

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 63

A BILL FOR AN ACT

1 CONCERNING THE STATE EQUALIZATION PROGRAM, AND INCREASING THE  
2 EQUALIZATION SUPPORT LEVEL AND THE AUTHORIZED REVENUE BASE  
3 FOR THE 1976 BUDGET YEAR.

---

Bill Summary

(NOTE: This summary applies to this bill as introduced and does not necessarily reflect any amendments which may be subsequently adopted.)

Increases the equalization support level and the authorized revenue base for the 1976 budget year.

---

4 Be it enacted by the General Assembly of the State of Colorado:

5 SECTION 1. 22-50-105 (1) (a) (III) and (2) (c), Colorado  
6 Revised Statutes 1973, are amended to read:

7 22-50-105. State equalization program - district support  
8 level - state's share. (1) (a) (III) For 1976, ~~twenty-nine~~  
9 THIRTY dollars AND TWENTY-FIVE CENTS for each pupil of attendance  
10 entitlement for each mill levied for the general fund of the  
11 district for collection during 1976.

12 (2) (c) For 1976, ten dollars AND SIXTY CENTS for each  
13 pupil of attendance entitlement, multiplied by the number of  
14 mills levied for the general fund of the district for collection

1 during 1976;

2 SECTION 2. 22-50-106, Colorado Revised Statutes 1973, is  
3 amended BY THE ADDITION OF A NEW SUBSECTION to read:

4 22-50-106. Authorized revenue base per pupil of attendance  
5 entitlement - limitation. (5) For the 1976 budget year, after  
6 the authorized revenue base for each pupil of attendance  
7 entitlement has been established for a school district pursuant  
8 to subsection (3) of this section, said authorized revenue base  
9 shall be increased by fifty dollars, and the amount of said  
10 increase shall be included in determining the state's share of  
11 the equalization program of the district.

12 SECTION 3. Safety clause. The general assembly hereby  
13 finds, determines, and declares that this act is necessary for  
14 the immediate preservation of the public peace, health, and  
15 safety.

COMMITTEE ON STATE AND LOCAL FINANCE

BILL 64

A BILL FOR AN ACT

1 ESTABLISHING A CAPITAL RESERVE FUND EQUALIZATION PROGRAM FOR  
2 SCHOOL DISTRICTS, AND MAKING AN APPROPRIATION THEREFOR.

---

Bill Summary

Establishes a capital reserve fund equalization program for school districts and authorizes transfer from the capital reserve fund to the bond redemption fund.

---

3 Be it enacted by the General Assembly of the State of Colorado:

4 SECTION 1. Article 50 of title 22, Colorado Revised  
5 Statutes 1973, as amended, is amended BY THE ADDITION OF THE  
6 FOLLOWING NEW SECTIONS to read:

7 22-50-118. Capital reserve fund equalization program. (1)

8 There is hereby established a capital reserve fund equalization  
9 program for the school districts of this state.

10 (2) Beginning January 1, 1976, for each budget year, each  
11 district eligible under this article, for each mill of property  
12 tax levied for its capital reserve fund as limited by section  
13 22-40-104 (4), shall be entitled to receive capital reserve fund  
14 equalization support from the state which shall be equal in  
15 amount to the number of dollars of equalization support provided  
16 by the state to the district pursuant to the provisions of

1 section 22-50-105 for each mill levied for the general fund of  
2 the district.

3 (3) The general assembly shall make a separate  
4 appropriation annually to the state public school fund to provide  
5 capital reserve fund equalization support during the state's  
6 fiscal year.

7 (4) On or before December 10 of each year, the secretary of  
8 the board of education of each district shall certify to the  
9 state board the number of mills which have been levied for the  
10 capital reserve fund of the district for the ensuing budget year.

11 (5) No later than December 31 of each year, the state board  
12 shall determine the amount of capital reserve fund equalization  
13 support which each district is entitled to receive for the  
14 ensuing budget year and the total thereof for all districts,  
15 which amounts shall be payable in twelve approximately equal  
16 monthly payments during such budget year. The state board shall  
17 certify such amounts to the state treasurer, and payments shall  
18 be made to districts in the same manner as is provided in section  
19 22-50-112 for payment of the state's share of the equalization  
20 program.

21 (6) No fees shall be charged by the county treasurers of  
22 the state for receiving or crediting funds received from the  
23 state pursuant to this section.

24 22-50-119. Transfers from the capital reserve fund to the  
25 bond redemption fund. (1) Notwithstanding any other provision  
26 of law, any district which has a bonded indebtedness which is an  
27 obligation in the name of the district as it currently exists is

1 authorized to transfer funds from its capital reserve fund to its  
2 bond redemption fund, as provided in this section, for the  
3 purpose of reducing the requirement for levy of property taxes  
4 for the bond redemption fund.

5 (2) Beginning January 1, 1976, any district which has  
6 levied a property tax for the budget year of two or more mills  
7 for its capital reserve fund shall transfer one-fourth of all  
8 moneys received from the property tax levy and state equalization  
9 support during said budget year for the capital reserve fund to  
10 the bond redemption fund of the district, except as provided in  
11 subsection (4) of this section.

12 (3) The amounts so transferred shall be used by the  
13 district to reduce the requirement for property taxes to be  
14 levied for the bond redemption fund for the ensuing budget year.

15 (4) If the amount required to be transferred pursuant to  
16 subsection (2) of this section is larger than the amount  
17 necessary to fulfill the requirements for the ensuing budget year  
18 for redemption of bonded indebtedness in the name of the district  
19 and payment of interest thereon, the amount transferred shall be  
20 limited to the amount of such requirement.

21 SECTION 2. Appropriation. There is hereby appropriated,  
22 out of any moneys in the state treasury not otherwise  
23 appropriated, to the state public school fund, for the fiscal  
24 year commencing July 1, 1975, the sum of \_\_\_\_\_ dollars  
25 (\$\_\_\_\_\_), or so much thereof as may be necessary, for the  
26 implementation of this act.

27 SECTION 3. Safety clause. The general assembly hereby

1 finds, determines, and declares that this act is necessary for  
2 the immediate preservation of the public peace, health, and  
3 safety.

## TAXATION OF MOVABLE STRUCTURES

The committee's recommendation of Bill 51 was in response to the recurring problem concerning the taxation of movable structures. After a review of the history of mobile home taxation and a review of S.B. 365 (1973 Session), the committee recommended that all movable structures be under the jurisdiction of the county assessor, with taxation procedures essentially the same as for conventional homes.

The following was reviewed by the committee prior to its recommendation: (1) the development of mobile home taxation in Colorado; (2) criticisms of the specific ownership approach to mobile home taxation; (3) the 1972 interim committee's attempt to revise the specific ownership tax formula; (4) the impact of S.B. 365, 1973 Session, which provided for ad valorem taxation of movable structures (mobile homes); (5) criticisms of S.B. 365; and (6) background materials relating to mobile home taxation.

### (1) Development of Mobile Home Taxation

A 1936 amendment to the Constitution of Colorado provided that motor vehicles, trailers, and semi-trailers be subject to specific ownership taxation and thus excluded from ad valorem taxes. Mobile homes were considered, for purposes of taxation, as trailers and subject to this constitutional provision.

Although the 1936 amendment was intended to resolve the problem of widespread avoidance of property taxation and to simplify taxation procedures, the problems of unregistered mobile homes remained. In such situations, it was necessary for the county clerk to contact the individual mobile home owner if collection of the tax was to be made. In addition, a mobile home owner who signed a statement that his dwelling was not to be used on the highway could request exemption from the specific ownership tax and be taxed ad valorem.

In an attempt to resolve these problems related to specific ownership taxation, the Constitution was again amended in 1966. In this amendment, trailer coaches, mobile homes, and mobile and self-propelled construction equipment were added to the other categories of vehicles subject to the specific ownership tax. In addition, the General Assembly was given constitutional authorization for "prescribing methods of determining the taxable value of such property...."

The amendment reads as follows:

Article X, Section 6. Self-propelled equipment, motor vehicles, and certain other moveable equipment. -- The general assembly shall enact laws classifying motor vehicles and also wheeled trailers, semi-trailers, trailer coaches, and mobile homes, and mobile and self-propelled construction equipment, prescribing methods of determining the taxable value of such property, and requiring payment of a graduated annual specific ownership tax thereon, which tax shall be in lieu of all ad valorem taxes upon such property; provided, that such laws shall not exempt from ad valorem taxation any such property in process of manufacture or held in storage, or which constitutes the inventory of manufacturers or distributors thereof or dealers therein.

Such graduated annual specific ownership tax shall be in addition to any state registration or license fees imposed on such property, shall be payable to a designated county officer at the same time as any such registration or license fees are payable, and shall be apportioned, distributed, and paid over to the political subdivisions of the state in such manner as may be prescribed by law.

All laws exempting from taxation property other than that specified in this article shall be void.

Although the amendment was intended to clarify the status of mobile home taxation, many of the problems which existed prior to its adoption were not resolved. The growing popularity of large mobile homes has led to the extensive production of double wide units which are even less mobile than standard width mobile homes and rarely moved after first sale. Further, the development of condominium mobile home parks (those in which the owner of the mobile home purchases the property under which his unit is sited and shares laundry and recreational facilities) led to a greater number of mobile homes being taxed on an ad valorem basis.

In accordance with the amendment, the General Assembly adopted the following formula for the taxation of mobile homes:



Year of service	Rate of tax
First year	2.30% of taxable value
Second year	2.00% of taxable value
Third year	1.90% of taxable value
Fourth year	1.70% of taxable value
Fifth year	1.50% of taxable value
Sixth year	1.25% of taxable value
Seventh year	1.10% of taxable value
Eighth year	1.00% of taxable value
Ninth year	0.90% of taxable value
Tenth and later years	0.85% of taxable value
Minimum annual tax	\$25.00

In 1971, the General Assembly adopted legislation defining a mobile home as "a single self-contained unit...." (H.B. 1471). This attempt to exclude double wide mobile homes from the specific ownership tax was repealed by the 1972 General Assembly (H.B. 1050). In addition, the 1972 General Assembly adopted Senate Joint Resolution No. 7, directing the Legislative Council to create a committee to study mobile home taxation. That committee recommended a new category of specific ownership tax for mobile homes, a recommendation which received a negative opinion from the Attorney General. Subsequently, the 1973 General Assembly adopted S.B. 365 which redefined mobile homes as "movable structures" and provided for ad valorem taxation of such property. Subsequently, a class action suit against portions of the law was filed on April 2, 1974, by the American Mobile Home Association.

## (2) Criticisms of Specific Ownership Taxation of Mobile Homes

Testimony presented to the 1972 interim committee indicated that there were a number of major problems with the specific ownership taxation formula. The more important of these criticisms is summarized below.

- (a) Mobile homes are more like conventional homes than automobiles, yet the specific ownership tax formula:
  - (i) Taxed all mobile homes at the same rate (graduated only for age) whereas conventional homes are taxed under local mill levies which reflect local services.
  - (ii) Required that school districts deduct mobile home taxes received from state school equal-

ization payments, thus in effect providing school districts with no revenue from mobile homes. Mobile home owners expressed concern that school districts did not want mobile home residents.

- (b) Some mobile homes were already taxed ad valorem as conventional homes whereas others were under specific ownership. This situation was confusing for assessors, clerks, and mobile home owners.
- (c) Mobile homes' valuation was not included in school district bonding capacity and placed a hardship on those districts with large percentages of mobile homes.
- (d) The specific ownership taxation formula was statutorily imposed and did not reflect increased life span of newer double-wides. Any change in the formula required amendment by the General Assembly.

### (3) Modifications of Specific Ownership Formula

After examination of the problems of the specific ownership formula, the 1972 interim committee recommended the creation of a new class of S.O. tax which would apply exclusively to mobile homes and, in effect, provide an ad valorem tax based on the local mill levy.

This recommendation (S.B. 28, 1973 Session) received a negative response from the Attorney General who opined that the one factor which distinguishes ad valorem from specific ownership is the mill levy. A subsequent attempt to modify S.B. 28 also received a negative opinion from the Attorney General.

After receiving the negative opinions on S.B. 28, the Senate Committee on Transportation recommended that a new definition be given to mobile homes ("movable structures") and that they be taxed ad valorem, but with special considerations (S.B. 365, 1973 Session).

The major problem with taxing mobile homes under the same procedure as conventional homes is that ad valorem taxes are paid on the previous year's use whereas the specific ownership tax is on current use. In order to avoid a one year period of no taxation, a special ad valorem time schedule was prepared for movable structures -- essentially the same schedule as for specific ownership.

(4) Impact of S.B. 365

The following example compares the tax on a 1972 mobile home, purchased in that year for \$12,500, and sited in an area with a levy of 77.05 mills (the statewide average for 1973).

Old Specific Ownership Tax

Purchase price	\$12,500	
less 25% for dealer mark-up	<u>3,125</u>	
	9,375	
less 20% for house- hold furnishings	<u>1,875</u>	
	7,500	
S.O. Tax at 2.00% of taxable value	\$ 150	(tax bill)

New Ad Valorem Tax

Purchase price	\$12,500	
less 25% for dealer mark-up	<u>3,125</u>	
	9,375	
less 20% for house- hold furnishings	<u>1,875</u>	
	7,500	
Depreciated value of 88%	6,600	
30% of value	<u>1,980</u>	
77.05 mill levy	\$ 152.56	(tax bill)

As evidenced by the above example, mobile homes in high mill levy areas face an increased tax under the new law. For those in lower mill levy areas (in the example, 75 mills or less) the tax bill would be less than under the old specific ownership formula.

(5) Criticisms of S.B. 365

A number of criticisms have been raised with regard to S.B. 365. Several of these were included in the class action suit filed by the American Mobile Home Association (Civil Action #C-44198). Among the criticisms are:

- (a) The assessed value of movable structures is 30 percent of actual value, whereas many counties assess conventional homes at less than 30 percent. As a result, mobile home owners pay a higher tax with regard to value than corresponding conventional homes in under-assessed counties.
- (b) Mobile home taxes are due February 28 on current year use, whereas conventional home taxes may be paid in installments with the second half not due until July and on the previous year's use.
- (c) There is no provision for mobile home owners to appeal taxes while there is statutory structure for such with regard to conventional homes.
- (d) There is no provision for refund of taxes paid should a mobile home be moved out of Colorado during the year, whereas this is no problem for conventional homes.
- (e) The schedule of depreciation compiled by the Department of Revenue does not reflect the divergence in life-span of various models of mobile homes nor does it account for differences in condition of individual units.

## TAXATION OF SENIOR CITIZEN RESIDENTIAL HOUSING

Among the topics the committee considered during the interim was that of the taxation of senior citizen residential housing. This review of the development of legislation, current statutory provisions, and some questions concerning the present statute led to the committee's recommendations (Bills 52 and 53) that the asset and income limits be uniform statewide; that exemption benefits be granted to eligible residents, not to all residents of a structure; and that certain facilities be totally exempted only when occupied by persons using the related care facilities.

### Constitutional Provision

Article X, Section 5 of the State Constitution provides in part:

Property used for religious worship, schools and charitable purposes exempt. Property, real and personal, that is used solely and exclusively... for strictly charitable purposes..., shall be exempt from taxation, unless otherwise provided by law.

### Statutory Exemption Prior to 1969

Statutory language closely followed that of the constitution until 1964, with the exemption of "Property, real and personal, that is used solely and exclusively for strictly charitable purposes.". (Section 137-1-3 (8), C.R.S. 1963.) The 1964 General Assembly amended this law to limit exemption to: "Property, real and personal, that is owned and used solely and exclusively for strictly charitable purposes, and not for private or corporate profit.". (emphasis added) (Laws of 1964, p. 680 § 1.)

This section was substantially modified by the 1967 General Assembly which provided for the gradual elimination of tax exempt status of all senior citizen residential housing structures, regardless of whether operated for charitable purposes or not.

This amendment imposed a gradually increasing assessment rate upon residential properties owned and used solely and exclusively for strictly charitable purposes, including senior citizen residential housing units. However, those units which were an integral part of a church or an eleemosynary hospital, school or institution, whose property was already statutorily exempt, remained exempt. (Section 137-2-1 (8), C.R.S. 1963 (1967 Supp.)) Effective January 1, 1969, the assessment rates were set as follows:

<u>For the Year</u>	<u>Percent of Actual Value</u>
1969	6%
1970	12
1971	18
1972	24
1973	30

### 1969 Amendment

The 1969 General Assembly modified the 1967 assessment rate statute by permitting any senior citizen housing to qualify for full exemption on a unit-by-unit basis if a charitable purpose could be proven. The detailed criteria for exemption eligibility specified in the statute were based upon the decision of the Colorado Supreme Court in United Presbyterian Association v. Board of County Commissioners, 167 C. 485, 448 P. 2d 967 (1968).

In that decision, the court noted that the state constitution does not authorize the General Assembly to define what constitutes a charitable purpose for senior citizens' residential housing and that such power belongs to the judiciary. The court also opined that each case should be determined on its individual merits.

...the constitution does not authorize the legislature to define what shall constitute a charitable purpose. The power to construe the constitutional meaning of "charitable purposes" is vested solely in the judiciary.... In lieu of formal definition, the cause of charity will be better subserved by considering all of the facts and circumstances in each given case to determine whether or not property is exempt from taxation because used for "strictly charitable purposes. (Pages 971 and 972.)

Though the court did not attempt to initiate a fixed definition, it did comment on factors instrumental in the de-

termination of charitableness. One is non-profit status (page 974, § 9,10), and the second is the performance by the private sector of a function that would otherwise be required by the public sector (page 975 § 11). In adopting the 1969 amendments, the General Assembly recognized the court's opinion in the United Presbyterian Association case by stating that only the judiciary can make a final determination as to the charitable purposes of a senior citizen housing structure.<sup>1/</sup> However, the law also noted that members of the general public and public officials need some type of guidelines to determine a charitable purpose without litigation. The statute provides that:

[t]his legislative finding, declaration, determination, and presumption shall not be questioned by the Colorado tax commission and shall be entitled to great weight in any and every court.

