



# REPORT OF THE STATE AUDITOR

## SCHEDULE OF TABOR REVENUE

**September 2009**

Subsequent to the issuance of the Fiscal Year 2009 *Schedule of TABOR Revenue* report, dated September 30, 2009, the State Controller posted adjustments that affected TABOR revenue and were included in the final audited revenue totals. The resulting changes can be found in the Schedule of TABOR Revenue contained in the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR)* report, dated March 4, 2010.

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*The mission of the Office of the State Auditor is to improve the efficiency, effectiveness, and transparency of government for the people of Colorado by providing objective information, quality services, and solution-based recommendations.*



## STATE OF COLORADO

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September 30, 2009

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, 2009 and 2008. The audit was conducted under the authority of Section 24-77-106.5, C.R.S., which requires the State Auditor to conduct an audit of TABOR revenue. The audited numbers are as follows:

Fiscal Year 2009 Revenue	\$9,109,929,116
Less: Fiscal Year 2009 TABOR Limit	<u>(9,203,841,339)</u>
Fiscal Year 2009 Revenue Under the Limit	<u>\$ (93,912,223)</u>

During our testwork there were adjustments that decreased TABOR revenue by a net amount of \$3,055,846; these adjustments were posted by the Office of the State Controller and are reflected in the TABOR revenue for Fiscal Year 2009 reported above.

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## SCHEDULE OF TABOR REVENUE September 2009

### 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 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 2009 through September 2009.

The purpose and scope of the audit were to:

- Express an opinion on the *Schedule of TABOR Revenue* as of June 30, 2009 and 2008.
- Evaluate compliance with applicable state laws, rules, and regulations.

We noted no instances of noncompliance for the fiscal years ended June 30, 2009 and 2008.

*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 Colorado'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. The *Schedule of Computations* will be completed after the issuance of the State's audited financial statements, which is scheduled for December 2009.

## Prior Year Refunds

With regard to excess revenue, Article X, Section 20(7)(d) of the State 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." 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. For Fiscal Year 2005, excess TABOR revenue of about \$41 million was refunded to taxpayers. For Fiscal Years 2006, 2007, and 2008, state revenue exceeded the TABOR spending limit in the amounts of \$1.1 billion, \$1.3 billion, and \$1.2 billion, respectively. However, Referendum C, which was passed by the voters in November 2005, allowed the State to retain and expend all revenue in excess of the TABOR limit for all three years.

Prior to the passage of Referendum C, the excess revenue was refunded to the taxpayers through a variety of means. 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 tax return. In 1999, the excess was refunded through three mechanisms, in 2000 the excess was refunded through nine mechanisms, and in 2001 the excess

was refunded through 15 mechanisms. For Fiscal Year 2005, the entire excess was distributed as a sales tax credit on each full-year resident's individual income tax return. Appendices B1 and B2 provide more detail regarding each refunding mechanism.

## Revenue Reductions

Several significant revenue reductions were enacted during the 1999, 2000, and 2001 legislative sessions that lower TABOR revenue for subsequent years. The most significant reduction was in income tax rates 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 effective January 1, 2000. The sales tax rate was reduced to 2.9 percent from 3 percent effective January 1, 2001. There are a variety of other permanent tax reductions that have been enacted including low-income housing owner credits, redevelopment incentives for contaminated property, 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 2009 legislative session.

Further, voters have approved changes that lower revenue subject to TABOR. The table on the following page shows the voter approved changes and the effect on Fiscal Year 2009 and 2008 revenues:

