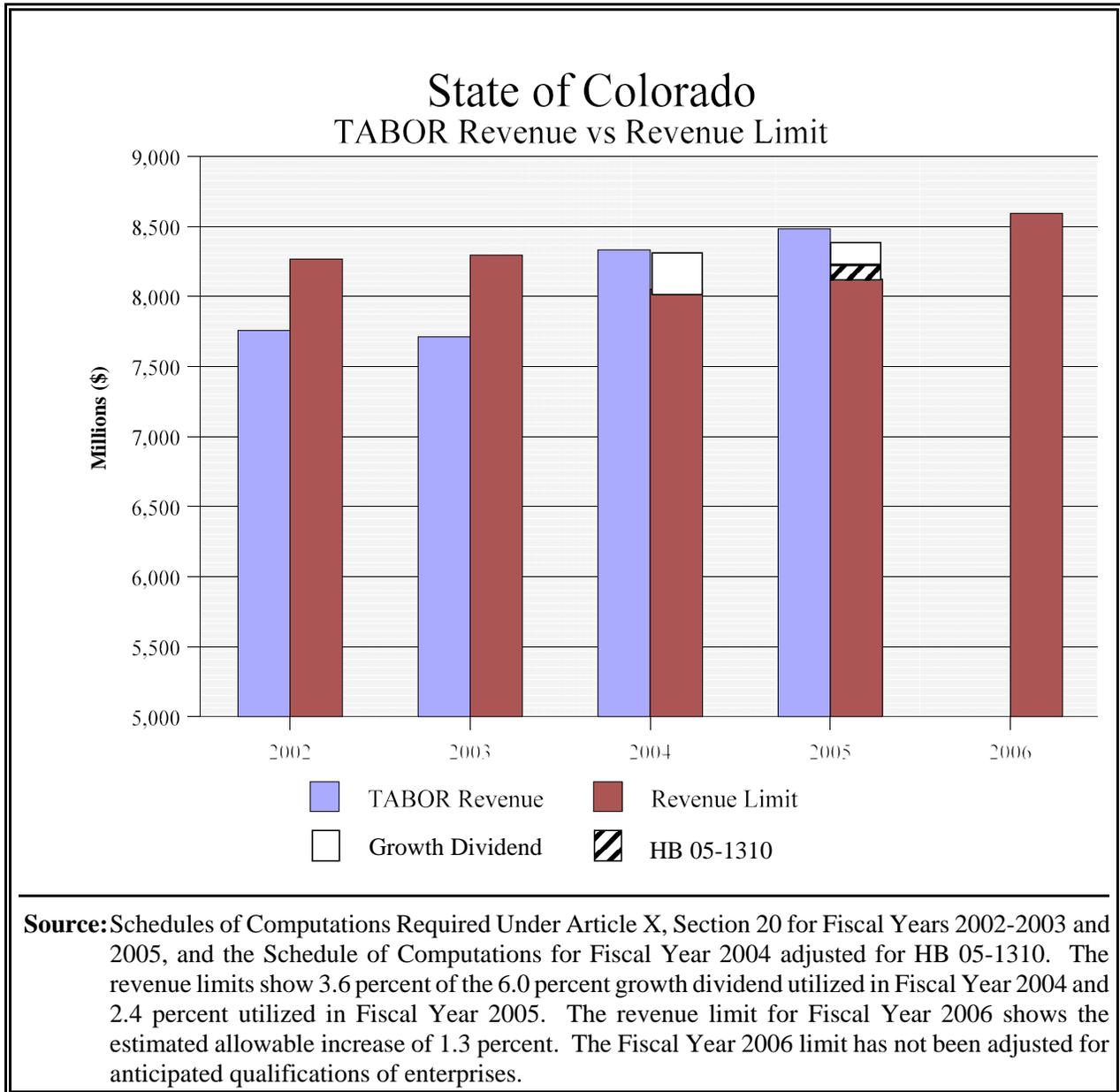
Revenue

During our testwork we found adjustments that decreased revenue by a net amount of \$4,514,696; these adjustments were posted by the State Controller and reflected in the TABOR revenue of \$8,482,963,261 for Fiscal Year 2005. In our Fiscal Year 2005 *Schedule of TABOR Revenue* report, dated September 29, 2005, we reported uncorrected misstatements of \$67,030. Subsequent to the issuance of that report, the State Controller corrected these misstatements.

The following shows the TABOR revenue limit and TABOR revenue for Fiscal Year 2005. As previously mentioned, these amounts differ from those previously reported in the Fiscal Year 2005 *Schedule of TABOR Revenue* primarily due to \$4.7 million of transfers made between the University of Colorado University and the Auraria Higher Education Center. This caused a \$1,972,035 decrease in the TABOR refund liability as reported in the *Schedule of TABOR Revenue* report from \$43,035,538 to \$41,063,503.

Fiscal Year 2005 Revenue	\$8,482,963,261
Less: Correction of Prior Years' Errors	<u>283,804</u>
Fiscal Year 2005 Adjusted Revenue and Prior Year Adjustments	\$8,483,247,065
Less: Fiscal Year 2005 TABOR Limit	<u>(8,314,373,686)</u>
Fiscal Year 2005 Revenue in Excess of the Limit	\$ 168,873,379
Less: Prior Years' Over Refunds	<u>(127,809,876)</u>
Fiscal Year 2005 TABOR Refund Liability	<u>\$ 41,063,503</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.