#### Guidelines to Determine Tax Exempt Status of Senior Citizen Residential Housing Structures

The 1969 law provides that units of a senior citizen residential housing structure qualify for a charitable purpose if contained in a structure which: (1) is non-profit; (2) is efficiently operated; and (3) performs a public purpose that would otherwise be a function of the state or federal government, i.e., if such unit was not provided by private funds it would be necessitated at public expense. These criteria are more fully discussed below.

(1) Corporate structure. For any units to be considered for tax exemption, the property must be owned by a non-profit corporation and the following conditions met:

- (a) No portion of the net earnings accrue for the benefit of any private shareholder;
- (b) The property be irrevocably dedicated to charitable purposes; and
- (c) No portion of the assets accrue for the benefit of any private person if the operation is liquidated, dissolved or abandoned.

---

<sup>1/</sup> Section 39-3-101 (1) (g) (III), C.R.S. 1973.

(2) Efficient operation of the structure. As a basis of determining whether or not a home is operated efficiently, the following are to be taken into account:

- (a) Cost of the operation are not excessive in comparison to other similar public institutions (including salaries);
- (b) Private gain to individuals is not materially enhanced except reasonable compensation for goods and services;
- (c) Property used for the exempt purpose is not in excess of actual need; and
- (d) Discrimination upon the basis of race, creed, or color is not allowed, unless the sponsoring owner is of a particular religious denomination, and then preference may be given to members of that denomination.

(3) Accomplishment of a public purpose. If a structure is a nonprofit corporation and is run efficiently, the home can receive tax exempt status on a unit-by-unit basis if it accomplishes a public purpose. The determinants of this public purpose are age and income tests applied against the unit occupant(s).

Specifically, a unit within the structure must be occupied by single individuals 62 years of age or over, or by a family, the head of which, or the spouse of the head of which, is 62 years of age or over. The income and assets of such a qualified individual or family must be within 150 percent of the limits prescribed for similar individuals or families occupying the nearest low-rent public housing facility financed pursuant to Chapter 8, Title 42 of the United States Code. In computing net worth, a reversionary right to an occupancy fee, if any, is taken into account.<sup>2/</sup>

---

<sup>2/</sup> A reversionary right to an occupancy fee (fee charged to gain admittance to the housing unit) is the portion of the occupancy fee a person is entitled to have refunded upon terminating tenancy in the housing unit. A refund schedule is agreed upon at the time of admittance, and the schedule is usually based upon the length of residency. For example, if the fee is \$1,000, an occupant's reversionary right to the fee may be reduced by \$200 per each year of residency.



If it is found that only a portion of the units of a structure contain residents that qualify, only those units are given full tax exemption. The taxable portion of the structure has a value related to the entire building in the same ratio as the number of units occupied by nonqualified residents to the total number of occupied units in the structure. For example, if there is a 100-unit building with 90 occupied units (on January 1) of which 30 do not qualify for a tax exemption, one third of the value of the building is subject to taxation.

#### Administrative Procedure to Determine Tax Exemption

There are five public housing authorities in the state (Boulder, Denver, Pueblo, Salida, and Colorado Springs). Each of these authorities sets asset and income limits for units under their jurisdiction. The 150 percent state factor is based on these limits. Table 1 lists those limits for 1973 and 1974.

The housing management of each structure computes the number of qualified units and reports to the Division of Property taxation by April 15 of a particular year. The report notes the asset and income status of units for January 1 of that year. To arrive at the total number of qualified units the management requests the occupants of each unit to fill out a declaration of age, income, and assets form and return it to the management. As an aid to the persons filling out the form a work sheet is supplied to the tenants, which they retain for their records. The owners of the structure are required to return the owners occupancy report to the Property Tax Administrator by April 15. This report is a summary of the declaration of age, income, and assets forms returned by the unit occupants of the building.

Table 2 is a list of senior citizen residential housing structures and the percent of qualified exempt units in each for 1973 and 1974.

#### Revenue Implications of Senior Citizen Housing

The following table estimates the tax revenue generated by housing units which do not qualify for exemption and the estimated loss of tax revenue from qualified units. These data are based on information provided by the Property Tax Administrator including the estimated value of each structure for 1974 and the 1973 average levy for each county.

<u>County</u>	<u>Tax Revenue from Non- Exempt Units</u>	<u>Equivalent Tax Revenue from Exempt Units</u>
Boulder	\$122,838	\$102,032
Denver	256,367	507,632
El Paso	32,997	31,572
Fremont	21,184	13,858
Jefferson	53,615	20,516
Larimer	3,911	12,293
Mesa	9,164	26,221
Pueblo	63,930	7,366
Routt	<u>none</u>	<u>1,098</u>
State Total	\$564,006	\$722,588

TABLE 1

ASSET AND INCOME LIMITS

SENIOR CITIZEN RESIDENTIAL HOUSING AND  
PUBLIC HOUSING AUTHORITIES  
1973 and 1974\*

	Number of Persons in Household	Public Housing Authority Limits				Senior Citizen Housing Limits			
		Assets		Income		Assets		Income	
		1973	1974	1973	1974	1973	1974	1973	1974
Boulder	1	\$10,000	\$10,000	\$4,500	\$5,250	\$15,000	\$15,000	\$6,750	\$7,875
	2	10,000	10,000	5,125	6,000	15,000	15,000	7,687	9,000
	3	10,000	10,000	5,625	6,500	15,000	15,000	8,437	9,750
	4	10,000	10,000	6,000	7,000	15,000	15,000	9,000	10,500
Denver	1	6,000	12,000	5,625	5,625	9,000	18,000	8,438	8,438
	2	6,000	12,000	5,775	5,775	9,000	18,000	8,663	8,663
	3	6,000	12,000	6,625	6,625	9,000	18,000	9,938	9,938
	4	6,000	12,000	7,000	7,000	9,000	18,000	10,500	10,500
Pueblo	1	7,500	7,500	4,125	4,500	11,250	11,250	6,188	6,750
	2	7,500	7,500	4,625	5,125	11,250	11,250	6,938	7,687
	3	7,500	7,500	5,125	5,625	11,250	11,250	7,688	8,437
	4	7,500	7,500	5,625	6,125	11,250	11,250	8,488	9,125
Salida	1	10,000	15,000	3,875	3,875	15,000	22,500	5,813	5,813
	2	10,000	15,000	4,250	4,250	15,000	22,500	6,375	6,375
Colorado	1	12,500	12,500	4,250	5,000	18,750	18,750	6,375	7,500
	2	12,500	12,500	5,200	5,500	18,750	18,750	7,800	8,250
	3	12,500	12,500	5,625	6,000	18,750	18,750	8,437	9,000
	4	12,500	12,500	6,375	6,375	18,750	18,750	9,125	9,563

\*SOURCE: Division of Property Taxation

1/ No limit for that number of persons.

TABLE 2

Percent Exempt Senior Citizen Housing Units,  
1973 and 1974 -- Number of Units and  
Number of Occupied Units, 1974

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Longmont Christian Housing Longmont	58.11%	52.11%	76	71
Rocky Mountain Meth. Home Boulder	23.39	24.70	175	170
Boulder Pres. Sr. Housing Boulder	25.93	28.40	81	81
First Christian Manor Boulder	70.52	69.02	255	255
Central Christian Housing Denver	32.19	50.68	73	73
Eden Manor Management Denver	35.40	40.71	114	113
Association of Christian Chs. of Denver Area Denver	57.58	66.67	66	66
Sr. Homes of Colorado Fdn. Denver	62.16	47.92	148	144
Denver Educational Sr. Citizens Denver	18.18	32.29	100	96
Montview Building Corp. Denver	15.05	16.30	95	92
Broadway Baptist Housing Denver	41.10	59.72	74	72
SMW No. 9 Sr. Citizens Denver	54.55	64.65	99	99
Nocolo BTC Housing Denver	30.77	44.23	156	156

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Tolstoi Guild Denver	12.70%	19.35%	72	62
Lutheran Apartments Denver	41.18	66.39	121	119
Denver Fire Fighters Housing Denver	43.59	55.06	158	158
Volunteers of America Denver	NA	87.76	240	196
Allied Housing, Inc. Denver	69.18	77.08	144	144
Rocky Mountain Residence Denver	62.00	77.88	119	113
Archdiocesan Housing Com- mittee - So. Monaco Denver	20.00	13.33	30	30
Archdiocesan Housing Com- mittee - Humboldt Denver	11.53	19.23	26	26
Archdiocesan Housing Com- mittee - So. Irving Denver	26.66	30.00	30	30
Archdiocesan Housing Com- mittee - So. Raritan Denver	3.33	6.67	30	30
NEDCO for-the-Elderly Denver	91.43	91.43	105	105
Francis Heights Denver	62.00	80.75	400	400
Tri-State Buddhist Church Apartments Denver	NA	56.03	204	204
G.A.O. Juanita Nolasco Homes Denver	NA	87.56	200	193

<u>Name and Location</u>	<u>1973 % Units Exempt</u>	<u>1974 % Units Exempt</u>	<u>1974 Number of Units</u>	<u>1974 Occupied Units</u>
Medalion West (Formerly- Colo. Spgs. Bldg. & Const. Trades Housing) Colorado Springs	28.32%	0.00%	120	120
Pikes Peak Odd Fellows Housing Colorado Springs	81.38	82.07	145	145
Colorado Odd Fellows Hous- ing DBA Royal Gorge Manor Canon City	40.32	39.52	124	124
United Presbyterian Assn. Wheatridge	0.00	9.09	121	121
Colorado Lutheran Home Assn. Arvada	56.84	53.68	95	95
Big Thompson Manor Loveland	75.86	75.86	58	58
Fdn. for Sr. Citizens Grand Junction	66.67	59.26	54	54
Colo. West Sr. Citizens Grand Junction	NA	79.55	132	132
Presbyterian Towers Pueblo	7.37	11.58	95	95
Sunny Acres Villa Pueblo	16.44	9.45	153	127
West Routt Housing Hayden	100.00	100.00	5	5
Total	<u>45.00%</u>	<u>55.28%</u>	<u>4,493</u>	<u>4,374</u>

## TAXATION OF AGRICULTURAL PROPERTY

### (OTHER THAN REAL ESTATE)

In a study of agricultural property taxation, other than real estate, the committee reviewed the statutes of 10 other states. It was the conclusion of the committee that livestock (Bill 54) and stored commodities (Bill 55) should be assessed as other inventories, e.g. five percent.

#### Taxation of Agricultural Property Other Than Real Estate -- 10 States

The following is a survey of the methods by which agricultural property other than real estate (i.e., livestock, agricultural equipment, and agricultural products) are taxed in 10 selected states. These states are Indiana, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Oklahoma, Wisconsin, and Wyoming.

In each state surveyed, all tangible property is subject to property taxation unless specifically exempted by law.

Indiana. In Indiana, no agricultural property is exempted from property taxation. All tangible property is valued for assessment in Indiana at 33 1/3% of its "true cash value".

Iowa. In Iowa, the following categories of agricultural property are exempted from property taxation:

- farm equipment (only the first \$300 of assessed valuation is exempted);
- agricultural products harvested by or for the taxpayer (this exemption is valid for only one year);
- all livestock; and
- grain handled by an elevator and subject to Iowa's grain handling tax (explained below).

Non-exempted property is valued for assessment in Iowa at 27% of its "actual value".

Iowa's grain handling tax is an annual excise tax imposed on the business of handling grain. For purposes of this

tax, the following definitions apply:

"Person" means individuals, corporations, firms, and associations of whatever form.

"Handling" means the receipt of grain at or in an elevator, warehouse, mill, processing plant, or other facility in Iowa in which it is received for storage, accumulation, sale, processing, or any purpose whatsoever.

"Grain" means wheat, corn, barley, oats, rye, flaxseed, field peas, soybeans, grain sorghums, spelts, and such other products as are usually stored in grain elevators.

The grain handling tax is imposed in lieu of general property taxes on grain in elevators. It is imposed at the rate of  $\frac{1}{4}$  mill per bushel of grain.

Kansas. In Kansas, the following categories of agricultural property are exempted from property taxation:

- horses, cattle, mules, and asses less than 12 months old, and sheep, hogs, and goats less than 6 months old; and
- grain subject to Kansas' grain dealer's and producer's taxes (explained below).

Non-exempted property is valued for assessment in Kansas at 30% of its "fair market value in money".

Kansas' grain dealer's tax is an occupational privilege tax imposed on the receipt of grain by an operator of a grain elevator, mill, or warehouse. The tax is imposed in lieu of general property taxes on the grain received by the elevator operator. It is imposed at the rate of  $\frac{1}{2}$  mill per bushel of grain received.

Kansas' grain producer's tax is an occupational privilege tax imposed on the harvesting of grain by a farmer. The tax is imposed in lieu of general property taxes on the harvested grain. It is imposed at the rate of 50¢ for the first 1,000 bushels of grain harvested and  $\frac{1}{2}$  mill for each additional bushel.

Minnesota. In Minnesota, the following categories of agricultural property are exempted from property taxation:

- crops growing on cultivated land;



- grain in the hands of its producer;
- all agricultural products;
- all livestock and poultry, and all horses, mules, and other animals used exclusively for agricultural purposes; and
- all agricultural tools, implements, and machinery used by their owners in any agricultural pursuits.

Non-exempted property is valued for assessment in Minnesota at variable rates, depending on the assessment classification into which it falls. The largest single classification of taxable property is valued for assessment at 43% of its "market value".

Missouri. In Missouri, only one category of agricultural property is exempted from property taxation. This category is "farm produce or farm products sold by a farmer who does not have a regular stand or place of business away from his farm".

Non-exempted property is valued for assessment in Missouri at 33 1/3% of its "true value in money", with the exception of "agricultural field crops in an unmanufactured condition used or intended to be used solely as seed or in the feeding of livestock or poultry", which are valued for assessment at 10% of their "true value in money".

Montana. In Montana, no agricultural property is exempted from property taxation.

Agricultural property is valued for assessment at the following rates:

- agricultural equipment: 20% of "true and full value";
- livestock, poultry, and the unprocessed products of both: 33 1/3% of "true and full value"; and
- all unprocessed agricultural products either on the farm or in storage, irrespective of whether they are owned by the owner of the elevator, warehouse, or flour mill or by the company storing the products: 7% of "true and full value".

Nebraska. In Nebraska, no agricultural property is specifically exempted from property taxation. Non-exempted property is valued for assessment at 35% of its "actual val-

ue".

Two types of agricultural property are, however, specially treated under Nebraska's tax laws. First, grain and seed are subject to an excise tax imposed in lieu of general property taxes. Second, a portion of the actual value of certain types of agricultural products (including grain and seed) is exempted from assessment for purposes of property or excise taxation.

Nebraska's grain and seed tax is an annual excise tax levied on all grain or seed produced, harvested, received, processed, or transported for the purpose of sale or resale. It is imposed at the following rates:

- production of wheat, corn, soybeans, dry edible beans, or flax: 4 mills per bushel;
- production of all other grains, including vetch: 2 mills per bushel;
- production of all types of seed: 15 mills per 100 pounds (clean seed basis);
- receipt, handling, processing, or transport of all types of seed: 15 mills per 100 pounds (clean seed basis);
- receipt, handling, processing, or transport of all grain by the first dealer: 1 mill per bushel; and
- receipt, handling, processing, or transport of all grain by subsequent dealers:  $\frac{1}{2}$  mill per bushel.

A portion of the actual value of the following categories of agricultural property is exempted in Nebraska from assessment for purposes of property or excise taxation:

- agricultural income-producing machinery and equipment;
- livestock;
- feed, fertilizer, and farm inventory;
- poultry, fish, honey bees, and fur-bearing animals; and
- grain and seed subject to the grain and seed tax (since actual values are not computed for grain and seed, the partial exemption is allowed against the number of bushels reported under the grain and seed excise tax process).

This partial exemption of actual value from assessment is presently being phased-in to a final level of 62 1/2% in 1977. The phase-in program is as follows:

Effective Date	% of Actual Value to be Exempted	Effective Assessment Rate (35% x Exemption)
1-1-73	12 1/2%	30.6% of actual value
1-1-74	25 %	26.3% of actual value
1-1-75	37 1/2%	21.9% of actual value
1-1-76	50 %	17.5% of actual value
1-1-77 (and all subsequent years)	62 1/2%	13.1% of actual value

Oklahoma. In Oklahoma, the following limited categories of agricultural property are exempted from property taxation:

- tools, implements, and livestock employed in the support of a farm household, up to a value of \$100;
- grain and forage necessary to maintain for one year the livestock used to provide food for a family; and
- all growing crops.

Non-exempted property is valued for assessment in Oklahoma at 35% of its "fair cash value".

Wisconsin. In Wisconsin, the following categories of agricultural property are exempted from property taxation:

- farm poultry, farm animals, and fur-bearing animals under four months of age;
- horses and mules;
- growing crops;
- hay, grain, and other feed raised on farms for feeding and not for sale;
- farm, orchard, and garden machinery, implements, and tools actually used in the operation of any farm, orchard, or garden; and
- all livestock (commencing in 1977);
- grain subject to Wisconsin's grain tax (explained below);

- bees subject to Wisconsin's beekeeping tax (explained below); and
- minks subject to Wisconsin's mink farm tax (explained below).

The full exemption of livestock which will take effect in 1977 is presently being phased-in through a complex system of property tax offsets. Generally, this tax offset system will provide the following exemptions for livestock in the years between 1973 and 1977:

- 1973: 65% exemption;
- 1974 and 1975: 80% exemption;
- 1976: 85% exemption;
- 1977: 90% exemption; and
- 1977 assessment date and subsequent years: 100% exemption.