<b>Impact of Voter Approved Revenue Changes on TABOR Revenue</b>		
<b>Constitutional Amendment</b>	<b>Fiscal Year 2009 TABOR Impact</b>	<b>Fiscal Year 2008 TABOR Impact</b>
<b>Amendment 23</b> 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:		
Individual income taxes	\$311,138,000	\$371,480,000
Corporate income taxes	27,276,000	34,292,000
<u>Fiduciary income taxes</u>	<u>1,486,000</u>	<u>2,149,000</u>
<b>Total for Amendment 23</b>	<b>\$339,900,000</b>	<b>\$407,921,000</b>
<b>Amendment 14</b> Assesses a fee on housed commercial swine feeding operations.	\$179,018	\$151,223
<b>Amendment 20</b> Assesses an application fee to obtain a Medicinal Marijuana identification card.	\$773,121	\$247,868
<b>Amendment 35</b> Assesses a statewide tax on cigarette and tobacco products.	\$157,508,432	\$162,228,496
<b>Total Reductions in TABOR Revenue</b>	<b>\$498,360,571</b>	<b>\$570,548,587</b>
<b>Source:</b> Office of the State Auditor analysis of the Office of the State Controller's data. Amounts do not include interest or unrealized gains and losses.		

## Adjustments to Refunds

Article X, Section 20(7)(a) of the State 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 ("overrefunds") 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 required the State Controller to make two types of adjustments in Fiscal Year 2005 related to overrefunds 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 overrefunds 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 limits for Fiscal Years 2003 and 2004, respectively, based on overrefunds paid in those years. The \$92.7 million in adjustments was reflected in the Fiscal Year 2005 revised spending limit.

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 overrefunds paid during Fiscal Years 2002 through 2004. This resulted in a \$127.8 million reduction to the TABOR refund liability for Fiscal Year 2005.

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 overrefunded in the prior year. Any unused amount is to be carried forward and decrease future refund liabilities until the excess is depleted. No overrefund was identified that would affect Fiscal Years 2006 through 2008 TABOR revenue in excess of the limit.

In Fiscal Year 2006, the Office of the State Controller identified and posted prior year adjustments totaling \$2,871,444 that impacted the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2008, \$28,223 in adjustments were identified that also impacted the Fiscal Year 2005 TABOR refund liability. In Fiscal Year 2009, there were no adjustments identified that impact prior years' TABOR refund liability. Section 24-77-103.8, C.R.S., states that “Any amount of state revenues in excess of the limitation on state fiscal year spending for the 2001-02 fiscal year and for every fiscal year thereafter that voters statewide did not authorize the state to retain and spend and that are required to be refunded pursuant to section 20(7)(d) of article X of the state constitution, but that are not refunded by the state as required. . . shall be added to and refunded with subsequent fiscal years' state revenues in excess of the limitation on state fiscal year spending that are required to be refunded. . . .”. As a result, \$2,899,667 is being carried forward as a liability on the State's financial statements, which will be paid out in the next refund year.

## Growth Dividend

Article X, Section 20(7)(a) of the State 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 it would have 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 related to the 2000 census allowed the State to raise the TABOR spending limit and retain excess TABOR revenue in the amount of \$565.3 million. The growth dividend was fully utilized during Fiscal Years 2004 and 2005.

## Referendum C

During Fiscal Year 2005, the General Assembly approved House Bill 05-1194, which was the enabling legislation for Referendum C. In November 2005, Referendum C was approved by a vote of the people and became effective as of July 1, 2005. Referendum C allows the State to retain and expend all revenue in excess of the constitutional limit on fiscal year spending for each of the five fiscal years commencing with Fiscal Year 2006.

For Fiscal Years 2006, 2007, and 2008, the amounts of excess revenue that the State was allowed to retain and spend were \$1,116,134,410, \$1,308,040,131, and \$1,169,428,121, respectively, for a three year total of \$3,593,602,662. The funds retained by the State are to be applied toward education; healthcare; roads, bridges, and other strategic transportation projects; and retirement plans for firefighters and police officers.

Commencing in Fiscal Year 2011, the State is allowed to retain and spend the amount of revenue in excess of the spending limit and up to the "Excess State Revenues Cap." The "Excess State Revenues Cap" is defined as the highest total state revenue earned between Fiscal Years 2006 and 2010, adjusted for inflation and

population growth for each subsequent year; the qualification/disqualification of enterprises; and debt service changes.