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 31. The *Schedule of Computations* reflect adjustments made by the State Controller's Office that came to our attention subsequent to the issuance of the 2005 *Schedule of TABOR Revenue*. Had these adjustments been included in the *Schedule of TABOR Revenue* and the charts below, the total TABOR Revenue and Prior Year Adjustments would have increased by \$2,921,198 from \$8,480,325,867 to \$8,483,247,065.

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

	Fiscal Year 2005	Fiscal Year 2004	2004 to 2005 % Change
GENERAL-FUNDED REVENUE			
Individual Income Tax, Net ¹	\$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 ²	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 ³	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%
TOTAL GENERAL-FUNDED REVENUE	6,104,063,621	5,719,148,261	6.7%

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

¹The 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*.

²The 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*.

³The 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

	Fiscal Year 2005	Fiscal Year 2004	2004 to 2005 % Change
TOTAL CASH-FUNDED REVENUE			
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%
TOTAL CASH-FUNDED REVENUE EXCLUDING TABOR ENTERPRISE QUALIFICATIONS	2,376,262,246	2,220,012,842	7.0%
University of Colorado ¹	-	387,804,393	-100.0%
Brand Board ¹	-	4,660,632	-100.0%
Capital Parking Authority ¹	-	364,489	-100.0%
TOTAL CASH-FUNDED REVENUE	2,376,262,246	2,612,842,356	-9.1%
TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS²	\$8,480,325,867	\$8,331,990,617	1.8%

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

¹ 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.

² Total TABOR Revenue and Prior Year Adjustments increased by \$2,921,198 from \$8,480,325,867 to \$8,483,247,065 due to additional adjustments that came to our attention subsequent to the issuance of the *Schedule of TABOR Revenue* as of June 30, 2005. As a result of these adjustments, the TABOR Revenue and Prior Year Adjustments does not agree to the TABOR Revenue as reported on the *Schedule of Computations* as of June 30, 2005.

Financial Information



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January 27, 2006

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the State of Colorado for the year ended June 30, 2005, and have issued our report thereon dated December 29, 2005. We have also audited the accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2005. This schedule is the responsibility of the State Controller's Office. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit of the schedule 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 Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures 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 audit provides a reasonable basis for our opinion.

Our auditing procedures also included reconciling amounts contained in this report to the State's Comprehensive Annual Financial Report for the year ended June 30, 2005, and testing for irreconcilable conflicts between the State's financial statements and the provisions of TABOR. Additional procedures consisted of evaluating the State of Colorado's compliance with constitutional and statutory provisions of TABOR. Our audit does not provide a legal determination of the State's compliance with specified requirements.

The accompanying *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* was prepared by the State Controller's Office pursuant to Section 24-77-106.5, C.R.S., which requires a financial report ascertaining compliance with state fiscal policies relating to Article X, Section 20, of the State Constitution (TABOR). Article 77 further requires a financial report to be prepared in conformity with generally accepted accounting principles unless an irreconcilable conflict exists between generally accepted accounting principles and TABOR, in which case the provisions of said constitutional provision shall control.

In our opinion, the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* referred to above presents fairly, in all material respects, the revenue, expenditures, changes in reserves, and spending limitation as determined under Article X, Section 20, of the State Constitution for the year ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)*, as of June 30, 2005, includes audit adjustments that decreased Fiscal Year 2005 TABOR revenue by \$409,452 and increased the TABOR spending limit by \$4,893,232. These adjustments came to our attention subsequent to the September 29, 2005, issuance of the *Schedule of TABOR Revenue* report for the fiscal year ended June 30, 2005. These adjustments decreased TABOR revenue for Fiscal Year 2005 from \$8,483,372,713 to 8,482,963,261, and increased the TABOR spending limit from \$8,309,480,454 to \$8,314,373,686.

A handwritten signature in cursive script, reading "Joanne Hill".