Wisconsin's grain tax is an annual occupation tax imposed on operators of grain elevators and warehouses (excluding elevators and warehouses on farms for farm storage of grain). The grain tax is imposed in lieu of general property taxes. It is imposed at the rate of  $\frac{1}{2}$  mill per bushel of wheat or flax received in the elevator or warehouse and  $\frac{1}{4}$  mill per bushel of any other type of grain received.

Wisconsin imposes an annual occupation tax on beekeeping. The tax is imposed in lieu of general property taxes on bees and beekeeping equipment. It is imposed at the rate of 25¢ per colony of bees.

Wisconsin imposes an annual occupation tax on domestic mink farm operators. The tax is imposed in lieu of general property taxes on minks and mink-farming equipment. It is imposed at the rate of \$5 per mink farm.

Non-exempted property is valued for assessment in Wisconsin at its "true cash value".

Wyoming. In Wyoming, only one category of agricultural property is exempted from property taxation. This category is "livestock in feed lots being fed for slaughter".

Non-exempted property is valued for assessment in Wyoming at its "fair value".

Effect on County Mill Levies of Reductions in the Assessment Rates for Livestock

Table 3 projects the effect on Colorado county mill levies if reductions in the assessment rates for livestock. In Colorado, livestock is currently assessed at 13% of actual value for purposes of property taxation. The recommendation of the committee was that this rate should be reduced to five percent, thus the same as other inventories.

Mill levy increases (column (6)) are based on 1973 levies and reflect the increase which would have been necessary to produce the same county revenues. The mill levy increases do not reflect school district, special district, and town levies which might be affected by the proposal.

TABLE 3

## EFFECT ON COUNTY MILL LEVIES OF REDUCED ASSESSMENT RATES FOR LIVESTOCK

	(1)	(2)	(3)	(4)	(5)	(6)
<u>County</u>	<u>1974 Total County Assessed Valuation</u>	<u>1973 County Mill Levy</u>	<u>1974 Assessed Valuation Of Livest. (at 13%)</u>	<u>1974 Assessed Valuation Of Livest. (at 5%)</u>	<u>Reduction In Total County Assessed Valuation</u>	<u>County Mill Levy Inc. for Revenue Maint.</u>
Adams	\$ 465,180,360	17.00	\$1,271,250	\$ 488,940	\$ 782,310	.03
Alamosa	26,611,180	21.22	683,520	262,890	420,630	.34
Arapahoe	665,427,890	10.20	312,700	120,270	192,430	.003
Archuleta	15,888,200	9.00	354,470	136,330	218,140	.13
Baca	26,693,680	18.80	2,200,000	846,150	1,353,850	1.00
Bent	18,159,520	21.97	1,820,740	700,280	1,120,460	1.44
Boulder	436,395,610	18.64	917,150	352,750	564,400	.02
Chaffee	29,418,120	16.85	232,090	89,270	142,820	.08
Cheyenne	18,992,520	13.50	1,447,480	556,720	890,760	.66
Clear Creek	39,524,900	19.31	1,470	570	900	.0004
Conejos	13,431,330	17.69	936,900	360,350	576,550	.79
Costilla	18,060,870	20.38	271,180	104,300	166,880	.19
Crowley	10,074,460	17.80	1,765,550	679,060	1,086,490	2.15
Custer	7,538,690	16.50	448,220	172,390	275,830	.63
Delta	35,952,570	13.40	1,350,670	519,490	831,180	.32
Denver	1,768,116,700	8.82	---	---	---	---
Dolores	6,459,470	20.50	262,910	101,120	161,790	.53
Douglas	49,798,440	26.85	581,640	223,710	357,930	.19
Eagle	57,940,120	12.44	676,090	260,030	416,060	.09
Elbert	23,531,200	16.00	1,849,030	711,170	1,137,860	.81
El Paso	700,992,510	18.35	1,468,930	564,970	903,960	.02
Fremont	52,940,030	18.00	444,550	170,980	273,570	.09
Garfield	52,972,800	18.00	1,435,730	552,200	883,530	.31
Gilpin	9,764,760	22.13	7,690	2,960	4,730	.01
Grand	32,672,400	18.70	660,530	254,050	406,480	.24

	(1)	(2)	(3)	(4)	(5)	(6)
Gunnison	23,294,950	15.90	1,369,700	526,810	842,890	.60
Hinsdale	3,052,890	20.10	78,930	30,360	48,570	.32
Huerfano	16,059,840	23.00	846,580	325,610	520,970	.77
Jackson	14,482,890	11.60	1,581,110	608,120	972,990	.84
Jefferson	761,134,980	15.95	186,920	71,890	115,030	.002
Kiowa	16,824,630	14.25	1,018,380	391,680	626,700	.55
Kit Carson	31,315,790	23.63	3,340,580	1,284,840	2,055,740	1.66
Lake	47,707,900	12.94	25,600	9,850	15,750	.004
La Plata	59,816,520	19.75	1,034,360	397,830	636,530	.21
Larimer	273,819,210	15.90	2,795,760	1,075,290	1,720,470	.10
Las Animas	\$ 34,476,270	24.24	\$1,747,950	672,290	1,075,660	.78
Lincoln	22,611,420	18.40	2,106,910	810,350	1,296,560	1.12
Logan	71,078,590	11.62	4,612,380	1,773,990	2,838,390	.48
Mesa	129,345,530	16.85	2,013,890	774,570	1,239,320	.16
Mineral	6,006,340	16.25	66,460	25,560	40,900	.11
Moffat	29,887,310	21.19	1,515,190	582,770	932,420	.68
Montezuma	29,254,550	17.50	812,830	312,630	500,200	.30
Montrose	40,710,380	18.80	1,750,130	673,130	1,077,000	.51
Morgan	63,646,540	16.20	4,591,410	1,765,930	2,825,480	.75
Otero	47,017,120	21.96	1,872,740	720,280	1,152,460	.55
Ouray	6,887,500	19.00	356,260	137,020	219,240	.62
Park	20,287,370	33.00	537,240	206,630	330,610	.55
Phillips	18,890,370	10.35	619,060	238,100	380,960	.21
Pitkin	66,938,780	16.70	213,390	82,070	131,320	.03
Prowers	36,317,690	22.50	1,838,420	707,080	1,131,340	.72
Pueblo	280,379,820	19.10	1,123,610	432,160	691,450	.05
Rio Blanco	97,448,200	10.30	1,530,570	588,680	941,890	.10
Rio Grande	32,756,780	14.00	677,750	260,670	417,080	.18
Routt	60,671,010	18.50	1,298,240	499,320	798,920	.25
Saguache	19,572,740	13.82	1,487,200	572,000	915,200	.68

	(1)	(2)	(3)	(4)	(5)	(6)
San Juan	4,987,910	21.00	22,770	8,760	14,010	.06
San Miguel	11,531,430	12.25	509,110	195,810	313,300	.34
Sedgwick	14,490,790	16.65	783,010	301,160	481,850	.57
Summit	72,558,410	16.68	78,050	30,020	48,030	.01
Teller	21,529,740	28.00	152,650	58,710	93,940	.12
Washington	39,378,120	10.00	2,027,210	779,700	1,247,510	.33
Weld	314,153,180	23.99	13,502,790	5,193,380	8,309,410	.65
Yuma	40,527,970	12.30	<u>4,365,480</u>	<u>1,679,030</u>	<u>2,686,450</u>	.87
			85,891,110	33,035,030	52,856,080	

DATA SOURCE: Division of Property Taxation.  
Data compiled by Legislative Council staff.



## TAXATION OF WINE PRODUCED IN COLORADO

During the 1974 interim, the committee reviewed the rates of taxation of wine in Colorado and other states, the wine industry as it exists in Colorado and its plans and potential for growth, and possible alternatives to the existing tax structure to provide an incentive for further development of such an industry. On the basis of this study, the committee recommended Bill 56 which would tax Colorado produced wine at the same rate as fermented malt beverages.

### Rates of Taxation of Wine

Pursuant to section 12-47-131 (1), C.R.S. 1973, wine is taxed in Colorado at the rate of 5¢ per quart or fraction thereof for wine containing 14 percent or less alcohol, and 7.5¢ per quart or fraction thereof for wine containing more than 14 percent alcohol. This is a per unit tax. If wine with 14 percent or less alcohol is bottled in quarts, the equivalent tax per gallon would be 20¢, in fifths it would be 25¢, in tenths it would be 50¢. Discounting alcohol content, over the past three years an average of 22¢ was paid per gallon of wine.

The tax is paid by the manufacturer or the first licensee receiving the wine in the state. Wine which is shipped out-of-state by the manufacturer or wholesaler is not subject to this tax.

In fiscal 1973, the State of Colorado received \$1,064,841.41 in revenue from this excise tax on wine, or about 6.8 percent of the total amount received from all alcoholic beverages (Table 4). Of total wine revenue, that derived from wine produced in Colorado amounted to approximately \$1,115, or .10 percent.

California, which produced nearly 250,000,000 gallons of wine in 1973, or some 70 percent of the total United States production, has an excise tax of 1¢ per gallon for wines containing 14 percent or less alcohol by weight and 2¢ per gallon for wines with more than 14 percent alcohol. New York, the second largest wine producing state, taxes all wine at 10¢ per gallon.

The tax on wine in other wine producing states is:

<u>State</u>	<u>Alcohol Content (by Volume)</u>	<u>Wine Rate Per Gallon</u>
Illinois	≤ 14%	23¢
	> 14%	60¢
New Jersey	All	30¢
Virginia	≤ 14%	35¢
	> 14%	70¢
Michigan	All	50¢ (wine made from in-state products -- 4¢)
Washington	All	75¢
Arkansas	All	75¢
Ohio	7%-14%	24¢
	14%-21%	60¢
Georgia	≤ 14%	\$1.50 (wine made from in-state products -- 40¢)
	> 14%	\$2.50 (wine made from in-state products -- \$1.00)
Oregon	< 21%	23¢ (additional tax of 27¢ on wines between 14% and 21%)

The average tax rates for these states would be 45¢ per gallon for wines under 14 percent alcohol and 67¢ for wines with more than 14 percent alcohol.

Table 5 provides for a summary of wine taxes in all states.

### Wine Industry in Colorado

Ivancie Wines, Inc., is at present the only winery in Colorado. The company began producing wines in Denver in 1968 and averages 3,000 gallons per year. The wine is pre-

pared in Colorado from grapes or "must" 1/ imported from California. Ivancie also imports, distributes, and finishes wines.

In April of 1973, six farmers in the Grand Junction area planted 25 acres of test plots of grape rootings. Ivancie has the first option to buy these grapes. Five different varietal grapes from the Napa Valley in California were used. Since 1973, one more grower has been added. The outcome of the project, including a determination of the quality of the grapes, will not be known for at least one year. By the third year, 30 percent of the crop can be made into a commercial wine. By the fifth year, the crop can be 100 percent productive.

At this time, Ivancie plans to concentrate on growing grapes for premium wines as it believes that conditions in the Grand Junction area closely parallel those in the Napa Valley in California. Other areas of western Colorado would be more suitable for growing grapes for bulk wines.

Ivancie estimates that there are a potential 15,000 acres in western Colorado that can conceivably be utilized for vineyards. Based upon the Ivancie estimate, this could facilitate a yearly production of 13,000,000 gallons of wine.

In July 1973, Club Twenty issued a study on the economic feasibility of growing vinifera grapes in western Colorado. 2/ The study stated:

Colorado West was probably overlooked as a site for commercial vineyards when the area was first settled. Other areas, California for instance, with better transportation facilities and greater population were selected. Climate and soils of some areas of Colorado West appear to be ideal for the raising of Vinifera grapes. Transportation of bottled wines, or bulk transportation of vineyard production is now quite adequate. The current Colorado population and growth projections indicate an excellent market for wine produced in Colorado West.

---

1/ "Must" is the juice which is pressed or crushed from grapes.

2/ A copy of the report is available from the Legislative Council.

The economy of Colorado West could be greatly improved with a hardy crop many small farms can profitably raise. This product could further aid the economy of the region if it could be processed in Colorado West. Vinifera grapes may be this crop.

\* \* \* \*

Climatic conditions, soils, available water for irrigation appear to be more than adequate for vinifera grape production in Colorado West. As with most agricultural products, the actual value of the crop can only be known after the harvest. By the end of the third growing season it should be possible to obtain an indication of the potential sugar-acid ratio. At that point in time the value of the crop should be predictable, and the potential of vinifera growing in Colorado West will be better known.

Table 4

Wine Receipts (Gross Receipts)  
(Fiscal Years Ending June 30)

	<u>1971</u>	<u>1972</u>	<u>1973</u>
≤ 14%	\$ 528,448.45	\$ 626,411.25	\$ 760,650.70
> 14%	<u>272,292.10</u>	<u>271,215.69</u>	<u>304,190.71</u>
Total	\$ 800,740.55	\$ 897,626.94	\$ 1,064,841.41
Total from all Alcoholic Beverages	\$12,977,710.17	\$14,816,351.14	\$15,749,919.46

Taxable Gallons of Wine

1973	4,817,222
1972	4,036,111
1971	3,549,884
1970	2,796,621
1969	2,217,562

Source: 1973 Annual Report, Colorado Department of Revenue.

Table 5-

State Tax Rates on Wine

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
(All rates are per gallon unless otherwise noted)				
COLORADO	≦ 14% ≧ 14%	\$ .05 per quart .07½ per quart		
Alabama				10% of the selling price.
Alaska*	≦ 21%	.60		
Arizona	≦ 24% ≧ 24%	.05¼ per 16 oz. .12½ per 8 oz.		
Arkansas	All	.75		Additional taxes are imposed at the rate of 5¢ per case of sparkling or still wine and 5¢ per case of native wine produced and sold in Arkansas to be paid by the manufacturer.
California	≦ 14% ≧ 14%	.01 .02	\$ .30	
Connecticut	≦ 21% ≧ 21%	.25 .62½	.62½	
Delaware	All	.40		
D. C.*	≦ 14% ≧ 14%	.15 .33	.45	

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
Florida	≤ 14% > 14%	\$1.15 (.44 for in-state products) 1.60 (.62 for in-state products)	\$2.30 (.83 for in-state products)	A discount of 2% is allowed on the amount of taxes assessed against wine manufactured or bottled in Florida.
Georgia*	≤ 14% > 14%	1.50 (.40 for in-state products) 2.50 (1.00 for in-state products)		Fortified wine is taxed at .25 if < 14%; .50 if > 14%.
Hawaii				20% of the whole-sale price.
Idaho	All	.45		
Illinois*	≤ 14% > 14%	.23 .60		
Indiana*	≤ 21% ≥ 21%	.45 2.28		
Iowa				
Kansas*	≤ 14% > 14%	.20 .50		15% of established price.
Kentucky	All	.50		
Louisiana	≤ 14% 14%-24% > 24%	.11 .21 1.58	1.58	

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
Maine*	≤ 14%	\$ .30 (.20 for in-state products)	\$1.00	
	> 14%	An additional tax of .75		
Maryland	All	.40		
Massachusetts	All	.40	.50	
Michigan	All	.50 (.04 for in-state products)		
Minnesota	Unfortified	.27	3.08	
	Fortified:			
	14%-21%	.79		
	21%-24%	1.58		
	> 24%	3.08		
Mississippi	All	.35	1.00	
Missouri	All	.30		
Montana				16% of retail selling price.
Nebraska	All	.75		
Nevada*	≤ 14%	.30		
	14%-22%	.50		
	> 22%	1.90		
New Hampshire	None			
New Jersey	All	.30		



Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
New Mexico	All	\$ .40		
New York	All	.10	Artificial: \$.26 2/3 Natural: .53 1/3	
North Carolina*	Fortified	.70 (.05 if in-state products)		
	Unfortified	.60 (.05 if in-state products)		
North Dakota*	< 17% 17%-24%	.50 .60	1.00	
Ohio*	≤ 14% 14%-21%	.24 .60	1.25	
Oklahoma*	≤ 14% ≥ 14%	.50 1.00	1.50	
Oregon*	< 21%	.23		> 14% but < 21%: additional tax of .27 per gallon.
Pennsylvania	.5%-24%	.00005 Per unit proof per gallon		
Rhode Island	All	.40	.50	
South Carolina	< 21%	1.53		

Table 5 (Continued)

<u>State</u>	<u>Alcohol Content**</u>	<u>Wine Rate</u>	<u>Sparkling Wine Rate</u>	<u>Other</u>
South Dakota	≤ 14% 14%-20% 21%-24%	\$ .30 .95 1.40	\$1.40	
Tennessee*	≤ 21%	1.10		
Texas*	≤ 14% > 14%	.17 .34	.43	
Utah				8% on retail sales.
Vermont	All	.25		An additional tax of 24% of gross revenues is imposed on fortified wines.
Virginia*	≤ 14% > 14%	.35 .70		An additional tax of 10% is imposed on sales to retail licensees, and 14% to non-licensees, by the state liquor board.
Washington	All	.75		
West Virginia	None			
Wisconsin*	≤ 14% > 14%	.19½ .39		
Wyoming	All	.03 per pint		

SOURCE: Commerce Clearing House State Tax Guide.

Compiled by: Legislative Council Staff, June 1974.

\*\*All content by weight unless "\*" appears after the state, then by volume.

## STATE ASSUMPTION OF TRIAL COURT MAINTENANCE COSTS

The committee's recommendation of Bill 57, which would include provisions for state assumption of trial court maintenance costs, was based on a review of: (1) the present system of cost-sharing for trial court expenses; (2) possible levels at which county costs for trial courts could be assumed by the state; and (3) two existing estimates of the cost of state assumption of county trial court expenses.