## Revenue Limit

We reviewed the State Controller's computation of the TABOR revenue limit. For Fiscal Year 2009, the TABOR revenue limit is \$9,203,841,339.

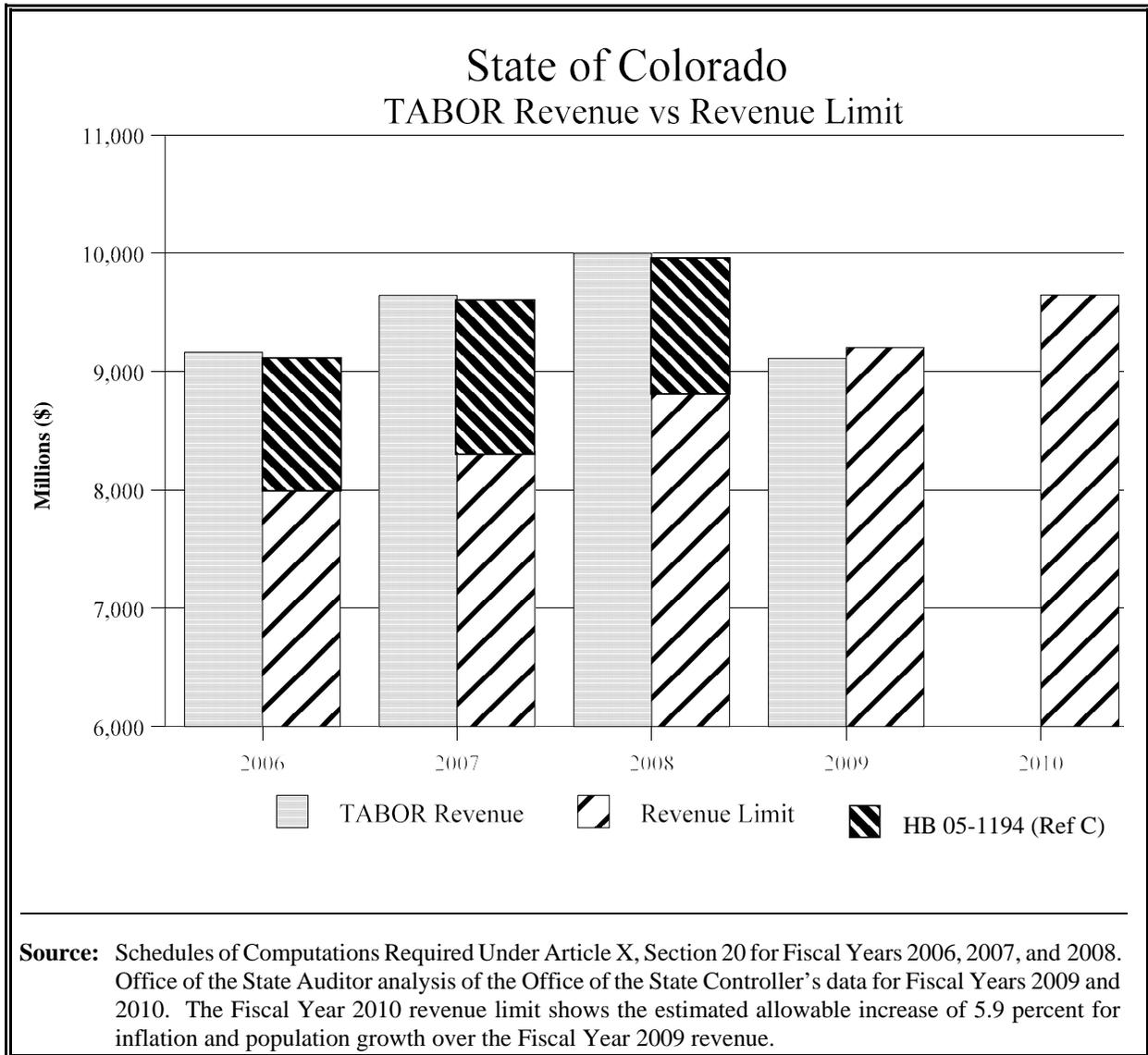
## Revenue

For Fiscal Year 2009, TABOR revenue was \$9,109,929,116. During our testwork there were adjustments that decreased TABOR revenue by a net amount of \$3,055,846; these adjustments were posted by the Office of the State Controller and are reflected in the \$9,109,929,116.