STATE OF COLORADO
SCHEDULE OF COMPUTATIONS REQUIRED
UNDER ARTICLE X, SECTION 20
AS OF JUNE 2005

	FISCAL YEAR 2003-04	FISCAL YEAR 2004-05
COMPUTATION OF NON-EXEMPT REVENUES		
Total State Expenditures	\$ 21,132,636,792	\$ 24,286,140,521
Less Exempt Enterprises Expenses:		
Higher Education Enterprises	915,219,244	2,667,253,877
State Lottery	408,582,297	421,039,681
CollegelInvest	110,464,077	431,717,678
Wildlife Division	89,647,747	97,282,958
College Access Network	73,459,330	88,315,746
Correctional Industries	38,721,676	38,971,843
State Nursing Homes	37,826,111	37,761,754
State Fair Authority	8,724,599	8,939,862
Brand Board	-	3,842,737
Statewide Tolling Authority	59,282	675,340
Capitol Parking Authority	-	632,218
Clean Screen Authority	-	106,724
Subtotal Enterprise Expenses	<u>1,682,704,363</u>	<u>3,796,540,417</u>
Total District Expenditures	<u>19,449,932,429</u>	<u>20,489,600,104</u>
Less Exempt District Revenues:		
Interfund Transfers	4,508,454,646	5,325,531,037
Federal Funds	4,880,597,487	4,221,571,877
Gifts	432,923,098	268,483,185
Property Sales	46,261,218	50,385,042
Damage Awards	90,749,867	94,522,330
Exempt Investment Income	7,677,764	22,022,033
Other Sources and Additions (Note 7)	1,402,737,092	628,383,228
Voter Approved Revenue Changes (Note 8)	280,699,303	405,059,496
Subtotal Exempt District Revenues	<u>11,650,100,475</u>	<u>11,015,958,228</u>
Non-Exempt District Expenditures	7,799,831,954	9,473,641,876
District Reserve/Fund Balance Increase (Decrease)	532,158,663	(1,159,551,994)
Excess TABOR Revenues	-	168,873,379
Total Non-Exempt District Revenues	<u>8,331,990,617</u>	<u>8,482,963,261</u>
COMPUTATION OF FUND BALANCE CHANGES		
Beginning District Fund Balance	\$ 7,476,824,096	\$ 8,027,835,852
Prior Period District Fund Balance Adjustments (Note 10)	58,784,594	19,183,180
(Qualification)/Disqualification of Enterprises (Note 14)	(39,931,501)	(1,346,576,350)
District Reserve/Fund Balance Increase (Decrease)	532,158,663	(1,159,551,994)
Retention of the Credit for Overpayments per CRS 24-77-103.7(3)(b)	-	127,809,876
Ending District Fund Balance	<u>\$ 8,027,835,852</u>	<u>\$ 5,668,700,564</u>
COMPUTATION OF SPENDING LIMITATION		
FY 2003-04 Fiscal Year Spending Limitation	\$ 8,331,990,617	
Overpayment in FY 2004 (See CRS 24-77-103.7(2))	643,115	
FY 2003-04 Fiscal Year Spending Limitation 24-77-103.7(3)(a)	<u>8,332,633,732</u>	
Qualification of Enterprises (Note 14)	(384,020,739)	
Errors in Prior Years	275,579	
FY 2003-04 Adjusted Fiscal Year Spending Limitation	<u>\$ 7,948,888,572</u>	
Allowable TABOR Growth Rate (Note 11)		2.2%
FY 2004-05 Unadjusted Fiscal Year Spending Limit		8,123,764,121
Residual Portion of 6% Growth Dividend from FY2004-05 (Note 15)		1.1% 89,151,031
Additional 6% Growth Dividend Made Available by CRS 24-77-103.7(3)(a) (Note 13)		1.3% <u>101,458,534</u>
FY 2004-05 Adjusted Fiscal Year Spending Limit		8,314,373,686
Less Fiscal Year 2004-05 Non-Exempt District Revenues		(8,482,963,261)
Corrections of Prior Years' Refunds (Note 12)		<u>(283,804)</u>
Amount (Over)Under Adjusted Fiscal Year Spending Limit		(168,873,379)
Credit for overpayments in prior years per CRS 24-77-103.7(3)(b) (Note 16)		<u>127,809,876</u>
(Amount Remaining to be Refunded)		<u>\$ (41,063,503)</u>

NOTES TO THE TABOR SCHEDULE OF REQUIRED COMPUTATIONS

NOTE 1. PURPOSE OF THE SCHEDULE OF REQUIRED COMPUTATIONS

The purpose of the Schedule of Required Computations is to ascertain and document compliance with Title 24 Article 77 of the Colorado Revised Statutes, which is the implementing statute for Article X Section 20 of the State Constitution (TABOR). The report is required to include at a minimum state fiscal year spending, reserves, revenues, and debt. The schedule also includes a calculation of the limit on fiscal year spending, and the amount of the required refund, as well as all related adjustments.

TABOR has many provisions including a requirement for a vote of the people for new taxes or tax rate increases and a limit on the amount of fiscal year spending. Fiscal year spending is defined as district expenditures and reserve increases except those expended from exempt sources, such as, gifts, federal funds, damage awards, property sales, reserves, and other items. This definition, while focused on spending is essentially a limitation on revenue retention because reserve increases are unspent revenues. Therefore, the terms fiscal year spending and nonexempt revenue are used interchangeably throughout these notes.

The limit on revenue retention is based on an allowable growth percentage (See Note 11) applied to the lesser of the prior year's revenues or the prior year's limit. Revenues in excess of the limit are required to be refunded to taxpayers unless voters approve retention of the excess.

NOTE 2. BASIS OF ACCOUNTING

Pursuant to Article 77 of Title 24, Colorado Revised Statutes, this report is prepared in accordance with generally accepted accounting principles (GAAP) except where an irreconcilable difference exists between GAAP, and state statute or the provisions of Article X Section 20 of the State Constitution (TABOR).

The accounting principles used by the State are more fully described in the State's Comprehensive Annual Financial Report available from the State Controller's Office.

NOTE 3. DEFINITION OF THE DISTRICT

TABOR defines the district as "the state or any local government, excluding enterprises." It further defines enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10 percent of annual revenue in grants from all Colorado state and local governments combined."

The General Assembly, for the purpose of implementing TABOR, stated in C.R.S. 24-77-102(16)(a) that "state" means the central civil government of the State of Colorado, which consists of the following:

- (I) the legislative, executive, and judicial branches of government established by Article III of the state constitution;
- (II) all organs of the branches of government specified in subparagraph (I) of paragraph (a) of this subsection (16), including the departments of the executive branch; the legislative houses and agencies; and the appellate and trial courts and court personnel; and
- (III) state institutions of higher education.

(b) "state" does not include:

- (I) any enterprise;
- (II) any special purpose authority.

