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### **State Auditor's Office Completes 5-Year Review Cycle of the State's Tax Expenditures**

DENVER—The Office of the State Auditor (OSA) has released its fifth annual compilation report of tax expenditure evaluations. The 2022 compilation report pulls together all 38 individual evaluations completed and released over the past 12 months into a single report. The subjects are wide ranging, from income tax credits for businesses that create new jobs in the state and make investments in renovating historic structures, to deductions for taxpayers who contribute to education savings accounts and receive military family relief grants, to sales and use tax exemptions for equipment used for renewable energy production and aircraft sold to non-residents, to a sales and use tax refund for broadband equipment installed in rural areas. The 2022 compilation report also includes four new evaluations that had not previously been available—the Job Growth Credit, Marijuana Related Tax Expenditures, Disaster Relief Workers Subtraction, and Foreign Source Income Exclusions.

State statute 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 typically not subject to any state agency's oversight or the State's annual budget and appropriations process, but are called expenditures because they decrease available state funds by reducing the amount of state revenue collected.

The issuance of this fifth annual compilation report is also significant because it completes the OSA's first full 5-year review cycle of all of the State's tax expenditures. Starting in 2018, as required by Senate Bill 16-203, the OSA undertook an effort to examine every tax expenditure on the books and report back to the General Assembly annually on a variety of factors, including their use, impact

to the State and taxpayers, and effectiveness. Between September 2018 and September 2022, the OSA has reviewed a total of 215 separate tax expenditures. Now that the 5-year cycle has been completed, the OSA will start over with a new 5-year review cycle, which will also include new tax expenditures established since 2018.

“These evaluation reports help lawmakers understand whether tax expenditures established in state law are meeting their purpose and what policy actions might be needed. A number of tax expenditures have been repealed or modified as a result of the OSA’s work,” said Trey Standley, Audit Manager.

In addition to Senate Bill 16-203 requiring the tax expenditure reviews, House Bill 21-1077 permanently established the Legislative Oversight Committee Concerning Tax Policy and designated it as the legislative committee with responsibility for reviewing the OSA’s tax expenditure evaluation reports.

The OSA’s tax expenditure evaluations have drawn national attention and recognition from organizations such as the PEW Charitable Trusts and the Colorado Fiscal Institute. The OSA’s 2018 Tax Expenditure Compilation Report won the National State Auditors Association Excellence in Accountability Award for Special Projects.

The full 2022 compilation report, prior years’ compilation reports, and individual tax expenditure evaluation reports are all available on the OSA’s website at [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

### **About the Office of the State Auditor**

Under the direction of the State Auditor, the OSA’s nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of state agencies, departments, and institutions of higher education; conducting independent evaluations of the State’s tax expenditures (e.g., credits, exemptions, deductions); tracking about 4,000 Colorado local governments for compliance with the Local Government Audit Law; and operating a statewide fraud reporting hotline.

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