The following shows the TABOR revenue, TABOR revenue limit, and the revenue under the limit for Fiscal Year 2009.

Fiscal Year 2009 Revenue	\$9,109,929,116
Less: Fiscal Year 2009 TABOR Limit	<u>(9,203,841,339)</u>
Fiscal Year 2009 Revenue Under the Limit	<u>\$ (93,912,223)</u>

The graph on the following page compares the revenue limit computed each year to the TABOR revenue from Fiscal Year 2006 to Fiscal Year 2009, with an estimate of the Fiscal Year 2010 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 decreased by 13.2 percent in Fiscal Year 2009, while cash funds, excluding the impact of TABOR enterprise disqualifications, increased by 3.5 percent in Fiscal Year 2009. Overall, TABOR revenue decreased by 8.9 percent in Fiscal Year 2009.

The following tables show the major sources of revenue in Fiscal Year 2009, with comparative figures for 2008, separated by general-funded and cash-funded revenue. The *Schedule of TABOR Revenue* on page 15 combines the general-funded and cash-funded revenue presented on pages 11 and 12, respectively.

**State of Colorado  
Sources of TABOR Revenue  
General-Funded Revenue  
June 30, 2009**

	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2008</b>	<b>2008 to 2009 % Change</b>
<b>GENERAL-FUNDED Revenue</b>			
Individual Income Tax, Net <sup>1</sup>	\$3,999,088,379	\$4,548,574,979	-12.1%
Sales and Use Tax, Net	1,890,012,984	2,080,031,932	-9.1%
Corporate Income Tax, Net <sup>1</sup>	265,213,739	473,609,845	-44.0%
Insurance Taxes, Net	192,412,740	188,320,199	2.2%
Tobacco Products Tax, Net	56,612,391	57,619,257	-1.7%
Alcoholic Beverages Tax, Net	34,970,318	35,692,288	-2.0%
Court and Other Fines	33,902,092	34,438,259	-1.6%
Fiduciary Income Tax, Net <sup>1</sup>	21,608,476	51,515,790	-58.1%
Interest and Investment Income	9,182,485	17,892,939	-48.7%
Business Licenses and Permits	4,580,438	6,494,871	-29.5%
Gaming and Other Taxes	1,198,260	3,489,932	-65.7%
Miscellaneous Revenue	2,038,194	2,647,945	-23.0%
Estate and Inheritance Taxes	23,707	183,425	-87.1%
Other General Revenue <sup>2</sup>	420,750	479,030	-12.2%
<b>TOTAL GENERAL-FUNDED REVENUE</b>	<b>\$6,511,264,953</b>	<b>\$7,500,990,691</b>	<b>-13.2%</b>

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

<sup>1</sup>Net of Amendment 23 transfers. See table on page 5.

<sup>2</sup>Other General Revenue includes General Government Service Fees; Nonbusiness Licenses and Permits; Public Safety Service Fees; Certifications and Inspections; Sales of Products; Child Welfare Service Fees; and Other Charges for Services.