The General Assembly has designated the following as enterprises excluded from the district:

- ◆ State Lottery,
- ◆ College Access Network,
- ◆ Division of Correctional Industries,
- ◆ Division of Wildlife,
- ◆ State Fair Authority,
- ◆ CollegeInvest,
- ◆ Clean Screen Authority,
- ◆ Statewide Tolling Authority,
- ◆ State Nursing Homes, and
- ◆ Brand Board

It further established a statutory mechanism that allows governing boards of the institutions of higher education to designate certain auxiliary operations as enterprises, which are also exempt from TABOR. The Board of Regents of the University of Colorado designated the entire University of Colorado as an enterprise under the authority granted by Senate Bill 189 enacted in the 2004 legislative session.

Although the General Assembly and governing boards have designated certain enterprises as exempt from TABOR, those enterprises must continue to meet the criteria of a government-owned business authorized to issue its own revenue bonds and annually receiving under 10 percent of its revenue in grants from all Colorado state and local governments combined.

NOTE 4. DEBT

Certificates of Participation, which are used by the State for long-term lease purchases, are not considered debt of the State for purposes of this report as provided by C.R.S. 24-30-202(5.5).

In interrogatories submitted by the General Assembly regarding House Bill 99-1325, the Colorado Supreme Court ruled that Transportation Revenue Anticipation Notes (TRANS) issued by the Colorado Department of Transportation do not constitute debt of the State as defined in Article XI Section 3 of the State Constitution.

However, the Supreme Court ruled that the TRANS are a multiple-fiscal year obligation as defined by Article X Section 20 of the State Constitution, thus requiring an approving election before issuance. In November 1999 the voters approved the issuance of \$1.7 billion of TRANS.

NOTE 5. EMERGENCY RESERVES

TABOR requires the reservation, for declared emergencies, of 3 percent or more of fiscal year spending, excluding debt service payments. This requirement for FY 2004-05 totals \$254,488,898.

The State has designated the following balances for this reserve:

- ◆ \$24,000,000 – Major Medical Fund,
- ◆ \$20,000,000 – Subsequent Injury Fund,
- ◆ \$12,000,000 – Worker’s Compensation Cash Fund,
- ◆ \$6,000,000 – Operational Account of the Severance Tax Trust Fund,
- ◆ \$6,000,000 – Colorado River Recovery Program Loan Fund,
- ◆ \$3,000,000 – Fish & Wildlife Resources Fund
- ◆ \$98,695,000 – Wildlife Cash Fund
- ◆ \$84,793,898 of the \$89,005,000 of state properties authorized for designation as part of the emergency reserve.

In the Wildlife Cash Fund, \$27,247,093 is available in net assets not invested in capital assets. The remaining \$71,447,907 represents capital assets of the fund net of related debt. In the event of an emergency that

exceeded the financial assets in the reserve, the capital assets of the Wildlife Cash Fund and the designated state properties would have to be liquidated to satisfy the constitutional requirement.

NOTE 6. STATUS OF REFUNDING

There was no outstanding required TABOR refund at the beginning of Fiscal Year 2004-05. The Schedule of Required Computations shows that \$41,063,503 is required to be refunded in Fiscal Year 2005-06 for excess nonexempt revenues of Fiscal Year 2004-05. A liability for that amount has been recorded in the General Fund in the state's Comprehensive Annual Financial Report.

A suit has been filed in state court challenging the constitutionality of \$442.7 million of transfers from various cash funds to the General Fund made in and after Fiscal Year 2001-02 to mitigate shortfalls of general-purpose revenues. The suit claims that the transfers required increases or continuation of fees to replenish cash funds reserves, and these fees were actually tax increases not approved by the voters as required by TABOR. The plaintiffs seek replenishment of the cash funds from the General Fund and a halt to this practice in the future. The court ruled against the plaintiffs, and they have appealed the court's decision. If the plaintiffs were to prevail in their appeals, any required disbursements could be considered a required TABOR refund.

NOTE 7. OTHER SOURCES AND ADDITIONS

The \$628.4 million reported in this line item primarily comprises: \$245.6 million of investment trust fund additions by participants; \$206.3 million of pension and other employee benefit trust fund investment earnings and additions by participants; \$98.8 million of

unclaimed property additions newly exempted by C.R.S. 38-13-116; \$31.2 million of accounts payable reversions, reimbursements of prior year expenditures, and other miscellaneous exempt revenues; \$20.0 million of certificate of participation proceeds for building purchase and renovation at the Department of Transportation; and \$10.2 million of local government expenditures recorded by the state as revenues and expenditures to meet grant matching-funds requirements.

Other sources also include \$6.8 million in capital lease financing and \$9.5 million from the Great Outdoors Colorado Trust Fund paid to the Department of Natural Resources.

NOTE 8. VOTER APPROVED REVENUE CHANGES

When state voters approve a revenue change, the resulting revenues are exempt from the TABOR limit on fiscal year spending.

In the 1998 general election, voters approved a citizen-initiated law, C.R.S. 25-8-501.1, Regulation of Commercial Hog Facilities, adopting a permit fee. The State collected \$155,396 and \$164,080 from this exempt source in Fiscal Years 2004-05 and 2003-04, respectively.

In the 2000 general election, voters approved a citizen-initiated amendment that added Section 14 to Article XVIII of the State Constitution. This amendment allowed the use of marijuana for medical purposes and authorized the Department of Public Health and Environment to charge a fee for the issuance of a permit for such purpose. The State recorded \$75,372 and \$52,762 including interest and unrealized gains/losses from this revenue source in Fiscal Years 2004-05 and 2003-04, respectively.

