



# OFFICE OF THE STATE AUDITOR



## FOR IMMEDIATE RELEASE

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### TAX EXPENDITURE EVALUATIONS UNRAVEL COMPLICATED TAX PROVISIONS FOR LAWMAKERS

DENVER—the Office of the State Auditor (OSA) has released its second annual compilation report of Tax Expenditures, an effort that began when Senate Bill 16-203 directed the OSA to examine every Tax Expenditure on the books within 5 years and report back on their effectiveness. These evaluations provide analysis to help lawmakers determine whether Tax Expenditures are meeting their purpose, how they impact the state, and what actions, if any, are necessary. The General Assembly even created a Tax Expenditure Evaluation Interim Study Committee to review these evaluations and determine what, if any, legislative action might be appropriate. Last year's compilation report drew national attention from institutes such as the PEW Charitable Trusts, and won the National State Auditors Association Excellence in Accountability Award for Special Projects.

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

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The OSA's 2019 compilation report examines 49 Tax Expenditures, some of which date back to 1883, that are grouped into 37 separate evaluations. The results are wide ranging, from Tax Expenditures, such as the Non-Profit Transit Agency Fuel Tax Exemption, that appears to have never been used, to Tax Expenditures, such as the Colorado Net Operating Loss Deduction for C-corporations, which impacts more than \$155 million in state revenue.

The individual evaluations are released periodically directly to the OSA's website throughout the year; however, this compilation released today draws together all of the OSA's work over the past 12 months into a single report and includes three new evaluations that had not previously been available—Captive Insurance Premium Tax Exemptions, In-State Investment Pre-1959 Insurance Premium Tax Deduction, and Surplus Lines Insurance Tax And Examination Fee Deduction. The OSA's Tax Expenditure evaluations are not audits and they do not offer recommendations, but they do assess the impacts of repeals or changes to the over 200 Colorado Tax Expenditures and identify policy issues for lawmakers to consider.

The full report is available @ [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

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