**State of Colorado**  
**Sources of TABOR Revenue (continued)**  
**Cash-Funded Revenue**  
**June 30, 2009**

	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2008</b>	<b>2008 to 2009 % Change</b>
<b>CASH-FUNDED REVENUE</b>			
Fuel and Transportation Taxes, Net	\$ 541,592,154	\$ 579,416,005	-6.5%
Employment Taxes	379,757,620	416,939,260	-8.9%
Severance Taxes	319,057,785	151,749,595	110.3%
Sales and Use Tax, Net	248,011,161	272,400,055	-9.0%
Motor Vehicle Registrations	191,791,827	194,101,564	-1.2%
Interest and Investment Income	147,036,226	197,934,543	-25.7%
Court and Other Fines	142,603,705	108,052,527	32.0%
Business Licenses and Permits	110,804,334	97,946,513	13.1%
Gaming and Other Taxes	96,168,982	109,296,177	-12.0%
Insurance Taxes	46,273,647	58,215,933	-20.5%
Rents and Royalties	43,000,753	39,644,689	8.5%
Other Charges For Services	42,007,161	25,844,136	62.5%
General Government Service Fees	40,242,931	34,492,861	16.7%
Local Governments and Authorities	40,124,013	37,714,619	6.4%
Health Service Fees	39,947,249	20,220,606	97.6%
Nonbusiness Licenses and Permits	38,865,417	38,742,451	0.3%
Educational Fees	32,398,149	30,181,754	7.3%
Driver's Licenses	22,718,687	21,883,814	3.8%
Certifications and Inspections	19,997,417	20,152,743	-0.8%
Miscellaneous Revenue	16,022,739	16,057,966	-0.2%
Public Safety Service Fees	6,182,016	6,381,709	-3.1%
Sales of Products	3,627,667	3,958,193	-8.4%
Other Cash-Funded Revenue <sup>1</sup>	6,926,715	6,025,403	15.0%
<b>TOTAL CASH-FUNDED REVENUE</b>	<b>2,575,158,355</b>	<b>2,487,353,116</b>	<b>3.5%</b>
<b>EXCLUDING FISCAL YEAR 2009 CHANGES</b>	<b>-</b>	<b>10,215,486</b>	<b>N/A</b>
Western State College <sup>2</sup>	-	10,215,486	N/A
Fort Lewis College and Adams State College <sup>3</sup>	23,505,808	-	N/A
<b>TOTAL CASH-FUNDED REVENUE</b>	<b>2,598,664,163</b>	<b>2,497,568,602</b>	<b>4.0%</b>
<b>TOTAL NONEXEMPT REVENUE</b>	<b>\$ 9,109,929,116</b>	<b>\$ 9,998,559,293</b>	<b>-8.9%</b>

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

<sup>1</sup>Other Cash-Funded Revenue includes Higher Education Auxiliary Sales and Services; Child Welfare Service Fees; Alcoholic Beverage Tax, Net; Other Excise Taxes, Net; and Tobacco Products Tax, Net.

<sup>2</sup>Western State College did qualify for TABOR enterprise status in Fiscal Year 2009.

<sup>3</sup>Fort Lewis College and Adams State College did not qualify for TABOR enterprise status in Fiscal Year 2009.

# **Financial Information**



## STATE OF COLORADO

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September 30, 2009

### 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 Constitution (TABOR)*, as of June 30, 2009, 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, 2009 and 2008. The *Schedule of TABOR Revenue* is the responsibility of the Office of the State Controller. 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 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 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 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. This schedule is not intended to be a complete presentation of the State's revenue.

In our opinion, the accompanying *Schedule of TABOR Revenue* referred to above 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, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