In the 2000 general election, voters approved a citizen-initiated amendment that added

Section 17 to Article IX of the State Constitution. This amendment created the State Education Fund and diverted the revenues from a tax of one-third of one percent on taxable income of individuals, corporations, estates, and trusts from the General Fund to this fund. It also exempted that revenue from TABOR. The amendment was effective January 1, 2001 and resulted in \$323,769,489 and \$280,482,461 of tax revenues, interest, and unrealized gains/losses, being excluded from fiscal year spending in Fiscal Years 2004-05 and 2003-04, respectively.

In the 2004 general election, voters approved a citizen-initiated amendment that added Section 21 to Article X of the State Constitution. The amendment authorized additional cigarette and tobacco taxes (3.2 cents per cigarette and 20 percent of manufacturer's list price for other tobacco products) effective January 1, 2005. The amendment specified the use of the tax revenue generated for specific health related programs, and it exempted the revenue from TABOR limitations. The state recorded \$81,059,239 of tax revenues, interest, and unrealized gains/losses from this exempt source in the half-year period from January 1, 2005 through June 30, 2005.

In the 2005 general election, Colorado voters approved Referendum C – a measure referred to the voters by the Legislature. The measure is effective beginning with Fiscal Year 2005-06, and therefore, it did not affect the Fiscal Year 2004-05 TABOR Schedule of Revenues or Schedule of Computations. For the following five fiscal years, if TABOR revenues exceed the TABOR limits, Referendum C allows the state to retain and spend the excess revenues that would otherwise be refunded to the citizens.

NOTE 9. DISTRICT RESERVES

District reserves are the cumulative fund balances of the state excluding the capital assets, non-fund liabilities of the governmental funds, and fund balances of the exempt enterprises. The majority of these fund balances are not available for appropriation due to legal and contractual restrictions.

NOTE 10. PRIOR-PERIOD FUND BALANCE ADJUSTMENTS

The increase of \$19,183,180 in the district beginning fund balance consists of the following:

- ♦ increases totaling \$17,028,291 to correct for overstatement of accumulated depreciation, unrecorded capital leases, liabilities inappropriately recorded, and enterprise activity that should have been reported in the district by the Colorado Community College System,
- ♦ an increase of \$3,322,425 related to post audit adjustments in the state's Comprehensive Annual Financial Report that increased Fiscal Year 2003-04 district revenue after the Fiscal Year 2003-04 TABOR revenues were audited,
- ♦ an increase of \$278,382 to correct for an error in recording certificates of participation by the Department of Personnel & Administration,
- ♦ a reduction of \$4,548,112 related to the transfer of worker's compensation liabilities from the Department of Personnel & Administration to the Colorado State University,
- ♦ a reduction of \$786,717 related to moving district activity to a qualified enterprise fund at the Auraria Higher Education Center,
- ♦ a reduction of \$10,044 related to moving district activity to a qualified enterprise fund at Pikes Peak Community College,

- ♦ a reduction of \$7,605,045 related to the Department of Natural Resources removing long-term receivables in Fiscal Year 2004-05 that should have been removed from the books of record in Fiscal Year 2003-04,
- ♦ an increase of \$11,504,000 related to the Department of Labor and Employment removing long-term actuarial liabilities inappropriately recorded in governmental funds.

Year 2003-04 (See Note 16 for related information),

- ♦ a decrease of \$384,020,739 for the qualification of enterprises (See Note 14), and
- ♦ an increase of \$275,579 which comprises an increase of \$3,322,425 related to Fiscal Year 2003-04 revenues recorded in the state's financial statements after the completion of that year's audit of TABOR revenues and Schedule of Computations (See Note 13), and a decrease of \$3,046,846 to correct for errors made in prior years. Together these adjustments also increased the current refund by \$283,804 after recalculation of the residual growth dividend percentage related to the post audit entry and application of the allowed population and inflation adjustment to the errors made in prior years.

NOTE 11. SOURCES OF TABOR GROWTH LIMIT

After adjustment for voter approved revenue changes, the allowable percentage increase in state fiscal year spending equals the sum of inflation and the percentage change in state population in the calendar year ending six months prior to the start of the fiscal year. Inflation is defined in C.R.S. 24-77-102(8) as "the percentage change in the consumer price index for the Denver-Boulder Consolidated Metropolitan Statistical Area For All Urban Consumers, All Goods, as published by the U.S. Department of Labor."

The Office of State Planning and Budgeting provided the 2.2 percent allowable growth rate, which comprises a 1.1 percent increase for population growth (calendar year 2003) and a 1.1 percent increase for inflation.

The decrease of \$3,046,846 is the net result of four errors in Fiscal Year 2002-03 and 2003-04 revenues. In order to show the total effect on the Fiscal Year 2004-05 base, the error amounts shown below related to Fiscal year 2002-03 have been increased by the allowable growth rate of 3.6 percent between Fiscal Years 2002-03 and 2003-04.

NOTE 12. SPENDING LIMIT ADJUSTMENTS

In Fiscal Year 2004-05, there were three types of adjustments made to the base before applying the 2.2 percent allowable growth rate as follows:

- ♦ an increase of \$643,115 as required by CRS 24-77-103.7(2) for over refunds of the Fiscal Year 1999-00 and 2000-01 TABOR refund liability paid in Fiscal

The Department of Treasury understated Fiscal Year 2002-03 nonexempt unclaimed property revenue by \$547,058 when they recorded revenue net of external audit fees.