### The Present System of Cost-Sharing for Colorado's Trial Courts

Section 13-3-104, Colorado Revised Statutes 1973, obligates the State of Colorado to pay certain costs for courts within the state court system:

On and after January 1, 1970 the state of Colorado shall provide funds by annual appropriation for the operations, salaries, and other expenses of all courts of record within the state, except for county courts in the city and county of Denver and municipal courts (emphasis added)...

Courts of record include the following: the Colorado Supreme Court; the Colorado Court of Appeals; the state's 22 district courts; its 63 county courts; and Denver's juvenile, probate, and superior courts. (For purposes of this discussion, district and county courts, including Denver's juvenile, probate, and superior courts, and excluding Denver's county court, will be included within the term "trial courts". "Trial courts" will also include the district-level probation function.)

A subsequent section of the same statute (13-3-107 (1) Colorado Revised Statutes 1973) requires county governments to pay certain costs for trial court facilities:

The board of county commissioners in each county shall continue to have the responsibility of providing and maintaining adequate courtrooms and other court facilities including janitorial services (emphasis added)...

Under the present practical interpretation of these two sections of Colorado law, the following cost-sharing system is in effect for trial court expenses:

State Responsibilities

- (1) Salaries, Operating Expenses, Travel Costs, and Costs of Trials
- (2) Provision of Non-permanent Facilities and Equipment

County Responsibilities

- (1) Provision of Permanent Facilities and Equipment
- (2) Facility Maintenance Costs

County governments meet their financial responsibilities for trial court expenses on an individual basis. The precise dividing line between "non-permanent" and "permanent" facilities and equipment is on occasion subject to negotiation between the State Court Administrator and individual boards of county commissioners.

(A distinction can be drawn between routine and relatively infrequent facility maintenance costs. Routine facility maintenance costs include the costs of frequently-repeated operations such as janitorial services and provision of lighting and heat. Relatively infrequent facility maintenance costs include the costs of facility maintenance generally undertaken on a one-time basis or only once in a period of years (e.g., painting or remodelling).)

State Assumption of County Financial Responsibility for Trial Court Expenses

The committee inquired into the possibility of state assumption of all or part of the county financial responsibility for trial court expenses.

In most counties of the state, district courts, county courts, and district-level probation offices are housed in county courthouses. In some counties, these three judicial entities are housed in separate judicial buildings. The courthouses and judicial buildings are generally in unencumbered county ownership. In six counties, a limited amount of office space not in a courthouse or judicial building is rented or leased for one or more of the trial court entities.

It would be administratively feasible for the state to assume county financial responsibility for trial court expenses at any one of the following levels:

- for district and county courts only;
- for probation offices only; or

- for district and county courts and for probation offices.

(Courtrooms and court facilities are used in common by district courts and county courts to such an extent that it would be administratively unfeasible for the state to assume county expenses for one level of court and not for the other.)

At any one of these levels of state assumption of county trial court costs, the state could assume facility maintenance costs only, or facility maintenance costs and the costs of providing permanent physical facilities and equipment for trial courts (through rental, lease, or capital construction).

#### Estimates of the Cost of State Assumption of County Financial Responsibility for Trial Court Expenses

The committee reviewed two estimates of the cost of state assumption of county financial responsibility for trial court expenses.

The first estimate was prepared on February 8, 1974, by Mr. Jim Ayers of the State Court Administrator's Office. This cost estimate concerns only facility maintenance costs for trial courts.

The second estimate was prepared on January 31, 1973, by the Executive Budget Office as a fiscal note to House Bill 1065 of the 1973 session (this bill would have provided for state responsibility for all trial court expenses). This EBO cost estimate concerns both the costs of providing permanent physical facilities for trial courts (through rental, lease, or capital construction) and maintenance costs for those facilities.

State Court Administrator's estimate. This 1974 estimate uses data from Arapahoe, Jefferson, Denver, Boulder, Adams, and Larimer Counties to compute a "reasonable" statewide rate of \$2.10 per square foot for facility maintenance costs for trial courts (including probation offices). This rate of \$2.10 per square foot breaks down into \$1.79 per square foot for routine facility maintenance costs and \$.31 per square foot for relatively infrequent facility maintenance costs.

The Court Administrator estimates that 675,000 net square feet and 992,647 gross square feet of floor space are presently being used in the State of Colorado for trial court

facilities. (Net square footage does not include corridor, building lobby, and other "common use" space.) Thus, according to this estimation of state-wide square footage, the annual cost of state assumption of the facility maintenance costs of trial court facilities would vary between \$1,417,500 and \$2,084,559, depending on whether costs were assumed by the state for net or for gross square footage of trial court facilities.

Executive Budget Office estimate. This 1973 estimate is based on a total square footage for Colorado trial court facilities of 835,100 square feet.

An estimated cost of \$4.50 per square foot is used in the EBO estimate; this square foot cost is for a rental or lease agreement which includes "janitorial and all utility costs". The EBO also estimates a cost of \$45.00 per square foot for outright purchase or construction of trial court facilities.

According to these estimates of total square footage and square footage costs, the following total annual costs for state assumption of trial court expenses can be computed:

- rental or lease, including janitorial and utility costs - \$3,757,950; and
- outright purchase or construction, not including janitorial and utility costs - \$37,579,500.

Estimated administrative costs. Both the State Court Administrator and the Executive Budget Office have made estimates of the administrative expenses involved in state assumption of county trial court costs. The Court Administrator's 1974 estimate of this administrative cost is \$51,400. The EBO's 1973 estimate is \$61,900.

Requirements for an updated, comprehensive cost estimate. Both the State Court Administrator's cost figures and the EBO figures are based on estimates of square footage costs and on estimates of total square footage used for Colorado trial court facilities. Neither estimate is based on an actual county-by-county survey of trial court facilities and county budgets. In addition, the EBO estimate was prepared in early 1973 and may be substantially out of date as a result of subsequent cost inflation.

In order to prepare a comprehensive estimate of the

cost of state assumption of county expenses for trial court facilities, a county-by-county survey would have to be made to determine the following:

- what is the actual square footage in each county devoted to county courts, to district courts, and to probation offices?
- what is the breakdown of this actual square footage between net and gross square footage?
- if trial court facilities are housed in the county courthouse, what percentage of "common use" square footage is attributable to the trial court facilities?
- what are the annual facility maintenance costs for each county's trial courts?
- if trial court facilities are located in the county courthouse, what percentage of annual courthouse maintenance costs are attributable to the trial court facilities?
- has the county actually incurred any rental or lease costs for trial court facilities?
- what rental, lease, or capital construction values can be estimated for the courtroom and office space provided for trial courts and probation offices in existing county facilities?
- is it possible to estimate such rental, lease, or capital construction values?

## EXEMPTION OF RETIREMENT INCOME FROM COLORADO INCOME TAXATION

Retirement income is presently exempted from Colorado income taxation in two ways. First, Colorado uses the federal definition of "adjusted gross income" for purposes of calculating state income taxes. As a result, any type of retirement income which is excluded from the federal definition and not added back into that definition by state law is effectively exempted from state income taxation. Second, certain types of retirement income are specifically excluded from taxation by state law.

The retirement income exemption process is outlined on the following page.

### Exclusions from Federal Gross Income

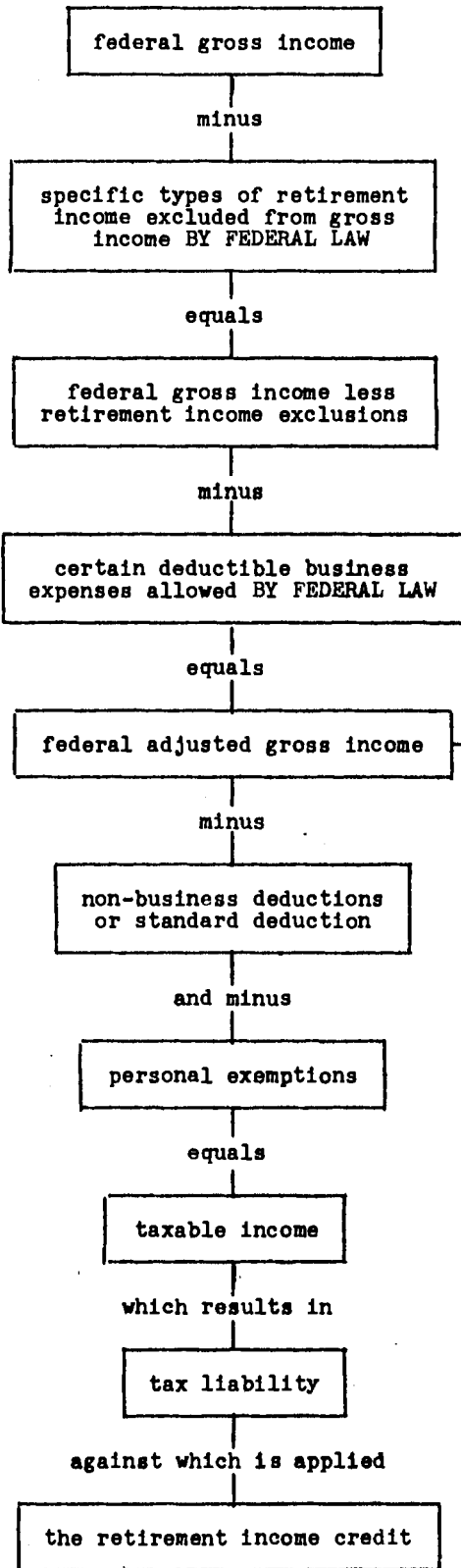
Federal gross income includes all income "from whatever source derived". However, the following specific types of retirement income are excluded in whole or in part by federal law:

- old age and survivor's benefits under the federal Social Security Act;
- pensions or annuities received under the federal Railroad Retirement Act;
- retirement benefits provided under the Veterans' Administration (including portions of regular military retirement pay for which Veterans' Administration benefits are substituted for purposes of reducing tax liability);
- pensions received as gifts (a pension is considered to be a gift when it is received from an individual or organization for whom or for which the pensioner has performed no services in the past - if such services had been performed, the pension would be considered additional compensation for those services);
- disability retirement payments made to employees of state and local governments (if retirement was wholly or partially caused by disa-

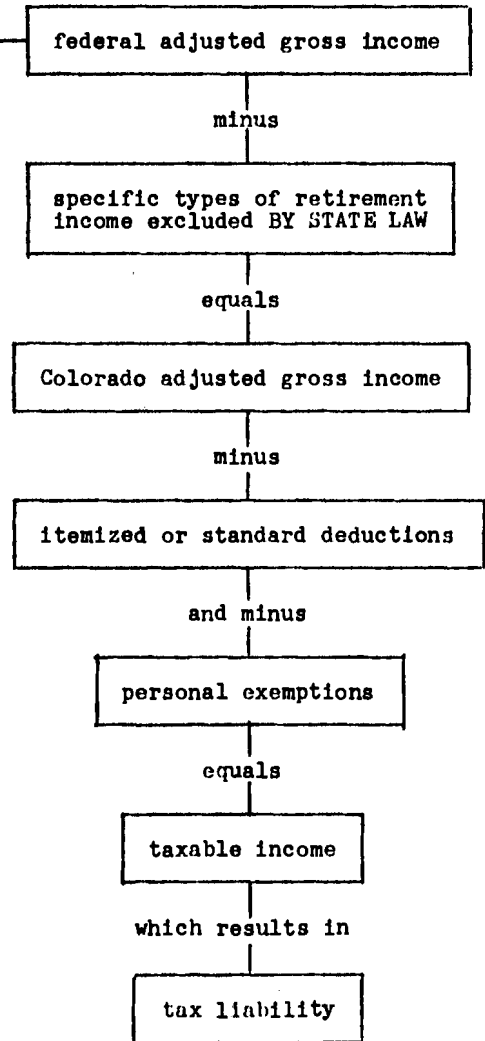


FEDERAL

STATE



which is used in the Colorado income taxation system



bility; if the disability was employment-connected; if retirement was not based on length of service, age, or non-service-connected disability; and if the retirement payments are intended to replace or supplement workmen's compensation);

- pensions, annuities, or similar allowances for personal injuries or sickness resulting from active service in the armed forces of any country, in the Coast and Geodetic Survey, or in the Public Health Service;
- disability annuities under the federal Foreign Service Act;
- retirement payments under a purchased annuity, endowment, pension, or profit-sharing contract (only that portion of retirement payments which represents a return of premiums or other consideration paid by the pensioner for the contract is excludable from federal gross retirement income).

#### Colorado Exclusions from Federal Adjusted Gross Income

Section 39-22-110 (3) (c) and section 39-22-110 (3) (1), Colorado Revised Statutes 1973 exclude the following types of retirement income from federal adjusted gross income for purposes of Colorado income taxation:

- pensions from welfare funds established by labor unions;
- pensions established by agreements between employers and labor unions (these agreements are subject to approval by the state Department of Revenue);
- pensions from the Colorado Public Employees' Retirement Association;
- public school teachers' pensions established by state law;
- pensions from the emeritus retirement plans of Colorado institutions of higher education;
- policemen's and firemen's pensions established

by state law;

- pensions under the federal civil service retirement system; and
- retirement pay from the United States armed forces (this exclusion is limited to a maximum of \$2,000).

To the extent that income from the above sources is included in federal adjusted gross income, the Colorado statutory exclusions apply. (This provision of the state law is intended to avoid double exclusions, which might occur when an individual's retirement income falls within both an excluded federal category and an excluded state category.)

### The Federal Retirement Income Credit

The federal government provides a second effective type of tax exemption for retirement income. This is called the retirement income credit. The credit is allowed against final computed federal income tax liability (as the Colorado food sales tax credit is allowed against final state income tax liability). Because the federal retirement income credit does not affect the composition of federal adjusted gross retirement income, it does not act as an effective credit at the state level.

The retirement income credit is designed to give individuals who receive non-excluded types of retirement income a tax exemption approximately the same as that received by pensioners whose retirement income is statutorily excluded from federal gross retirement income. The credit is provided for retired persons of age 65 and over, and for persons under age 65 who have retired under public retirement systems.

The retirement income for which the credit is provided includes income from pensions, annuities, interests, rents, and dividends not otherwise excluded from federal income taxation, up to a maximum of \$1,524. However, the portions of purchased annuity payments excluded from gross retirement income are included in retirement income for purposes of computing the credit. (Pensioners under age 65 may receive the credit only for pensions and annuities received under public retirement systems.)

Earned income over certain amounts reduces the retirement income credit; the amount of the reduction depends on the age of the pensioner.

The actual credit allowed against tax liability is 15 percent of retirement income not otherwise excluded from taxation (up to the maximum of \$1,524). Thus, the maximum allowable credit for an individual pensioner is \$228.60 ( $\$1,524 \times 15$  percent). The income ceiling and the maximum allowable credit are greater for married pensioners filing joint income tax returns.

The committee recommendation (Bill 58) would exempt all pension income from the Colorado income tax. The Department of Revenue has estimated that this expansion of the pension exemption statute would result in a loss of revenue of approximately \$500,000 to the state.

Annuity income is presently taxable. The committee concluded that such income is often an alternative to a pension and, therefore, recommended the exemption of the first \$5,000 of annuity income for persons 60 years of age or older who receive no pension income. For persons with pension income of less than \$5,000, combined pension and annuity income, not to exceed \$5,000, would be exempt. No estimate of the fiscal impact of the partial annuity exemption was available for the committee.

STANDARD DEDUCTION AND LOW INCOME  
ALLOWANCE FOR COLORADO INCOME TAX

At the request of the committee, the Department of Revenue compared state and federal income tax provisions in order that the differences might be evaluated as to their validity. One of the major differences evidenced by the departmental presentation (attached as Appendix A) was that between the state and federal standard deductions and low income allowances. After a review of these provisions, the committee asked consultants Coddington and Zubrow to analyze the impact of Colorado increasing the standard deduction and low income allowance to the present federal level. The results of the analysis are attached as Appendix B.

On November 18, the committee voted to recommend legislation which would increase Colorado's standard deduction to 15 percent of AGI, maximum \$2,000, and the low income allowance to \$1,300 maximum. This recommendation was adopted as part of a package with a "vanishing" food sales tax credit and was intended to be effective for 1974 taxable income.

Subsequent to the committee meeting, it was determined that if the proposal were to be effective for 1974 income taxes due April 15, 1975, there would be conflicts with Department of Revenue tax tables which were prepared and in the process of distribution. Certainly some taxpayers eligible for the proposed benefits would have filed under present law before any changes were adopted. Implementation of the proposal for 1974 income could have been a burden for both the department and taxpayers.

On December 6, the committee re-evaluated the proposed bill and revised its recommendation to provide its implementation beginning with 1975 income. In addition, the committee recommended that the proposal be considered by the General Assembly in terms of its impact on state revenues.

## SALES TAX ON FOOD

### Income Tax Credit for State Food Sales Tax

Section 39-22-118, C.R.S. 1973, provides a seven dollar food sales tax credit or refund against the state income tax for each resident individual. For the 1973 taxable year only, this level was increased to \$21 and reverts to \$7 thereafter. The 1973 increase was a method of distributing surplus state revenues.

At the request of the committee, the predictive model established under the Colorado Tax Profile Study was queried concerning various alternatives for revision of the food sales tax credit (Appendix B). The model projected that the revenue loss for a \$7 credit would be \$16,000,000 for fiscal year 1975; a \$21 credit causing a \$47,700,000 loss.