**STATE OF COLORADO  
OFFICE OF THE STATE CONTROLLER  
SCHEDULE OF TABOR REVENUE**

	Fiscal Year 2008-09	Fiscal Year 2007-08	Increase (Decrease)	2008 to 2009 % Change
Individual Income Tax, Net	\$ 3,999,088,379	\$ 4,548,574,979	\$ (549,486,600)	-12.1%
Corporate Income Tax, Net	265,213,739	473,609,845	(208,396,106)	-44.0%
Fiduciary Income Tax, Net	21,608,476	51,515,790	(29,907,314)	-58.1%
<b>TOTAL INCOME TAX</b>	<b>4,285,910,594</b>	<b>5,073,700,614</b>	<b>(787,790,020)</b>	<b>-15.5%</b>
Sales Tax, Net	1,961,303,729	2,161,157,642	(199,853,913)	-9.2%
Use Tax, Net	176,720,416	191,274,345	(14,553,929)	-7.6%
Tobacco Products Tax, Net	56,612,886	57,619,675	(1,006,789)	-1.7%
Alcoholic Beverages Tax, Net	35,563,088	36,274,631	(711,543)	-2.0%
Other Excise Taxes, Net	202,313	224,732	(22,419)	-10.0%
<b>TOTAL EXCISE TAX</b>	<b>2,230,402,432</b>	<b>2,446,551,025</b>	<b>(216,148,593)</b>	<b>-8.8%</b>
Fuel and Transportation Taxes, Net	541,592,154	579,416,005	(37,823,851)	-6.5%
Employment Taxes, Net	379,757,620	416,939,260	(37,181,640)	-8.9%
Severance Taxes, Net	319,057,785	151,749,595	167,308,190	110.3%
Insurance Taxes, Net	238,686,387	246,536,132	(7,849,745)	-3.2%
Gaming and Other Taxes, Net	97,367,242	112,786,109	(15,418,867)	-13.7%
Estate and Inheritance Taxes, Net	23,707	183,425	(159,718)	-87.1%
<b>TOTAL OTHER TAXES</b>	<b>1,576,484,895</b>	<b>1,507,610,526</b>	<b>68,874,369</b>	<b>4.6%</b>
Motor Vehicle Registrations	191,791,827	194,101,564	(2,309,737)	-1.2%
Business Licenses and Permits	115,384,772	104,441,384	10,943,388	10.5%
Other Charges for Services	42,006,946	25,843,162	16,163,784	62.5%
General Government Service Fees	40,504,873	34,743,147	5,761,726	16.6%
Health Service Fees	39,947,249	20,220,606	19,726,643	97.6%
Nonbusiness Licenses and Permits	38,995,737	38,895,101	100,636	0.3%
Educational Fees	32,398,149	30,181,754	2,216,395	7.3%
Driver's Licenses	22,718,687	21,883,814	834,873	3.8%
Certifications and Inspections	20,018,840	20,181,203	(162,363)	-0.8%
Public Safety Service Fees	6,182,016	6,425,187	(243,171)	-3.8%
Child Welfare Service Fees	732,090	285,085	447,005	156.8%
<b>TOTAL LICENSES, PERMITS, AND FEES</b>	<b>550,681,186</b>	<b>497,202,007</b>	<b>53,479,179</b>	<b>10.8%</b>
Court and Other Fines	176,505,797	142,490,786	34,015,011	23.9%
Interest and Investment Income	156,218,711	215,827,482	(59,608,771)	-27.6%
Rents and Royalties	43,000,753	39,644,689	3,356,064	8.5%
Local Governments and Authorities	40,124,013	37,714,619	2,409,394	6.4%
Miscellaneous Revenue	18,060,911	18,705,908	(644,997)	-3.4%
Higher Education Auxiliary Sales and Services	5,399,562	4,932,828	466,734	9.5%
Sales of Products	3,634,454	3,963,323	(328,869)	-8.3%
<b>TOTAL OTHER REVENUE</b>	<b>442,944,201</b>	<b>463,279,635</b>	<b>(20,335,434)</b>	<b>-4.4%</b>
<b>TOTAL TABOR REVENUE EXCLUDING FISCAL YEAR 2009 CHANGES</b>	<b>9,086,423,308</b>	<b>9,988,343,807</b>	<b>(901,920,499)</b>	<b>-9.0%</b>
Western State College*	-	10,215,486	(10,215,486)	N/A
Fort Lewis College and Adams State College**	23,505,808	-	23,505,808	N/A
<b>TOTAL TABOR REVENUE</b>	<b>\$ 9,109,929,116</b>	<b>\$ 9,998,559,293</b>	<b>\$ (888,630,177)</b>	<b>-8.9%</b>

\*Western State College qualified for TABOR enterprise status in Fiscal Year 2009.