The State Controller's Office understated Fiscal Year 2002-03 and 2003-04 nonexempt revenue by \$3,317,882 and \$3,063,603, respectively, when it failed to identify indirect cost transfers from the Division of Wildlife (a TABOR qualified enterprise) to the Department of Natural Resources as original source revenue of the district that should have been counted as nonexempt.

The Department of Treasury overstated Fiscal Year 2002-03 and 2003-04 nonexempt revenue by \$1,573,702 and \$8,741,351, respectively, when it recorded gains on the sale of investments, held in an Investment Trust Fund for Pinnacol Assurance, as nonexempt rather than exempt.

In preparing the Fiscal Year 2003-04 financial statements, the State Controller's Office understated nonexempt revenue by \$339,664 when it inadvertently eliminated nonexempt revenue received by the Department of Law from the Division of Wildlife, a qualified TABOR enterprise. The elimination was required by Generally Accepted Accounting Principles, but should have been done in a way that maintained the district's original source revenue received from qualified TABOR enterprises.

NOTE 13. POST AUDIT ENTRIES

In the Fiscal Year 2003-04 Comprehensive Annual Financial Report, the state recorded a late audit adjustment increasing land rental income at the State Land Board in the amount of \$3,322,425. The State Controller and State Auditor agreed that this entry would be shown as an adjustment to the Fiscal Year 2004-05 Schedule of Computations rather than being shown as part of the Fiscal Year 2004-05 nonexempt district revenue. The \$3,322,425 adjustment is part of the \$275,579 spending limit adjustment discussed in Note 12.

NOTE 14. ENTERPRISE QUALIFICATION AND DISQUALIFICATION

TABOR specifies that qualification and disqualification of enterprises shall change the district base. None of the Fiscal Year 2003-04 qualified enterprises were disqualified in the Fiscal Year 2004-05.

The University of Colorado, the Brand Board in the Department of Agriculture, and the Capitol Parking Fund in the Department of Personnel & Administration each operated as completely qualified enterprises for the first time in Fiscal Year 2004-05. Certain portions of the University of Colorado were qualified enterprises in Fiscal Year 2003-04, and the Parking Fund was a qualified enterprise for a short time in Fiscal Year 2003-04. The qualification resulted in a net reduction of the district base used in calculating the Fiscal Year 2003-04 limit by \$384,020,739. That adjustment comprises a:

- ♦ \$387,804,390 reduction for the University of Colorado,
- ♦ \$4,660,632 reduction for the Brand Board,
- ♦ \$366,741 reduction for the Capitol Parking Fund, and an
- ♦ \$8,811,024 increase related to receipts by other state agencies that would have been counted as TABOR nonexempt revenue in Fiscal Year 2003-04 if the three activities had been enterprises.

NOTE 15. GROWTH DIVIDEND

The 2000 Federal Census adjusted the change in the State's population between 1999 and 2000 by 6.0 percent to account for a larger than estimated population change in the State during the 1990s. If the estimates of the State's population change had been more accurate, the State would have been able to retain larger amounts of the TABOR non-exempt revenues to meet the needs generated by this growth. The General Assembly passed legislation in the 2002 Session that recaptures the revenues lost because of the error in the population estimates. This recapture is commonly referred to as the growth dividend.

In Fiscal Year 2003-04, the TABOR Schedule of Computations reported that revenues exceeded the allowable 3.6 percent growth by \$374,702,740. Without the growth dividend, the State would either have had to refund this amount to the taxpayers, or request authority from state voters to retain all or a portion of the amount. However, under CRS 24-77-103(2)(b)(II.5)(A-D) the state reported that it would retain the full amount and add it to the base for computing the Fiscal Year 2004-05 limit. As reported in Fiscal Year 2003-04, the amount used 4.9 percent of the available 6.0 percent growth dividend leaving 1.1 percent available to be added to the allowable percentage growth in Fiscal Year 2004-05 and subsequent years.

In the 2005 Legislative session, the General Assembly passed House Bill 1310, which directed the state to retroactively change the method of accounting for refunds made in excess of the required TABOR refund (See Note 16). This legislation thereby required recalculation of the growth dividend. Because the change increased nonexempt revenue of prior years, it increased the base and thereby reduced the amount of growth dividend used in Fiscal Year 2003-04. The change reduced the use of the growth dividend by \$94,720,732 from \$374,702,740 (4.9 percent) to \$279,982,008 (3.6 percent). As a result, the growth dividend available in Fiscal Year 2004-05 increased from 1.1 percent to 2.4 percent.

NOTE 16. TREATMENT OF OVER REFUNDS

The required refunds calculated in this and prior year reports are distributed to individual state taxpayers based on statutory mechanisms as discussed in Note 17. The Department of Revenue makes the distributions of the TABOR refund through the income tax refund

process using estimates of the number of taxpayers expected to qualify for the TABOR refund. The estimates may result in over or under distribution of the required refund throughout the four-year period allowed for amended tax returns. As required by statute, under distributions are carried forward to subsequent years and added to the required refund. Beginning in Fiscal Year 1999-00, the first year in which the distributions exceeded the required refund, the state has reduced nonexempt revenue each year by the amount of that year's distribution in excess of the required refund.

When subsequent year's excess revenues required the state to make a refund, the over refund treatment described above provided the appropriate credit for over refunds by reducing future refunds. However, in years when revenues fell below the limit and no refund was required, the described over refund treatment further reduced revenues and did not provide the state with credit for having made the refund. The revenue reduction also reduced the base upon which the subsequent year's revenue limits would be calculated. This adversely affected the state's ability to retain future revenue growth because each successive year's limit is based on the lesser of the prior year's limit or the prior year's nonexempt revenue.