On November 18, the committee recommended, as a companion to the standard deduction and low income allowance proposal, the following food sales tax "vanishing credit" formula:

<u>Adjusted Gross Income</u>	<u>Income Tax Credit</u>
Under \$5,000	\$21
\$5,000 - \$10,000	\$14
\$10,000 - \$15,000	\$ 7
over \$15,000	no credit

The concept of a vanishing credit, currently employed by Hawaii, Vermont, and Washington, D.C., was proposed in a recent paper by James A. Murray and Reuben A. Zubrow which concluded:

This refund schedule would fully do away with regressivity in the state's 3 percent sales tax, and its estimated cost would be some \$22.2 million for fiscal 1972, approximately 2/3 the cost of the food tax exemption or about 1/2 the cost of the \$21 across-the-board refund that achieves approximately the same equity goal of sales tax proportionality. 1/

It has been estimated that this program would have caused a reduction of \$22,200,000 in state revenues in 1972. The consultants estimated that the fiscal year 1975 revenue reduction

1/ Murray and Zubrow, "Should Food Be Exempt from Sales Tax", Colorado Municipalities, November 1974, pp. 114-115+.

would be \$24,600,000. This fiscal year 1975 figure would represent \$8.6 million more than the present \$7 credit; \$23.1 million less than a \$21 credit.

The food sales tax credit proposal was adopted by the committee on November 18 in conceptual form. The process of drafting a bill to implement the concept identified two major problems:

(1) If the bill were to be effective for 1974 income taxes (due April 15, 1975), it would be in conflict with section 39-22-18, C.R.S. 1973, which authorizes a \$7 credit for all resident individuals. As some tax returns would be filed prior to the convening of the General Assembly, some, if not all, residents would be eligible for the \$7 credit, even though their income might be in excess of \$15,000.

(2) Married persons filing separate returns could be eligible for the credit, whereas those with merged income might not be. For example, a husband and wife reporting adjusted gross income of \$8,000 each could claim \$28 under the proposal if filing separately, and no credit if filing a joint return. This problem could be resolved, in part, by limiting the credit to family income. The Department of Revenue, however, lacks processing equipment to verify merged income on separate returns.

The above problems could be resolved by legislation during the 1975 session and new computer equipment for the department. However, in light of this, the committee reconsidered the "vanishing" food sales tax credit proposal on December 6 and voted to table the recommendation.

#### Repeal of the State Sales Tax on Food

At the December 6 meeting, the committee received testimony concerning repeal of the state sales tax on food. Mr. Ken Beuche, Executive Director, Colorado Municipal League, presented the committee with data concerning the impact of food sales tax repeal on municipalities (Appendix C) and, at the request of the committee, the Department of Revenue prepared materials concerning collection of a local food sales tax by the department (Appendix D).

ABOLITION OF THE PROPERTY TAX -- S.J.R. 27

Senate Joint Resolution No. 27, adopted at the 1974 legislative session, directed the Committee on State and Local Finance: "...to study the pros and cons concerning the abolition of the general property tax, to consider other methods of financing local government expenditures, and to develop possible legislation relating thereto."

Counties, municipalities, school districts, and special purpose districts in Colorado levied \$515,362,672 in property taxes to be collected in calendar year 1974.

On the basis of state tax collections in fiscal year 1972-73, if the General Assembly doubled the individual income tax rates (2.5%-8% to 5%-16%); doubled the corporate income tax rate (5% to 10%); doubled the state sales and use tax rates (3% to 6%); doubled the gasoline tax rates (7¢ per gallon to 14¢ per gallon); and maintained the \$21 per capita food sales tax credit, the result would be only \$27.5 million in excess of the amount currently raised from the property tax. (These data concerning revenues to be derived from a doubling of rates are only a rough approximation since such an increase in rates would not necessarily double revenues -- particularly with regard to the individual income tax.)

The net collections from each of these sources of state revenue for fiscal year 1972-73 were as follows:

Individual income tax	\$185,773,681
Corporate income tax	38,993,022
Sales tax	212,115,360
Use Tax	19,505,342
Gasoline tax	<u>86,520,307</u>
GROSS REVENUES	\$542,907,712
Less food sales tax credit of \$21 per capita	<u>45,000,000</u>
BALANCE TO GENERAL FUND	\$497,907,712
Doubling of gross revenue	\$1,085,815,424
Less food sales tax credit of \$21 per capita	45,000,000
Less amount to replace prop- erty tax	<u>515,362,672</u>
BALANCE TO GENERAL FUND	\$ 525,452,752



In addition to the problem of raising the replacement dollars, there is the question of how to distribute the dollars raised to the appropriate political subdivisions. For example, if it were assumed that the replacement tax dollars would be returned to the political subdivisions in which the dollars were collected, some counties (and the political subdivisions within the county) would get more dollars than are currently being raised from the property tax, and others would get less.

The Department of Revenue, in its annual report, shows only the individual income tax and the sales tax by county where collected. The attached table shows the amount of property tax levied in each county (for all political subdivisions), the amount collected from the individual income tax and sales tax by county, and the percentage the sum of the latter two figures represents of the property tax levied. As will be noted, the percentage that such an income and sales tax levy would represent of the property tax levied would range from a high of 90% in Denver to a low of approximately 16% in Costilla County.

Undoubtedly, if the gasoline tax, use tax, and corporate income tax receipts were to be allocated according to county of collection, many counties would have more than enough money to replace property tax revenues; however, for those 19 counties that would receive less than one-third replacement via just the sales and individual income tax, it is obvious their property tax revenues would not be replaced by all of the receipts from the several taxes mentioned.

Another significant point to be considered, should the property tax be abolished and replaced by other sources, is the shift of the tax burden from one group to another. Although, no definitive figure is accumulated on how much of the property tax is paid by business corporations, estimates have been made in recent years that 25% of the property tax is paid by corporations. Thus, 25% of the total 1974 payable property tax bill is approximately \$129 million. To raise a similar amount from the corporate income tax would require a corporate income tax rate in excess of 16%.

After consideration of these data, the committee agreed to recommend that the general property tax not be abolished.

TABLE 6

INDIVIDUAL INCOME AND SALES TAX REVENUES AS A  
PERCENTAGE OF PROPERTY TAX REVENUES

	(1) Total Property Tax Levied in 1973, Collectible in 1974	(2) Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	(3) Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	(4) Total of Columns 2 & 3	(5) Column 4 as a Percent of Column 1
Adams	\$ 34,010,521	\$ 13,126,718	\$ 16,476,655	\$ 29,603,373	87.04%
Alamosa	1,902,765	565,651	1,013,743	1,579,394	83.01
Arapahoe	46,189,189	19,937,065	17,839,381	37,776,446	81.79
Archuleta	743,765	98,514	155,838	254,352	34.20
Baca	1,884,807	306,270	338,296	644,566	34.20
Bent	1,167,236	262,077	221,222	483,299	41.41
Boulder	34,294,150	12,938,117	11,163,120	24,101,237	70.28
Chaffee	1,750,111	588,373	806,065	1,394,438	79.68
Cheyenne	963,648	167,569	98,512	266,081	27.61
Clear Creek	2,145,958	395,077	323,815	718,892	33.50
Conejos	819,859	155,784	171,289	327,073	39.89
Costilla	793,798	67,548	57,813	125,361	15.79
Crowley	613,021	139,622	108,268	247,890	40.44
Custer	373,408	53,413	28,666	82,079	21.98
Delta	1,836,522	690,555	886,760	1,577,315	85.89
Denver	122,441,265	47,757,653	62,446,997	110,204,650	90.01
Dolores	413,734	67,026	51,047	118,073	28.54
Douglas	3,476,190	1,087,759	522,577	1,610,336	46.32
Eagle	3,756,201	622,114	1,036,254	1,658,368	44.15
Elbert	1,379,044	240,798	77,663	318,461	23.09
El Paso	47,660,301	14,654,715	19,017,343	33,672,058	70.65
Fremont	3,228,816	1,018,615	1,256,297	2,274,912	70.46
Garfield	3,429,282	1,106,072	1,623,028	2,729,100	79.58
Gilpin	709,218	76,652	78,969	155,621	21.94
Grand	2,066,842	450,143	537,587	987,730	47.79

	(1) Total Property Tax Levied in 1973, Collectible in 1974	(2) Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	(3) Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	(4) Total of Columns 2 & 3	(5) Column 4 as a Percent of Column 1
Gunnison	\$ 1,437,916	\$ 407,442	\$ 640,607	\$ 1,048,049	72.89%
Hinsdale	155,211	9,452	28,076	37,528	24.18
Huerfano	1,131,016	220,559	291,028	511,587	45.23
Jackson	691,912	147,946	102,584	250,530	36.21
Jefferson	55,778,150	27,900,643	22,074,567	49,975,210	89.60
Kiowa	967,621	175,604	70,569	246,173	25.44
Kit Carson	2,263,741	581,182	694,480	1,275,662	56.35
Lake	3,191,894	574,656	436,233	1,010,889	31.67
La Plata	3,995,943	1,046,382	1,664,347	2,710,729	67.84
Larimer	19,974,368	6,735,770	7,984,720	14,720,490	73.70
Las Animas	2,346,909	584,980	750,551	1,335,531	56.91
Lincoln	1,371,836	350,897	394,293	745,190	54.32
Logan	5,202,521	1,318,108	1,593,727	2,911,835	55.97
Mesa	9,877,379	3,333,732	4,646,853	7,980,585	80.80
Mineral	278,857	35,013	40,574	75,587	27.11
Moffat	1,934,394	475,517	626,236	1,101,753	56.96
Montezuma	1,892,893	559,915	1,018,656	1,578,571	83.39
Montrose	2,800,657	825,315	1,201,167	2,026,482	72.36
Morgan	4,427,650	1,332,417	1,649,717	2,982,134	67.35
Otero	3,614,908	1,140,522	1,468,825	2,609,347	72.18
Ouray	550,290	95,414	74,324	169,738	30.85
Park	1,327,570	167,308	100,122	267,430	20.14
Phillips	1,206,035	381,447	295,345	676,792	56.12
Pitkin	3,720,863	985,375	1,648,056	2,633,431	70.77
Prowers	2,887,101	757,874	1,018,008	1,775,882	61.51
Pueblo	20,079,228	7,326,614	8,617,462	15,944,076	79.41
Rio Blanco	3,286,012	307,374	310,941	618,315	18.82
Rio Grande	1,841,894	452,763	722,094	1,174,857	63.79

	(1)	(2)	(3)	(4)	(5)
	Total Property Tax Levied in 1973, Collectible in 1974	Normal Income Tax Liability of Individuals, Fiscal Year 1972-1973 1/	Net State Sales Tax Collections, Fiscal Year 1972-1973 2/	Total of Columns 2 & 3	Column 4 as a Percent of Column 1
Routt	\$ 3,419,232	\$ 724,896	\$ 879,086	\$ 1,603,982	46.91%
Saguache	1,110,857	144,805	136,163	280,968	25.29
San Juan	288,277	47,248	39,024	86,272	29.93
San Miguel	671,591	89,751	91,033	180,784	26.92
Sedgwick	1,104,052	245,450	257,848	503,298	45.59
Summit	3,173,765	362,273	526,870	889,143	28.02
Teller	1,601,319	254,572	224,372	478,944	29.91
Washington	1,922,362	380,521	204,180	584,701	30.42
Weld	23,220,115	6,158,777	6,472,358	12,631,135	54.40
Yuma	2,566,682	525,109	646,965	1,172,074	45.66
<b>TOTAL</b>	<b>\$515,362,672</b>	<b>\$183,737,520</b>	<b>\$205,979,266</b>	<b>\$389,716,786</b>	<b>75.62%</b>

1/ Does not include nonresident individual income tax liability.

2/ Does not include foreign corporations.

## ASSESSMENT OF LAND IN LIEU OF LAND AND IMPROVEMENTS

The Committee on State and Local Finance was directed by H.J.R. 1039, 1974 Session, to "study the feasibility of assessing land only for property tax in lieu of land and improvements thereon." This concept, commonly referred to as "site-value taxation" or the "single tax", was a subject considered by the committee at the September 16 meeting. The following constitutes a cursory review of the literature concerning this concept, with some data reflecting the potential impact in Colorado.

The committee offered no specific recommendation with regard to this concept.

### Background of the Concept

Although the theory of the single tax can be traced to the time of Cromwell, interest in such a tax in this country is based on the writings of Henry George (1870's and 1880's). George's economic theory was highly influenced by the early 19th century writings of Ricardo and the boom conditions of the California economy.

The Ricardian proposal for a land tax was based upon a belief that the taxation of land was a fair and equitable one and that differing levels of production from land could be explained by the quality of the soil, not the efforts of the farmer. George advanced this theory to a more industrialized society and it became the basis of his plan to preserve laissez faire capitalism and foster the prevention of monopolies.

It was George's contention that private holders of vast properties, particularly the railroads, engaged in land speculation which kept settlers out, thereby restricting growth, cut production, and created depressions. The greatest impediment to progress and cause of poverty was, according to George, the holders of great amounts of land who reaped unearned income.

The following paragraphs from Progress and Poverty illustrate the George thesis:

A house and the lot on which it stands are alike property, as being the subject of ownership, and are alike classed by the lawyers as real estate. Yet in nature and relations they differ widely. The one is produced by human labor and belongs to the class in political economy styled wealth. The other is a part of nature, and belongs to the class in political economy styled land.

The essential character of the one class of things is that they embody labor, are brought into being by human exertion, their existence or non-existence, their increase or diminution, depending on man. The essential character of the other class of things is that they do not embody labor, and exist irrespective of human exertion and irrespective of man; they are the field or environment in which man finds himself; the storehouse from which his needs must be supplied, the raw material upon which, and the forces with which alone his labor can act.

The moment this distinction is realized, that moment is it seen that the sanction which natural justice gives to one species of property is denied to the other.

For as labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce. If one man can command the land upon which others must labor, he can appropriate the produce of their labor as the price of his permission to labor. The fundamental law of nature, that her enjoyment by man shall be consequent upon his exertion, is thus violated. The one receives without producing; the others produce without receiving. The one is unjustly enriched; the others are robbed.

\* \* \* \* \*

The present method of taxation operates upon exchange like artificial deserts and mountains; it costs more to get goods through a custom house than it does to carry them around the world. It operates upon energy, and industry, and skill, and thrift, like a

fine upon those qualities. If I have worked harder and built myself a good house while you have been contented to live in a hovel, the taxgatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man build a ship we make him pay for his temerity, as though he had done an injury to the state; if a railroad be opened, down comes the tax-collector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if any one accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain; we find him who puts up machinery, and him who drains a swamp. How heavily these taxes burden production only those realize who have attempted to follow our system of taxation through its ramifications, for, as I have before said, the heaviest part of taxation is that which falls in increased prices.

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. All would be free to make or to save, to buy or to sell, unfined by taxes, unannoyed by the tax-gatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."

Thus George contended that the single tax would lead to increased productivity, downward redistribution of income, and elimination of land monopolization.

#### Employment of Site-Value Taxation

The single tax has gained many adherents, but implementation of the concept has been limited. India initiated a

land tax in the mid 1850's, one which has met with limited success. In Australia and New Zealand, the states tax land only while local governments may do likewise or tax land and improvements. Denmark's land tax has been in existence since 1922 with land and improvements taxed at different rates. Presently, national and local levies on improvements range from 3/5 to 3/4 those on land.

In the United States, California taxes land and exempts improvements for irrigation districts. A recent analysis stated that this practice, along with others, has been a prime factor in the prospering of independent farms and rural cities in the Central Valley of California. The study concluded: "That the change prospering and growth was swift and thorough was due in substantial part, it would seem, to the effective elements of district-wide, land-value-assessment practices inaugurated by the Wright Act."\*

North Dakota exempts farm buildings and improvements. Pennsylvania allows cities to tax improvements at a lower rate than they tax land. In that state, Pittsburg and Scranton implemented this limited form of site-value taxation some years ago.

### Goals of Site-Value Taxation

Although site-value taxation has received limited acceptance from government policy-makers, the subject remains under active consideration by state legislatures and research groups such as the Committee on Taxation, Resources and Economic Development (TRED) at the University of Wisconsin. The following goals of site-value taxation are based on the literature and are not inclusive nor do they address some limited or highly modified forms of site-value taxation.

(1) Encouragement of highest use of land. Because under developed or undeveloped properties would be taxed on the same basis as those containing improvements (in accordance with zoning), development of all properties would be fostered. Parking lots, vacant lots, and slum dwellings in core city areas are most often cited as examples of the need for site-value taxation. The argument is that such under use of land would become uneconomical because of the tax policy. Coupled with strong zoning policies, cities, counties, and regions could become more functionally developed.

---

\* Albert T. Henley, "Land Value Taxation by California Irrigation Districts" in Becker, ed., Land and Building Taxes (Madison: Univ. of Wisconsin Press, 1969), p. 145.



Several observations may be offered to the highest use concept. First, a tax policy which encourages owners of slum housing to develop such property to the highest use further complicates the need for low income housing for the poor and elderly. Second, structures of historic or aesthetic value often are located in high density areas and could be endangered without special consideration. Third, the concept would encourage high density concentration which could lead to higher crime rates and other social problems, frequently attributed to over-crowded areas. Fourth, land use is a zoning concept, and not one of taxation, thus, land use goals should be accomplished through zoning and not taxation.

(2) Administrative simplicity. A great deal of the work effort of any assessor's office involves the assessment of improvements to properties. In the case of assessors with small staffs, large facilities may be valued according to information supplied by the corporation. Assessment of land only could greatly simplify the task of assessors.

Any major change or shift in tax burden will, however, cause a difficult period of transition. Appeals would likely increase during the first few years. Therefore, although the administration of property taxation might become simplified over a period of years, such a goal could not be anticipated at the outset.