\*\*Fort Lewis College and Adams State College did not qualify for TABOR enterprise status in Fiscal Year 2009.

# **Appendices**

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# Appendix A

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## Description of Revenue Categories

<b>Category</b>	<b>Description</b>
<b>INCOME TAX</b>	
Individual Income Tax, Net	Tax paid on wages, unearned income, and other income of individuals, net of refunds on property tax credits, income tax intercepts (e.g., IRS and child support), tax checkoffs, and Amendment 23 transfers to the State Education Fund
Corporate Income Tax, Net	Taxes based on the net profits of corporations net of Amendment 23 transfers to the State Education Fund
Fiduciary Income Tax, Net	Taxes on trust and estate income net of Amendment 23 transfers to the State Education Fund
<b>EXCISE TAX</b>	
Sales Tax, Net	Taxes collected by retailers on consumer purchases of tangible personal property net of refunds
Use Tax, Net	Taxes remitted by the end consumer of tangible personal property purchased at retail prices net of refunds
Tobacco Products Tax, Net	Tax on the sale, use, consumption, handling, or distribution of tobacco products net of refunds
Alcoholic Beverages Tax, Net	Taxes collected from retailers who sell alcohol products net of refunds

<b>Category</b>	<b>Description</b>
Other Excise Taxes, Net	Tax for occupational license renewals and certain penalties net of refunds
<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 net of refunds
Employment Taxes, Net	Employment insurance paid by employers for funding unemployment benefits net of refunds
Severance Taxes, Net	Mineral extraction taxes, net of refunds on coal, oil and gas, molybdenum, and metallic minerals net of refunds
Insurance Taxes, Net	Taxes on insurance premiums collected by insurance companies net of refunds
Gaming and Other Taxes, Net	Taxes on gaming facilities based on percentages of income net of refunds
Estate and Inheritance Taxes, Net	Taxes collected on the assets of estates net of refunds
<b>LICENSES, PERMITS AND FEES</b>	
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)
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

<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)
Health Service Fees	Fees collected for health services, including laboratory test fees, genetic testing, vital records fees, and children's health plan premiums
Nonbusiness Licenses and Permits	Environmental response surcharges, park passes, motorcycle operator safety training, waste tire recycling, etc.
Educational Fees	Conference fees and teacher certification fees collected primarily by the Department of Education
Driver's Licenses	Fees for driver's licenses and ID cards
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
Child Welfare Service Fees	Child abuse registry fees
<b>OTHER REVENUE</b>	
Court and Other Fines	Fines and forfeits levied by the courts
Interest and Investment Income	Interest income, finance charges, and gains/losses on investments
Rents and Royalties	Income from the lease of state land to private parties

<b>Category</b>	<b>Description</b>
Local Governments and Authorities	Funds from counties, cities, special districts, etc., primarily in the form of grants
Miscellaneous Revenue	Revenue not included in another category
Higher Education Auxiliary Sales and Services	Revenue from library fees, internal service center fees, athletic camp fees
Sales of Products	Sales of publications, maps, materials, and supplies

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# Appendix B1

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## Description of Refunding Mechanisms