To address this adverse effect, the General Assembly enacted House Bill 1310 in the 2005 legislative session (HB05-1310). The bill required that over refunds be applied to an existing TABOR liability or be carried forward to a future year. As a result, revenues will no longer be reduced when TABOR refunds exceed the amount required to be refunded.

The bill also directed the state to calculate the Fiscal Year 2004-05 refund without the effect of revenue reductions related to over refunds paid in Fiscal Years 2001-02, 2002-03, or 2003-04. Doing so increased the base upon

which the Fiscal Year 2003-04 limit was calculated by \$92,050,046. With the allowable growth of 3.6 percent between Fiscal Year 2002-03 and 2003-04, the \$92.1 million increase to the base reduced the use of the growth dividend in FY2003-04 by the \$95,363,847. This amount was offset by a revenue increase of \$643,115 for excess refunds paid out in Fiscal Year 2003-04 resulting in the \$94,720,732 net change in growth dividend used reported in Note 15.

The adjustment of the base did not include any increase for over refunds paid out in Fiscal Year 2001-02 because Fiscal Year 2002-03 revenues were lower than Fiscal Year 2001-02 revenues. Because the Fiscal Year 2002-03 revenues were far below the limit for that year, they became the base for calculating the use of the growth dividend in Fiscal Year 2003-04. Under this set of facts, changes to the Fiscal Year 2001-02 revenues would have had no effect on the use of the growth dividend in Fiscal Year 2003-04 or the related refund required in Fiscal Year 2004-05.

HB05-1310 also directed the State Controller to reduce the refund required in Fiscal Year 2004-05 by the amount of over refunds paid in Fiscal Years 2001-02, 2002-03, and 2003-04. In those three fiscal years, the state recorded over refunds of \$127,809,876. After adjustment for the \$283,804 error correction, the amount in excess of the adjusted fiscal year spending limit was \$168,873,379. This amount was reduced by the \$127,809,876 over refund adjustment resulting in \$41,063,503 required to be refunded during Fiscal Year 2005-06 for Fiscal Year 2004-05 revenues in excess of the limit.

NOTE 17. FUTURE REFUNDS

In the 1999 regular session, the General Assembly enacted mechanisms to refund Fiscal Year 1998-99 and subsequent years' excess revenue. In succeeding sessions the

General Assembly enacted additional mechanisms to refund the excess revenue. The mechanisms become active at different thresholds depending on the total amount of required TABOR refund. The thresholds are indexed to inflation and are calculated by the Office of State Planning and Budgeting.

1. An earned income tax credit of 10 percent of the federal tax credit. This is available when the TABOR threshold equals \$66.9 million.
2. An income tax credit of the lesser of \$500 or 100 percent of non-reimbursed foster care expenses for foster parents. This is available if the TABOR refund is \$225.5 million or more.
3. A business personal property tax credit, which is available when the TABOR refund is \$227.6 million or more.
4. An income tax credit for contributors of matching funds to those qualified individuals who save for post-secondary education, purchase a first home, or start a business. The TABOR threshold is \$235.6 million.
5. Interest, dividend, and capital gains exclusion up to \$1,200 for individuals and \$2,400 for couples for tax year 2000 (see mechanism number 13). The TABOR threshold is \$348.1 million.
6. An income tax credit through January 1, 2005 to health and dental care providers who practice in certain rural areas. The TABOR threshold is \$353.4 million.
7. An income tax credit that is a percentage of the federal child care credit. The TABOR threshold is \$359.6 million.
8. An income tax credit for contributions to the Institute for Telecommunications Education. The TABOR threshold is \$394.6 million.
9. A 50 percent sales tax credit for the sale, purchase, storage, use, or consumption of tangible personal property used directly

and predominantly for research and development in Colorado. The TABOR threshold is \$404.3 million.

10. A reduction in the annual registration fees for motor vehicles and a 25 percent reduction in the fees for trucks, truck tractors, and other vehicles. The TABOR threshold is \$409.3 million.
11. An income tax credit for contributions to high technology scholarships. The TABOR threshold is \$409.3 million.
12. An income tax deduction for charitable contributions in excess of \$500 made by individuals who claim the standard deduction. The TABOR threshold is \$433.9 million.
13. An extension of mechanism number 5 changing the maximums to \$1,500 for individuals and \$3,000 for couples in interest, dividends, and capital gains excludable from state income taxes beginning January 1, 2001. The TABOR threshold is \$433.9 million.
14. A sales tax exemption for certain pollution control devices. The TABOR threshold is \$433.9 million.
15. A sales tax refund when the sales tax rate exceeds 0.01 percent and is imposed on new or used commercial trucks or other vehicles that are used in interstate commerce and have a gross weight of more than 26,000 pounds. The TABOR threshold is \$433.9 million.
16. An income tax credit for eligible agricultural value-added cooperatives. The TABOR threshold is \$451.1 million.
17. An income tax credit for the cost of health benefit plans not paid by the employer or deducted from the individual's federal adjusted gross income. The TABOR threshold is \$496.0 million.
18. An expansion of the capital gains modification to include capital gains

realized in tax years beginning on or after January 1, 1999, as well as a reduction of the holding period from five years to one year. The TABOR threshold is \$533.3 million.