(3) Discourage land speculation. It is argued that high taxes on unimproved land would discourage high land values and rapid development of land. Evidence to support this concept is lacking. The Australia experience has resulted in land values as high or higher than in the United States. 1/ Also, a recent study of land taxation in Houston concluded as follows:

The results of this study strongly suggest that land taxation cannot be considered as a policy instrument for the purpose of influencing private land use decisions. In Houston we have been unable to detect any systematic relationship between land taxes and decisions to develop land. We believe that this result stems from the fact that the property tax is capitalized and there-

---

1/ A. M. Woodruff, "Land Value Taxation: A 1966 Evaluation" The Property Tax: Problems and Potentials (Princeton: Tax Institute of America), 1967, p. 437.

fore does not affect land use decisions. Changes in current property taxes would alter the wealth of current land owners but would not affect their decisions on land allocation. It is interesting that our search for the connection between efficiency in land use and property taxes turns out to depend on the incidence or equity of the property tax. 1/

### Shifting the Property Tax Burden

Any major reform of taxation is likely to entail some shifting of the tax burden. In the case of site-value taxation, the shift could be major. A recent projection of the impact of site-value taxation in San Diego is illustrative of the potential shifting in an urban area. 2/

-CHANGE IN TAX LIABILITIES, BY ECONOMIC USE CLASS: SAN DIEGO

Class	Parcel Count	Net Assessed Value	Land Value	Ratio of NAV to LV	% Change Assumption 1 <sup>a</sup>	% Change Assumption 2 <sup>b</sup>
Single Dwelling	120,733	\$ 631,144,490	\$283,981,210	2.23	+ 9.7	+ 20.7
Multiple Dwelling	15,281	112,965,367	53,775,567	2.10	+ 16.7	+ 28.3
Apartment	5,108	115,541,745	36,190,317	3.19	- 23.2	- 15.6
Trailer Parks	20	1,823,760	1,108,320	1.65	+ 48.9	+ 63.8
Combined Business and Dwelling	1,197	12,041,844	8,039,330	1.50	+ 63.6	+ 79.9
Hotels and Motels	232	35,939,357	11,816,042	3.04	- 19.4	- 11.4
Commercial and Industrial	5,202	318,154,624	94,990,946	3.67	- 33.1	- 26.5
Public Utilities	4	109,974,798	7,936,460	13.86	- 82.3	- 80.6
Irrigation and Domestic	36	1,110,238	668,175	1.66	+ 47.5	+ 62.2
Undeveloped Land	21,557	145,035,546	127,878,376	1.13	+116.1	+137.6
Matched Parcels	169,370	1,516,731,769	626,384,743	2.43	+ 1.0	+ 11.1
Unmatched Parcels	11,979	161,742,331	58,509,028	2.76	- 11.3	- 2.5
GRAND TOTAL	181,349	1,678,474,100	681,893,771	2.45	0	+ 10.0

<sup>a</sup> This site-value tax generates the same total tax receipts for San Diego as the current property tax.

<sup>b</sup> This site-value tax generates approximately \$17 million more in tax receipts than does the current property tax. The \$17 million is the amount of the state reimbursement.

1/ Michael S. Owen and Wayne R. Thirsk, "Land Taxes and Idle Land: A case Study of Houston", Land Economics, August, 1974.

2/ Edward J. Neuner, Dean O. Popp, and Frederick D. Sebold, "The Impact of a Transition to Site-Value Taxation on Various Classes of Property in San Diego", Land Economics, May 1974, pp. 181-185.

As indicated by the table, the major increase would be, as expected, on undeveloped land. The major reduction in valuation would accrue to commercial and industrial properties. The class of single family dwellings would be increased from 10 to 20 percent. With regard to single family properties, the study indicates that assessments would rise in older areas of the city which have relatively low ratio of property value to land value and tend to house a high percentage of the elderly. Newer areas, with younger residents, have higher ratios of net assessed values to land value and thus would fare better under site-value taxation. The trend would be the same for low income areas which, because of deterioration of housing and low intensity of land use, would fare worse than high income areas.

The study surmises that "if residential property value is a meaningful proxy for the economic status of occupants, one can conclude that site-value taxation would favor middle-income classes at the partial expense of those in both low-income and high-income brackets."

The conclusions of the San Diego study are in conflict with those of earlier surveys. This may be explained because the San Diego survey employed a large sample and more complex analytical techniques. One study, of Northern Alameda County, California, projected that low density residential areas would receive a 0.9 percent tax decrease under site-value, whereas high density residential area taxes would increase by 1.1 percent. By the same measurement, industrial properties would obtain a 2.6 percent tax decrease whereas commercial taxes would rise by 7.8 percent. 1/

An analysis of San Bernardino, California, indicated that commercial and industrial assessments would increase under site-value taxation and most single and multiple-unit residential properties would decrease. 2/

### Site-Value Taxation in Colorado

A substantive analysis of the impact of site-value taxation in Colorado would require a great deal of information,

1/ A. H. Schaaf, "Effects of Property Taxation on Slums and Renewal: A Study of Land-Improvement Assessment Ratios", Land Economics, February 1969, pp. 111-117.

2/ Theodore Smith, "Land Versus Real Property Taxation: A Case Study Comparison," Land Economics, August 1970, pp. 305-313.

including a sample of lots in cities and counties and zoning data. As broad indicators of such impact, the following illustrations may be useful.

North Dakota Plan. If Colorado were to adopt the North Dakota policy of exempting farm buildings and improvements, thereby instituting site-value taxation of farm properties, the loss in statewide assessed valuation for 1973 would have been \$126,805,355, or 1.9 percent of total assessed valuation. If counties were to receive revenue to compensate for the exemption of farm improvements, an increase in assessed valuation of other properties or an increase in mill levies would be necessitated. Table 7 indicates the increase in mill levies for selected counties if agricultural improvements had been exempted for 1973.

TABLE 7

Increase in Selected County Mill Levies  
to Compensate for Exemption of  
Agricultural Improvements

	1973 Assessed Valuation	1973 A.V. -- Agric. Improve- ments	1973 County Mill Levy	1973 County Mill Levy -- Agric. Imp. Exempt	Increase
Baca	\$25,933,540	\$1,785,675	18.80	20.19	1.39
Cheyenne	17,705,060	1,014,380	13.50	14.32	0.82
Delta	26,840,500	2,881,780	13.40	15.01	1.61
Kit Carson	28,712,490	2,340,900	23.63	25.73	2.10
Phillips	20,135,400	1,445,190	10.35	11.15	0.80

Site-Value Taxation of All Properties. Property in Colorado is not classified solely on the basis of land and improvements. Thus, for any indication of state-wide impact some qualifications are in order. First, state assessed properties (utilities) do not include any breakdown of land and improvements and are excluded from analysis here. Second, inventories, including freeport, merchandise, equipment, and supplies are outside the scope of land and improvements and omitted. Third, livestock are excluded here for the same reason.

With the above qualifications, land and improvements, statewide, may be categorized as follows:

TABLE 8

Ratio of Statewide Assessed Value  
of Land and Improvements to  
Land Only, by Class of Property

<u>Class</u>	<u>1973 Assessed Value<sup>1/</sup></u>	<u>1973 Land Value</u>	<u>Ratio of Ass. Ratio to Land Value</u>
Residential	\$2,947,699,085	\$731,924,865	4.03
Commercial	1,351,842,835	371,205,640	3.64
Industrial	315,933,620	60,602,120	5.21
Agricultural	468,287,885	341,482,530	1.37
Natural Resources	180,185,925	152,239,575	1.18

<sup>1/</sup> Land and improvements only.

From these ratios it can be discerned that residential improvements are a substantially higher percentage of residential land and improvements than in San Diego, whereas commercial and industrial properties are similar.

If each class of property were to bear exactly the same percentage of total, valuation under site-value as at present (A rather unlikely situation) one could multiply land value times the ratio. It should be emphasized, however, that classes of property are unevenly distributed among the local governments as are ratios within the classes.

Table 9 indicates the ratio of assessed valuation of land and improvements to land only, by county. As would be expected, the ratios tend to be lower for rural counties with fewer improvements to substantial agricultural properties than in the more urbanized counties. Thus, if other classes such as state assessed and inventories were held constant, land would have to bear an increase of the ratio, however, the increase were distributed within the land classes. In Jefferson County, land would be increased 5.5 times its current assessed valuation level (or the mill levy increased by a corresponding amount), whereas in Costilla County the multiplier would be only 1.18 (or an 18 percent increase).

TABLE 9

Ratio of Assessed Value of  
Land and Improvements to  
Land Only, by County

<u>County</u>	<u>1973 Assessed Value/</u>	<u>1973 Land Value</u>	<u>Ratio of Assessed Value to Land Value</u>
Adams	\$ 304,006,450	\$ 78,382,670	3.88
Alamosa	16,331,860	5,574,960	2.93
Arapahoe	489,447,310	165,414,580	2.96
Archuleta	11,295,960	8,099,620	1.39
Baca	15,320,170	10,093,035	1.51
Bent	10,867,770	6,948,180	1.56
Boulder	314,127,080	74,777,390	4.20
Chaffee	19,475,760	6,756,300	2.88
Cheyenne	11,123,310	8,912,220	1.25
Clear Creek	25,254,440	9,088,040	2.78
Conejos	8,812,420	4,901,650	1.80
Costilla	11,191,470	9,473,640	1.18
Crowley	5,715,810	3,917,760	1.46
Custer	5,832,640	3,804,360	1.53
Delta	17,774,830	5,952,190	2.99
Denver	1,308,139,430	336,138,970	3.89
Dolores	3,883,150	2,702,790	1.44
Douglas	28,551,770	13,184,000	2.17
Eagle	37,421,320	12,957,290	2.89
Elbert	16,106,230	11,149,070	1.44
El Paso	531,547,060	142,006,150	3.74
Fremont	32,006,590	6,786,840	4.72
Garfield	31,875,990	10,905,340	2.92
Gilpin	8,342,980	3,948,620	2.11
Grand	22,621,740	9,909,590	2.28
Gunnison	14,350,360	5,496,540	2.61
Hinsdale	2,379,900	1,308,760	1.82
Huerfano	10,286,680	5,219,500	1.97
Jackson	8,740,100	5,586,160	1.56
Jefferson	567,131,010	102,914,430	5.51
Kiowa	11,735,910	9,662,580	1.21
Kit Carson	21,293,080	13,489,460	1.58
Lake	40,514,560	24,655,270	1.64
La Plata	36,880,610	16,467,220	2.24
Larimer	200,852,150	54,799,250	3.67

<u>County</u>	<u>1973 Assessed Value<sup>1/</sup></u>	<u>1973 Land Value</u>	<u>Ratio of Assessed Value to Land Value</u>
Las Animas	\$ 20,485,840	\$ 10,530,570	1.95
Lincoln	13,375,020	8,943,135	1.50
Logan	47,645,730	23,698,310	2.01
Mesa	87,159,900	24,421,450	3.57
Mineral	2,419,140	1,019,980	2.37
Moffat	19,255,240	12,455,230	1.55
Montezuma	19,893,900	7,888,590	2.52
Montrose	23,951,780	8,298,320	2.89
Morgan	42,443,950	18,248,100	2.33
Otero	32,518,690	9,260,460	3.51
Ouray	4,611,550	2,561,910	1.80
Park	13,221,020	7,992,070	1.65
Phillips	15,735,050	10,694,540	1.47
Pitkin	53,376,300	20,970,620	2.55
Prowers	23,158,850	10,692,150	2.17
Pueblo	194,129,930	42,547,450	4.56
Rio Blanco	57,094,490	49,724,960	1.15
Rio Grande	20,052,190	8,224,230	2.44
Routt	33,847,470	16,554,660	2.04
Saguache	13,568,290	10,444,820	1.30
San Juan	2,722,220	1,970,250	1.38
San Miguel	7,706,730	5,619,170	1.37
Sedgwick	11,157,120	6,701,020	1.66
Summit	50,576,060	26,895,490	1.88
Teller	15,863,960	9,454,710	1.68
Washington	29,379,500	23,913,810	1.23
Weld	179,939,310	67,180,520	2.68
Yuma	27,422,130	19,163,690	1.43
TOTALS	\$5,263,949,350	\$1,657,463,640	

1/ Land and improvements only.

## Conclusion

Implementation of site-value taxation has been limited in this country. The staff was able to determine only one governmental unit, irrigation districts in California, which taxes on the basis of land and not improvements. Modified forms of site-value have been authorized in North Dakota (exemption of farm improvements) and Pennsylvania (assessment of improvements at a lesser rate than land). Another concept which bears some relationship to the goals of site-value taxation is abatement, deferred taxation, or subsidies for improvements (such as repair or remodeling) to residential structures. This subject is also before the committee.

Lack of data prevent the formulation of precise impacts of site-value taxation in Colorado. The committee may wish to further consider the general concept and, perhaps, the formulation of a model such as San Diego's.



APPENDIX A

COLORADO DEPARTMENT OF REVENUE

COMPARABILITY OF STATE AND FEDERAL INCOME TAX PROVISIONS

INDIVIDUALS

1. School District Number  
Colorado - Requested  
Federal - No similar provision.
2. Head of Household  
Colorado - No similar provision.  
Federal - A special tax rate category for persons meeting test for being an unmarried head of household.
3. Widow(er) with Dependent Child  
Colorado - No similar provision.  
Federal - Entitled to use joint tax rate under certain conditions for two years.
4. Abandoned Spouse  
Colorado - Must file as married separate.  
Federal - May file as single.
5. Food Sales Tax Block  
Colorado - For those filing a return only to receive food sales tax refund.  
Federal - No similar provision.
6. Exemption for Mentally Retarded Dependent  
Colorado - Allows an extra \$750 exemption for dependent with IQ of less than 75.  
Federal - No similar provision.
7. Delinquent Filing Penalty  
Colorado - 5% of tax due.  
Federal - 5% per month to a maximum of 25%.
8. Income  
Colorado - Colorado adjusted gross income is the federal adjusted gross income plus or minus certain modifications.
9. Filing requirements

	<u>Colorado</u>	<u>Federal</u>
1. Single	\$1,750	\$2,050
2. Single over 65	\$2,500	\$2,800
3. Married joint	\$2,500	\$2,800
4. Married joint		
a. 1 over 65	\$3,250	\$3,550
b. Both over 65	\$4,000	\$4,300

5. Married separate	\$1,250	\$ 750
6. Single dependent of another taxpayer- unearned income	\$1,750	\$ 750
7. With self-employment income	as above	\$ 400

10. Interest on Obligations of State or Political Subdivisions

Colorado - Taxable except for:

1. Sanitary sewer or water revenue bonds (as opposed to general obligation bonds) of any Colorado sewer or water district.
2. C.U. memorial bonds.
3. C.U. stadium bonds.
4. Colorado education bonds for construction of housing, dining, or recreation facilities.
5. Housing Authority bonds of Colorado municipalities.
6. Moffat Tunnel bonds.
7. Bonds under Colorado Junior College Revenue Securities Law.
8. Hospital district bonds of Colorado counties.
9. Colorado Urban Renewal Authority bonds.
10. Colorado Housing Finance Authority bonds.
11. Colorado school district bonds issued on or after July 1, 1973.
12. Auraria Higher education bonds.

Federal - Exempt

11. Interest on Obligations of U.S.

Colorado - Exempt  
Federal - Taxable

12. Pension and Retirement Income

Colorado - Most are exempt.

	<u>Colorado</u>	<u>Federal</u>
1. Social security.	Exempt	Exempt
2. Railroad retirement.	Exempt	Exempt
3. Funds established by labor unions.	Exempt	Taxable
4. Funds or retirement plans established as part of a contract between employer and labor union.	Exempt	Taxable
5. Federal civil service retirement.	Exempt	Taxable
6. Colorado public employees retirement.	Exempt	Taxable
7. Police and firemens pensions.	Exempt	Taxable
8. Colorado teachers pensions.	Exempt	Taxable
9. Other teachers pensions.	Taxable	Taxable
10. Emeritus retirement plans of Colorado institutions of higher learning.	Exempt	Taxable
11. Armed Forces retirement.	First \$2,000 is exempt	Taxable
12. Funds or retirement plans not part of employer/labor union contract.	Taxable	Taxable
13. Armed Forces disability.	Exempt	Exempt
14. Teachers Insurance Annuity Association.	Taxable	Taxable

13. Military Income  
Colorado - Not subject to withholding.  
Federal - Subject to withholding.
14. Depletion  
Colorado - Same as federal except for oil shale which is subject to 27 1/2% depletion rate.  
Federal - Oil shale depletion rate is 15% if from deposits in U.S.
15. Itemized Deductions  
Colorado - Federal deductions with certain modifications. If federal taxable income of a Colorado resident is determined by itemizing deductions, he may elect to deduct his Colorado itemized deductions in lieu of his Colorado standard deduction.
16. Itemized Deductions - Married Separate Returns  
Colorado - May be divided in any manner (if joint federal is filed).  
Federal - Each must claim own deductions.
17. Colorado Income Tax  
Colorado - Not deductible.  
Federal - Allowed.
18. Federal Income Tax  
Colorado - Allowed.  
Federal - Not deductible.
19. Standard Deduction  
Colorado - 10% of adjusted gross income or low income allowance, whichever is greater, not to exceed \$1,000 for a single or joint return, \$500 for a married separate return, plus federal income tax liability.  
Federal - The higher of the low income allowance or 15% of adjusted gross income not to exceed \$2,000 for a single or joint return, \$1,000 for a married separate return.
20. Low Income Allowance  
Colorado - The sum of: a basic allowance of \$200 plus \$100 for each exemption plus an additional allowance equal to the excess, if any, of \$800 over the sum of the number of exemptions times \$100, and the aggregate of 1/2 of the Colorado adjusted gross income in excess of \$1,000 plus the number of exemptions times \$750. The allowance cannot exceed \$1,000.
- For married taxpayers filing separately, the basic allowance shall be \$100 plus \$100 for each exemption and the low income allowance shall not exceed \$500.
- In effect, the low income allowance is \$1,000 (\$500 for married taxpayer filing separately) and declines as income increases to minimum basic allowance. At this point the percentage standard deduction becomes effective. (See chart at end of text.)

Federal - \$1,300 for a single or joint return, \$650 for a married separate return.

21. Taxes and Credits

Tax liability and credits which reduce tax liability.

22. Normal Tax

Colorado - One rate schedule for all taxpayers.

Federal - 4 separate rate schedules.