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Earned Income Credit (January 1, 1999)	When the excess TABOR revenue exceeds \$50 million annually adjusted by personal income growth rate for Colorado, an earned income credit of 10 percent of the taxpayer's federal earned income tax credit may be claimed.
Income Tax Deduction for Charity (January 1, 2001 amended July 1, 2005)	When the excess TABOR revenue exceeds \$100 million annually adjusted by personal income growth rate for Colorado, 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. In prior years, this limit was \$350 million.
Business Personal Property Tax Credit (July 1, 1999)	When the excess TABOR revenue exceeds \$170 million annually adjusted by personal income growth rate for Colorado, 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.
Income Tax Credit for Foster Parents (January 1, 2001)	When the excess TABOR revenue exceeds \$200 million annually adjusted by personal income growth rate for Colorado, 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>
Child Care Credits (January 1, 2000)	When the excess TABOR revenue exceeds \$290 million annually adjusted by personal income growth rate for Colorado, a credit of 20 or 70 percent of an individual's federal child care credits and a child tax credit of \$300 for each qualifying child may be claimed. In-home child care providers may claim credits for their own children that qualify. The credit allowed depends on the taxpayer's income level, with a maximum allowable income of \$64,000.
Motor Vehicle Registration Fees (July 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted by personal income growth rate for Colorado, 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.
High Technology Scholarships (January 1, 2001)	When the excess TABOR revenue exceeds \$330 million annually adjusted by personal income growth rate for Colorado, 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, Dividends, and Capital Gains (January 1, 2000)	When the excess TABOR revenue exceeds \$350 million annually adjusted by personal income growth rate for Colorado, 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.

**Mechanism (Effective Date)**

**Description**

Pollution Control Providers  
(July 1, 1999)

When the excess TABOR revenue exceeds \$350 million annually adjusted by personal income growth rate for Colorado, certain pollution control equipment is exempt from state sales and use tax, including solid waste, noise pollution, wind power, solar and thermal generation equipment.

Interstate Commerce Sales and Use Tax Exemption  
(January 1, 2001)

When the excess TABOR revenue exceeds \$350 million annually adjusted by personal income growth rate for Colorado, 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.

Tangible Personal Property used for Research and Development  
(July 1, 2002)

When the excess TABOR revenue exceeds \$358.4 million annually adjusted by personal income growth rate for Colorado, 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.

Agriculture Value-Added Development  
(January 1, 2001)

When the excess TABOR revenue exceeds \$400 million annually adjusted by personal income growth rate for Colorado, an income tax credit to eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects is allowed. The credit is equal to the lesser of 50 percent of the member's investment or \$15,000, up to an aggregate amount of \$1.5 million per project and \$4 million per year.

<b>Mechanism (Effective Date)</b>	<b>Description</b>
Income Tax Credit for Cost of Health Benefits (January 1, 2000)	When the excess TABOR revenue exceeds \$400 million annually adjusted by personal income growth rate for Colorado, 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.
Sales Tax Refund (January 1, 1999)	When there is excess TABOR revenue after the above mechanisms have been applied, a tiered income bracket system will be used to distribute the excess sales tax as a credit to be taken on individual income tax returns.

# Appendix B2

## Refunding Mechanism Thresholds

(As applicable to Fiscal Year 2009)

Refunding Mechanism	Original Threshold	Fiscal Year 2009 Threshold*
Sales Tax Refund	\$ 0	\$ 0
Earned Income Credit	\$ 50,000,000	\$ 84,800,000
Income Tax Deduction for Charity	\$ 100,000,000	\$ 119,000,000
Business Personal Property Tax Credit	\$ 170,000,000	\$ 287,900,000
Income Tax Credit for Foster Parents	\$ 200,000,000	\$ 285,400,000
Child Care Credits	\$ 290,000,000	\$ 455,200,000
Motor Vehicle Registration Fees	\$ 330,000,000	\$ 518,000,000
High Technology Scholarships	\$ 330,000,000	\$ 518,000,000
Interest, Dividends, and Capital Gains	\$ 350,000,000	\$ 549,100,000
Pollution Control Provisions	\$ 350,000,000	\$ 549,100,000
Interstate Commerce Sales and Use Tax Exemption	\$ 350,000,000	\$ 549,100,000
Tangible Personal Property Used for R & D	\$ 358,400,000	\$ 511,700,000
Agriculture Value-Added Development	\$ 400,000,000	\$ 570,900,000
Income Tax Credit for Cost of Health Benefits	\$ 400,000,000	\$ 627,600,000
* Thresholds are adjusted annually by the personal income growth rate for Colorado.		
<b>Source:</b> Office of the State Auditor analysis of the Department of Revenue data.		

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