19. Any remaining amount is distributed to all full-year Colorado residents 18 years and older as a refund of sales taxes. When the refund is estimated to be under \$15 for each qualified taxpayer, an identical amount is refunded to each qualified taxpayer. When the sales tax refund is estimated to be over \$15 for each qualified taxpayer, a fixed amount is set for each of six tiers of federal adjusted gross income. The Department of Revenue calculates the amount of the individual refund for each tier as a statutory percentage of the total sales tax refund divided by the number of anticipated taxpayers in each tier.

The Fiscal Year 2004-05 required refund of \$41,063,503 results in an identical refund for each qualified taxpayer and does not activate the six tier refund mechanism or any of the other mechanisms that have higher thresholds.

Schedule of TABOR Revenue
(Dated September 29, 2005)



STATE OF COLORADO

JOANNE HILL, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
303.869.2800
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Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

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

	Fiscal Year 2005	Fiscal Year 2004	Increase (Decrease)	Percent Change
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%
TOTAL INCOME TAX	3,713,800,886	3,406,468,579	307,332,307	9.0%
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%
TOTAL EXCISE TAX	2,119,183,374	2,015,938,813	103,244,561	5.1%
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%
TOTAL OTHER TAXES	1,553,573,556	1,425,318,190	128,255,366	9.0%
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%
TOTAL LICENSES, PERMITS AND FEES	766,655,211	751,814,976	14,840,235	2.0%
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%
TOTAL OTHER REVENUE	327,112,840	339,620,545	(12,507,705)	-3.7%
SUBTOTAL TABOR REVENUE BEFORE QUALIFICATION OF TABOR ENTERPRISES	8,480,325,867	7,939,161,103	541,164,764	6.8%
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%
TOTAL QUALIFICATION OF TABOR ENTERPRISES	-	392,829,514	(392,829,514)	-100.0%
TOTAL TABOR REVENUE AND PRIOR YEAR ADJUSTMENTS	\$ 8,480,325,867	\$ 8,331,990,617	\$ 148,335,250	1.8%

* 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

Appendix A

Description of Revenue Categories

Category	Description
INCOME TAX	
Individual Income Tax, Net	Tax paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS, child support), and tax checkoffs
Corporate Income Tax, Net	Taxes based on the net profits of corporations
Fiduciary Income Tax, Net	Taxes on trust and estate income
Education Fund Transfers	Reduction of income taxes for transfers made to the State Education Fund
EXCISE TAX	
Sales Tax, Net	Taxes collected by retailers on consumer purchases of tangible personal property
Use Tax, Net	Taxes remitted by the end consumer of tangible personal property purchased at retail prices
Tobacco Products Tax, Net	Tax on the sale, use, consumption, handling, or distribution of tobacco products
Alcoholic Beverages, Net	Taxes collected from retailers who sell alcohol products
Other Excise Taxes, Net	Tax for occupational license renewals and certain penalties

Category	Description
OTHER TAXES	
Fuel and Transportation Taxes, Net	Gross ton mileage tax on motor carriers and taxes on diesel, gasoline, aviation jet fuel, aviation gasoline, and other fuels
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
LICENSES, PERMITS AND FEES	
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.

Category	Description
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
OTHER REVENUE	
Court and Other Fines	Fines and forfeits levied by the courts
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
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

Category	Description
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

Appendix B1

Description of Refunding Mechanisms

Mechanism (Effective Date)	Description
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.

Mechanism (Effective Date)	Description
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.

Mechanism (Effective Date)	Description
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.

Mechanism (Effective Date)	Description
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.

Mechanism (Effective Date)	Description
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

(Revised as of December 20, 2005)

Refunding Mechanism	Original Threshold	Fiscal Year 2005 Threshold Adjusted for Inflation
Sales Tax Refund	\$ 0	\$ 0
Earned Income Credit	\$ 50,000,000	\$ 66,900,000
Income Tax Credit for Foster Parents	\$ 200,000,000	\$ 225,500,000
Business Personal Property Tax Credit	\$ 170,000,000	\$ 227,600,000
Individual Development Accounts	\$ 190,000,000	\$ 235,600,000
Colorado Capital Gains Modification	\$ 260,000,000	\$ 348,100,000
Rural Health Care Providers	\$ 285,000,000	\$ 353,400,000
Child Care Credits	\$ 290,000,000	\$ 359,600,000
Telecommunication Education	\$ 350,000,000	\$ 394,600,000
Tangible Personal Property Used for R & D *	\$ 358,400,000	\$ 404,300,000
Motor Vehicle Registration Fees	\$ 330,000,000	\$ 409,300,000
High Technology Scholarships	\$ 330,000,000	\$ 409,300,000
Income Tax Deduction for Charity	\$ 350,000,000	\$ 433,900,000
Interest, Dividends, and Capital Gains	\$ 350,000,000	\$ 433,900,000
Pollution Control Providers	\$ 350,000,000	\$ 433,900,000
Interstate Commerce Sales and Use Tax Exemption	\$ 350,000,000	\$ 433,900,000
Agriculture Value-Added Development	\$ 400,000,000	\$ 451,100,000
Income Tax Credit for Cost of Health Benefits	\$ 400,000,000	\$ 496,000,000
Expand Colorado Capital Gains Modification	\$ 430,000,000	\$ 533,300,000

Source: Office of the State Auditor analysis of the Office of State Planning and Budgeting (OSPB) data. As of December 20, 2005, OSPB revised its thresholds for changes in estimated personal income levels.

*Requires that the threshold be adjusted for growth in personal income from Calendar Year 2000 to 2002.

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