1. Single taxpayers.
2. Married taxpayers filing joint return.
3. Married taxpayers filing separate return.
4. Head-of-household return.

23. Surtax

Colorado - An additional tax of 2% on dividends and interest income in excess of \$5,000 per taxpayer.

Federal - No similar provision.

24. Oil and Gas Production Tax

Colorado - An additional tax imposed on the gross income for production of crude oil or natural gas from wells in Colorado.

Federal - Not applicable.

25. Income Averaging

Colorado - No provision.

Federal - Under certain conditions, income may be averaged over a 5-year period and tax adjusted accordingly.

26. Alternate Capital Gains Tax

Colorado - No similar provisions.

Federal - Tax on 1st \$50,000 net capital gains is limited to 25%.

27. Minimum Tax

Colorado - No provision.

Federal - 10% tax on certain tax preferences over \$30,000.

28. Maximum Tax

Colorado - No provision.

Federal - Limitation on tax rate on earned income.

29. Food Sales Tax Credit

Colorado - A credit against the income tax for sales tax paid on food. Credit is \$7 per person.

Federal - No similar provision.

30. Property Tax or Rent Credit

Colorado - A credit against the income tax for property tax paid or rent equivalent for low-income senior and disabled residents.

Federal - No similar provision.

31. Retirement Income Credit  
Colorado - No similar provision.  
Federal - A credit against the income tax for certain retired taxpayers in an amount up to 15% of the retirement income. The maximum amount of income which may qualify as retirement income is \$1,524. A husband and wife may elect to compute credit on combined retirement income of \$2,286.
32. Investment Credit  
Colorado - No similar provision.  
Federal - A credit against the tax is allowed for 7% of the qualified investment in certain depreciable property.
33. Foreign Tax Credit  
Colorado - No provision. (Foreign income taxes are deductible for individuals to the extent allowed as a credit against federal tax.)  
Federal - Foreign income taxes may be deducted, or they may be applied as a credit against U.S. income tax.
34. Credit for Income Taxes Paid Other States  
Colorado - A Colorado resident with income from sources in another state may claim a credit against Colorado income tax for income taxes paid to the other state.  
Federal - No provision as a credit. State income taxes are deductible.
35. Credit for Contributions to Candidates for Public Office  
Colorado - No provision for credit. Deduction is allowed.  
Federal - A credit against the income tax is allowed for 1/2 of the contribution limited to \$12.50 (\$25 on a joint return). In lieu of the credit, a deduction may be taken up to \$50 (\$100 on a joint return).
36. Credit for Work Incentive Program Expenses  
Colorado - No provision.  
Federal - A tax credit for employers for wages paid to individuals in on-the-job training thru work incentive program. The credit is equal to 20% of wages paid to employees during first 12 months of employment.
37. Credit for Tax on Gasoline, Special Fuel, Lubricating Oil for Off-Highway Use  
Colorado - No provision for income tax credit.  
Federal - Credit is for federal taxes on fuels or lubricating oil when used for nontaxable purposes.
38. Delinquent Payment Penalty  
Colorado - No provision.  
Federal - 1% per month (in addition to interest).
39. Estimated Tax  
Colorado - Penalty applies if estimated tax is not 70% of actual tax minus exclusion.  
Federal - Penalty applies if estimated tax is not 80% of actual tax minus exclusion.

CORPORATIONS

40. Income and Deductions  
 Colorado - Colorado corporate net income is the federal net income with certain modifications. Interstate corporate income is apportioned to Colorado by formula.
41. Consolidated Returns  
 Colorado - Requires permission.  
 Federal - Elective.
42. Tax Return Due Date  
 Colorado - 3 1/2 months after close of tax year.  
 Federal - 2 1/2 months after close of tax year.
43. Interest on Obligations of State of Political Subdivisions  
 Same as for individual. (Number 10.)
44. Interest on Obligations of U.S.  
 Same as for Individual. (Number 11.)
45. Depletion  
 Same as for Individual. (Number 14.)
46. Colorado Income Tax  
 Colorado - Not deductible.  
 Federal - Deductible.
47. Federal Income Tax  
 Colorado - Not deductible.  
 Federal - Not deductible.
48. Investment Tax Credit  
 Same as for individual. (Number 32.)
49. Foreign Income Tax Credit  
 Same as for individual. (Number 33.)
50. Credit for Work Incentive Program Expenses  
 Same as for individual. (Number 36.)
51. Credit for Tax on Gasoline, Special Fuel, Lubricating Oil for Off-Highway Use  
 Same as for individual. (Number 37.)
52. Tax Rates
- |  | <u>Colorado</u>                          | <u>Federal</u>  |
|--|--|---|
| Single corporations and basic rate for controlled group of corporations. | 5%                                       | 22% on all net income.<br>26% surtax on net income over \$25,000. |
| Additional tax on personal holding companies.                            | No provision.                            | 70% on all undistributed holding company income.                  |
| Insurance Companies.   | Exempt-is subject to gross premiums tax. | Same as for single corporation.                                   |
| Accumulated earnings tax.  | No provision.                            | Penalty tax on undistributed income of corporation.               |

53. Estimated Tax  
Same as for individual. (Number 39.)
54. Delinquent Payment Penalty  
Same as for individual. (Number 38.)

WITHHOLDING

55. Withholding Tax Reporting and Payment Requirements for Employers

Colorado - Every employer subject to Colorado income tax withholding files a quarterly return which is due on or before the last day of the month following the close of the quarter.

Deposits are required as follows:

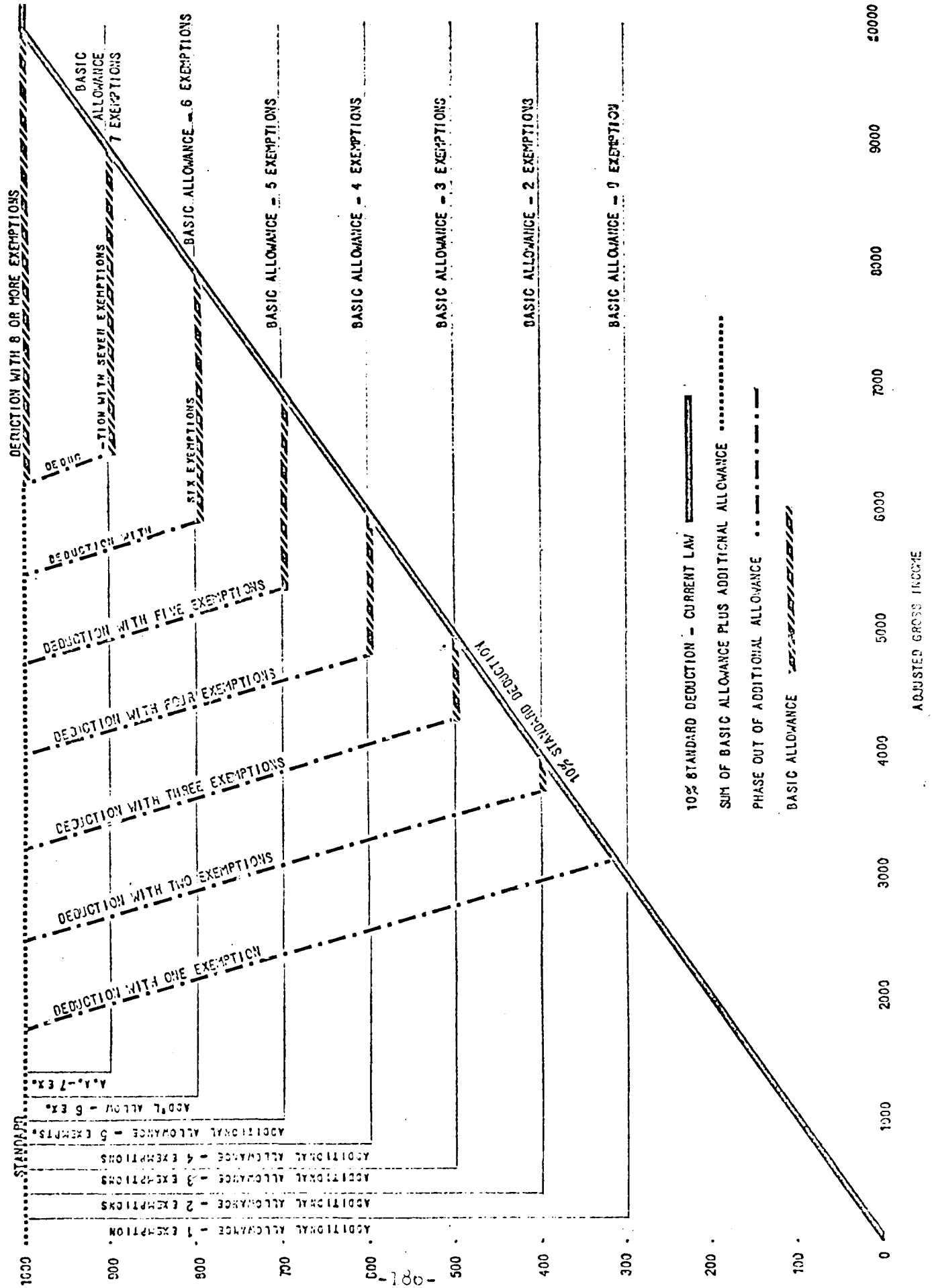
- | <u>Liability</u>                 | <u>Due Date</u>   |
|----------------------------------|---|
| 1. Less than \$300 per quarter.  | Deposit is due 15th day of the month following close of quarter. In lieu of making deposit, employer may file quarterly return and payment by 15th day of month following close of quarter.         |
| 2. More than \$100 in any month. | Deposit is due 15 days after end of month. In lieu of making deposit for the last month of quarter, employer may file quarterly return and payment by 15th day of month following close of quarter. |

Federal - Every employer subject to income tax withholding files a quarterly return which is due on or before last day of the month following the close of the quarter.

Deposits are required as follows:

- | <u>Liability</u>  | <u>Due Date</u>   |
|---|---|
| 1. Under \$200 for quarter.                                     | No deposit required. Amount due is paid with quarterly return.  |
| 2. \$200 or more for quarter, but less than \$200 in any month. | If the liability exceeds \$200 by the end of the 2nd month of the quarter, deposit is due by the 15th day of the 3rd month of quarter. Otherwise, the entire amount is due with quarterly return. |
| 3. \$200 but under \$2,000 per month.                           | Deposit is due 15 days after end of month.  |
| 4. \$2,000 or more per month.                                   | Deposit is due within 3 banking days after the end of quarter-monthly period. Quarter-monthly periods end on the 7th, 15th, 22nd, and last day of any month.                                      |

COLORADO STANDARD DEDUCTION - WITH LOW INCOME ALLOWANCE



10% STANDARD DEDUCTION - CURRENT LAW

SUM OF BASIC ALLOWANCE PLUS ADDITIONAL ALLOWANCE

PHASE OUT OF ADDITIONAL ALLOWANCE

BASIC ALLOWANCE

ADJUSTED GROSS INCOME



**APPENDIX B**  
**ESTIMATED REVENUE AND TAX BURDEN EFFECTS**  
**OF ALTERNATIVE STANDARD INCOME TAX DEDUCTIONS**  
**AND ALTERNATIVE FOOD SALES TAX PROVISIONS**

by

Reuben A. Zubrow  
Department of Economics, University of Colorado  
Boulder, Colorado

and

Harry I. Zeid and Dean C. Coddington  
Bickert, Browne, Coddington & Associates, Inc.  
Denver, Colorado

- Prepared for -

Joint Committee on State and Local Finance  
and  
Colorado Legislative Council

November 1974

STANDARD DEDUCTION AND LOW INCOME ALLOWANCE

CHART I  
PRESENT COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE COMPARED WITH FEDERAL STANDARD  
DEDUCTION AND LOW INCOME ALLOWANCE - 1974

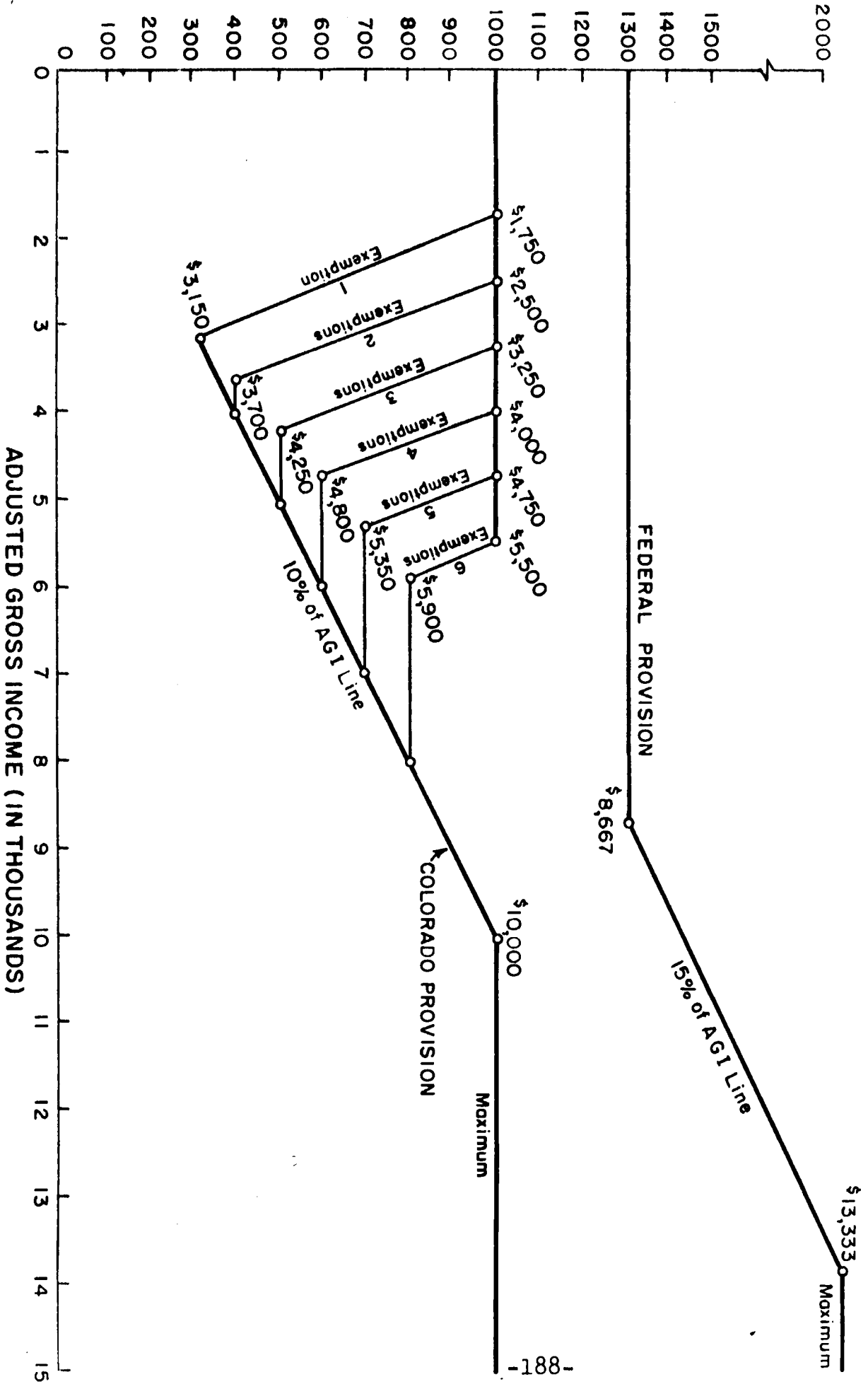


TABLE I. ESTIMATED REVENUE EFFECTS OF ALTERNATIVE STATE STANDARD DEDUCTIONS AND FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1974<sup>a/</sup>

<u>Standard Deduction Alternatives:</u> <sup>b/</sup>	<u>Estimated Revenue Cost (millions)</u>
A. Raise Colorado deduction to federal level of 15% of AGI, maximum \$2,000	\$ 7.6
B. Colorado deduction raised to federal level and <u>combined</u> with federal low income allowance of \$1,300	12.5
C. Split-income provision combined with B above	37.4
 <u>Food Sales Tax Alternatives:</u>	
A. <u>Food exempt from base</u>	\$43.5 <sup>c/</sup>
B. <u>\$7 food tax credit</u>	
(1) All resident households	\$15.5
(2) Households with AGI less than \$25,000	14.3
(3) Households with AGI less than \$15,000	12.1
C. <u>\$14 food tax credit</u>	
(1) All resident households	\$31.0
(2) Households with AGI less than \$25,000	28.6
(3) Households with AGI less than \$15,000	24.2
D. <u>\$21 food tax credit</u>	
(1) All resident households	\$46.1
(2) Households with AGI less than \$25,000	42.9
(3) Households with AGI less than \$15,000	36.3
E. <u>Vanishing food tax credit</u> <sup>d/</sup>	\$30.6

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> See Chart I for value of present federal and state standard deductions and low income allowances.

<sup>c/</sup> Projected value for fiscal year 1974 based on U.S. Department of Labor BLS-CPI food price index.

<sup>d/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000 class; no credit for \$25,000 and over class.

TABLE IIA. COLORADO INCOME TAX BURDENS EXPRESSED AS A PERCENT OF ADJUSTED BROAD INCOME  
 UNDER ALTERNATIVE STANDARD DEDUCTIONS AND LOW INCOME ALLOWANCES --  
 FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes					CTPS Prog. Index
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households	
Percent distribution of households	36%	28%	20%	16%	100%	--
	<u>Tax Burden as Percent of ABI</u>					
Income tax with present standard deduction	<u>.48</u>	<u>1.29</u>	<u>1.71</u>	<u>2.63</u>	<u>1.81</u>	<u>.18<sup>b/</sup></u>
<u>Income tax with standard deduction alternatives:</u>						
A. Raise standard deduction to federal level	.43	1.20	1.62	2.59	1.75	.17
B. Use federal low income allowance combined with federal standard deduction	.21	1.14	1.62	2.59	1.71	.08
C. Introduce split-income provision combined with B above	.21	1.07	1.42	2.24	1.50	.09

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> CTPS progressivity index for federal income tax base on ABI was .16 for Colorado taxpayers.

TABLE IIB. COLORADO SALES TAX BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME  
UNDER ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes				CTPS Prog. Index
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	
Percent distribution of households	36%	28%	20%	16%	100%
					--
	<u>Tax Burden as Percent of ABI</u>				
Basic sales tax (no food exemption or credits)	1.85	1.60	1.53	1.16	1.43
Food sales tax alternatives:					
A. <u>Food exempt from base</u>	1.23	1.13	1.12	.87	1.03
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.47	1.38	1.35	1.06	1.26
(2) Households with AGI less than \$25,000	1.47	1.38	1.35	1.08	1.27
(3) Households with AGI less than \$15,000	1.47	1.38	1.35	1.16	1.30
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.16	1.16	1.16	.96	1.08
(2) Households with AGI less than \$25,000	1.16	1.16	1.16	1.01	1.10
(3) Households with AGI less than \$15,000	1.16	1.16	1.16	1.16	1.16
D. <u>\$21 food tax credit</u>					
(1) All resident households	.81	.94	.98	.87	.91
(2) Households with AGI less than \$25,000	.81	.94	.98	.93	.93
(3) Households with AGI less than \$15,000	.81	.94	.98	1.16	1.02
E. <u>Vanishing credit<sup>b/</sup></u>	.81	1.16	1.16	1.08	1.09

a/ Full year and part-year residents. (Count for 1972 was 808,523.)

b/ Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE III. PRESENT STATE STANDARD DEDUCTION: COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000-\$10,000	\$10,000-\$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	Tax Burden as Percent of ABI				
Income tax with present standard deduction combined with basic sales tax <sup>b/</sup>	2.33	2.89	3.24	3.79	3.24
Present income tax combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.71	2.42	2.83	3.50	2.84
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.95	2.67	3.06	3.69	3.07
(2) Households with AGI less than \$25,000	1.95	2.67	3.06	3.71	3.08
(3) Households with AGI less than \$15,000	1.95	2.67	3.06	3.79	3.11
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.64	2.45	2.87	3.59	2.89
(2) Households with AGI less than \$25,000	1.64	2.45	2.87	3.64	2.91
(3) Households with AGI less than \$15,000	1.64	2.45	2.87	3.79	2.97
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.29	2.23	2.60	3.50	2.72
(2) Households with AGI less than \$25,000	1.29	2.23	2.60	3.56	2.74
(3) Households with AGI less than \$15,000	1.29	2.23	2.60	3.79	2.83
E. <u>Vanishing credit<sup>c/</sup></u>	1.29	2.45	2.87	3.71	2.90

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> Present state income tax combined with sales tax which includes food in base and no food tax credits.

<sup>c/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE IV. STATE STANDARD DEDUCTION RAISED TO CURRENT FEDERAL LEVEL:  
 COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF  
 ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS --  
 FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	Tax Burden as Percent of ABI				
Income tax with present standard deduction combined with a basic sales tax <sup>b/</sup>	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax with raised standard deduction combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.66	2.33	2.74	3.46	2.78
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.90	2.58	2.97	3.65	3.01
(2) Households with AGI less than \$25,000	1.90	2.58	2.97	3.67	3.02
(3) Households with AGI less than \$15,000	1.90	2.58	2.97	3.75	3.05
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.59	2.36	2.78	3.55	2.83
(2) Households with AGI less than \$25,000	1.59	2.36	2.78	3.60	2.85
(3) Households with AGI less than \$15,000	1.59	2.36	2.78	3.75	2.91
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.24	2.14	2.60	3.46	2.66
(2) Households with AGI less than \$25,000	1.24	2.14	2.60	3.52	2.68
(3) Households with AGI less than \$15,000	1.24	2.14	2.60	3.75	2.77
E. <u>Vanishing credit</u> <sup>c/</sup>	1.24	2.36	2.78	3.67	2.84

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> Present state income tax combined with sales tax which includes food in base and no food tax credits.

<sup>c/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE V. COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE  
RAISED TO FEDERAL LEVELS: COMBINED INCOME AND SALES TAX  
BURDENS EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME  
FOR ALTERNATIVE FOOD SALES TAX PROVISIONS -- FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	<u>Tax Burden as Percent of ABI</u>				
Income tax with present standard deduction combined with a basic sales tax <sup>b/</sup>	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax with raised standard deduction and low income allowance combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.44	2.27	2.74	3.46	2.74
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.68	2.52	2.97	3.65	2.97
(2) Households with AGI less than \$25,000	1.68	2.52	2.97	3.67	2.98
(3) Households with AGI less than \$15,000	1.68	2.52	2.97	3.75	3.01
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.37	2.30	2.78	3.55	2.79
(2) Households with AGI less than \$25,000	1.37	2.30	2.78	3.60	2.81
(3) Households with AGI less than \$15,000	1.37	2.30	2.78	3.75	2.87
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.02	2.08	2.60	3.46	2.62
(2) Households with AGI less than \$25,000	1.02	2.08	2.60	3.52	2.64
(3) Households with AGI less than \$15,000	1.02	2.08	2.60	3.75	2.73
E. <u>Vanishing credit</u> <sup>c/</sup>	1.02	2.30	2.78	3.67	2.80

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> Present state income tax combined with sales tax which includes food in base and no food tax credits.

<sup>c/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.



TABLE VI. COLORADO STANDARD DEDUCTION AND LOW INCOME ALLOWANCE  
 RAISED TO FEDERAL LEVELS PLUS SPLIT-INCOME PROVISION:  
 COMBINED INCOME AND SALES TAX BURDENS EXPRESSED AS PERCENT OF  
 ADJUSTED BROAD INCOME FOR ALTERNATIVE FOOD SALES TAX PROVISIONS --  
 FISCAL YEAR 1972<sup>a/</sup>

	Adjusted Gross Income Classes				
	Under \$5,000	\$5,000- \$10,000	\$10,000- \$15,000	\$15,000 and Over	All Households
Percent distribution of households	36%	28%	20%	16%	100%
	<u>Tax Burden as Percent of ABI</u>				
Income tax with present standard deduction combined with a basic sales tax <sup>b/</sup>	<u>2.33</u>	<u>2.89</u>	<u>3.24</u>	<u>3.79</u>	<u>3.24</u>
Income tax raised standard deduction, and low income allowance plus a split-income provision combined with sales tax which has:					
A. <u>Food exempt from base</u>	1.44	2.20	2.54	3.11	2.53
B. <u>\$7 food tax credit</u>					
(1) All resident households	1.68	2.45	2.77	3.30	2.76
(2) Households with AGI less than \$25,000	1.68	2.45	2.77	3.32	2.77
(3) Households with AGI less than \$15,000	1.68	2.45	2.77	3.40	2.80
C. <u>\$14 food tax credit</u>					
(1) All resident households	1.37	2.23	2.58	3.20	2.58
(2) Households with AGI less than \$25,000	1.37	2.23	2.58	3.25	2.60
(3) Households with AGI less than \$15,000	1.37	2.23	2.58	3.40	2.66
D. <u>\$21 food tax credit</u>					
(1) All resident households	1.02	2.01	2.40	3.11	2.41
(2) Households with AGI less than \$25,000	1.02	2.01	2.40	3.17	2.43
(3) Households with AGI less than \$15,000	1.02	2.01	2.40	3.40	2.52
E. <u>Vanishing credit<sup>c/</sup></u>	1.02	2.23	2.58	3.32	2.59

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> Present state income tax combined with sales tax which includes food in base and no food tax credits.

<sup>c/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

TABLE VII. CTPS PROGRESSIVITY INDEX BASED ON ADJUSTED BROAD INCOME  
FOR ALTERNATIVE STATE STANDARD DEDUCTIONS AND FOOD SALES TAX  
PROVISIONS -- FISCAL YEAR 1972<sup>a/</sup>

Income Tax Combined With:	Alternative Standard Deductions			
	Present Standard Deduction	Raised Standard Deduction	Raised Standard Deduction & Low Income Allowance	Raised Standard Deduction and Low Income Allowance Plus Split-Income Provision
<u>Basic Sales Tax</u> <sup>b/</sup>	.62	.61	.55	.61
<u>Sales Tax Alternatives:</u>				
A. <u>Food exempt from base</u>	.49	.48	.42	.46
B. <u>\$7 food tax credit</u>				
(1) All resident households	.53	.52	.46	.51
(2) Households with AGI less than \$25,000	.53	.52	.46	.51
(3) Households with AGI less than \$15,000	.51	.51	.45	.49
C. <u>\$14 food tax credit</u>				
(1) All resident households	.46	.45	.39	.43
(2) Households with AGI less than \$25,000	.45	.44	.38	.42
(3) Households with AGI less than \$15,000	.43	.42	.37	.41
D. <u>\$21 food tax credit</u>				
(1) All resident households	.37	.36	.30	.33
(2) Households with AGI less than \$25,000	.36	.35	.29	.32
(3) Households with AGI less than \$15,000	.34	.33	.27	.30
E. <u>Vanishing credit</u> <sup>c/</sup>	.35	.34	.28	.31

<sup>a/</sup> Full year and part-year residents. (Count for 1972 was 808,523.)

<sup>b/</sup> Present state income tax combined with sales tax which includes food in base and no food tax credits.

<sup>c/</sup> Food tax credits as follows: \$21 for AGI under \$5,000; \$14 for \$5,000 to \$15,000 class; \$7 for \$15,000 to \$25,000; no credit for \$25,000 and over class.

APPENDIX C

MEMORANDUM

TO: Committee on State and Local Finance  
FROM: Ken Bueche, Colorado Muncicipal League  
SUBJECT: Sales Tax Data

Please find attached the following data which you requested:

(1) The total 1973 revenue, 1973 sales tax revenue, and 1973 sales tax revenue expressed as a percent of the total 1973 revenue of those municipalities which indicated on our recent tax survey that they levy a sales tax (by order of descending population). NOTE: On our survey we asked for total revenue, not just the general fund, though some cities still gave us only general fund revenue.

(2) Those municipalities which receive revenue from a countywide sales tax, with that revenue expressed as a percent of their total revenue.

(3) The percent of total sales tax revenue attributable to off-premises food consumption in selected municipalities. NOTE: Most cities contacted knew only what percent of their total sales tax came from food outlets, which would include a certain percent of sundry items (see next table).

(4) Estimates of what percent of total sales tax revenue from food outlets is attributable to food only in given municipalities.

(5) Those municipalities which currently exempt off-premises food consumption from their sales tax.

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Denver	\$124,370,087 <sup>c</sup>	\$41,031,580 <sup>b</sup>	32.9%
Colo. Springs	26,288,186	9,967,867 <sup>a</sup>	37.9%
Aurora	26,193,248	6,367,316 <sup>b</sup>	24.3%
Lakewood	11,481,516	6,230,979	54.2%
Pueblo	19,916,114	6,017,049 <sup>a</sup>	30.2%
Arvada	4,573,464 <sup>c</sup>	1,145,317	25.0%
Boulder	19,637,605	4,240,264	21.5%
Ft. Collins	19,706,635	1,511,471	7.6%
Greeley	6,466,927	1,453,567 <sup>b</sup>	22.4%
Wheat Ridge	2,196,212	727,518	33.1%
Englewood	13,281,897	4,150,501	31.2%
Northglenn	3,427,045	1,368,783	39.9%
Littleton	5,453,565	1,874,901	34.3%
Westminster	2,783,814 <sup>c</sup>	739,176	26.5%
Longmont	11,363,920	1,532,871	13.4%
Thornton	8,746,000	1,552,728	17.7%
Grand Junction	5,834,690	955,352	16.3%
Loveland	1,903,937 <sup>c</sup>	471,202	24.7%
Commerce City	6,904,298	797,286	11.5%
Broomfield	1,618,663	149,830	9.2%
Brighton	1,611,468	238,266	14.7%
Durango	1,999,827	441,077 <sup>b</sup>	22.0%
Federal Heights	732,034	363,026	49.5%
Lamar	768,947	238,070	30.9%
Lafayette	1,137,212	73,960	6.4%
Montrose	2,242,696	422,144	18.8%
Cortez	1,052,741	243,924 <sup>b</sup>	23.0%
Glenwood Springs	940,689	269,672	28.6%
Aspen	4,263,455	594,456	13.9%
Cherry Hills Village	413,335	16,149	3.8%
Gunnison	1,254,673	152,827	12.1%

<sup>a</sup> includes use tax receipts

<sup>c</sup> general fund

<sup>b</sup> sales and use tax receipts not shown separately on CML survey questionnaire

Source: Municipal Taxes in Colorado, CML

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Walsenburg	\$ 353,297	133,234 <sup>c</sup>	37.6%
Evans	210,557	15,736 <sup>a</sup>	7.1%
Manitou Springs	682,316	132,697	19.4%
Greenwood Village	525,864	95,624	18.0%
Steamboat Springs	951,370	264,590 <sup>b</sup>	27.7%
Fort Lupton	132,566	62,300	46.9%
Glendale	1,363,306	771,444	56.5%
Idaho Springs	403,619	126,324	31.2%
Dacono	154,882	1,822	1.1%
Rifle	430,745	62,105 <sup>b</sup>	14.4%
Buena Vista	285,684	43,146	15.1%
Berthoud	320,867	34,797	10.8%
Estes Park	754,923	339,309	44.9%
Fruita	270,540	31,888	11.7%
Woodland Park	670,146	47,200	7.0%
Meeker	223,011	44,480	19.9%
Rangely	203,903	27,210	13.3%
Johnstown	124,073	36,981	29.8%
Carbondale	130,243 <sup>d</sup>	57,986 <sup>d</sup>	44.5%
Lyons	91,806	7,432	8.0%
Ignacio	30,864	12,569	40.7%
Mountain View	65,000	29,000	44.6%
Palisade	200,858	15,572	7.7%
Granby	196,473	85,338	43.4%
Mancos	91,466	10,016	10.9%
Dolores	126,672	11,565	9.1%
Ouray	170,774	41,415	24.2%
La Jara	119,203	18,716	15.7%
Olathe	102,510	7,082	6.9%
Silverton	121,143	30,591	25.2%
Saguache	75,210	5,536	7.3%
Vail	1,474,416	822,882	55.8%
Cripple Creek	145,343	17,389	11.9%
Norwood	41,405	9,975	24.0%

<sup>a</sup> includes use tax receipts

<sup>b</sup> sales and use tax receipts not shown separately on CML survey

<sup>c</sup> countywide & city sales tax

<sup>d</sup> fiscal year 4-1-73 - 3-31-74

Municipality	Total 1973 Revenue	1973 Sales Tax Revenue	% of Total Revenue
Bayfield	\$ 62,614	\$ 8,950	14.2%
Fraser	41,840	11,803	28.2%
Rico	33,185	796	2.3%

COUNTY-WIDE SALES TAX

Municipality	Total 1973 Revenue	1973 County Sales Tax Revenue to Municipality	% of Total Revenue
Aspen	\$4,263,455	\$ 665,419	15.6%
Leadville	340,240	90,426	26.4%
Del Norte	209,163	36,570	17.4%
Breckenridge	574,055	128,514	22.3%
Paonia	161,140	21,831	13.5%
Cedaredge	99,858	10,255	10.2%
Silverthorne	59,146	15,809	26.7%
Frisco	192,377	62,765	32.6%
Dillon	188,290	76,776	40.7%
Crawford	17,651	3,486	19.7%

<u>Municipality</u>	<u>Percent of Total Sales Tax Revenues* Attributable to Off-Premises Food Consumption</u>
Lakewood	20-22% (food outlets, 1973)
Arvada	approx. 65% (food tax revenue equal to 48 mill levy)
Boulder	22.7% (food only, 1974)
Fort Collins	24.9% (food outlets, 1973)
Greeley	20.6% (food outlets, 1974)
Wheat Ridge	32.1% (food outlets, 1973)
Westminster	30.2% (food outlets, 1974)
Longmont	24.3% (food outlets, 1973)
Thornton	30% (food outlets, 1973)
Grand Junction	13.4% (food only, 1973)
Loveland	26.9% (food outlets, 1973)

\* excluding use tax revenues, if any

<u>Municipality</u>	<u>Percent of Total Sales Tax Revenues from Food Outlets Attributable to Food Only (estimates)</u>
Aurora	80%
Boulder	90%
Englewood	83.9%
Grand Junction	65%

Municipalities Exempting Off-Premises Food Consumption from Sales Tax:

Denver

Colorado Springs

Aurora (They estimate that they will lose 19.0% of their projected 1975 total sales tax revenues as a result of their recent exemption of food.)

Pueblo

Englewood (They estimate that if they had taxed food in 1974, it would have comprised 16.9% of their total sales tax revenues.)

Littleton (They tax food at a rate of 1%, versus 3% on other taxable items.)

Commerce City

Edgewater

Greenwood Village



JOHN D. VANDERHOOF  
GOVERNOR  
HUGH H. C. WEED JR.  
EXECUTIVE DIRECTOR

**State of Colorado**  
DEPARTMENT OF REVENUE  
STATE CAPITOL ANNEX  
1375 SHERMAN STREET  
DENVER, COLORADO 80203  
(303) 892-3091

December 10, 1974

MEMORANDUM

TO: Allen Green, Legislative Council

FROM: Hugh H. C. Weed, Jr., Executive Director  
Department of Revenue

SUBJECT: Effect of eliminating State Sales Tax on  
Food while retaining local food sales tax.

ADMINISTRATION

Differences in state and local sales tax laws would create some problems in reporting, auditing and enforcement. The state presently has a low level of auditing and different statutes open greater chances for taxpayer to make inaccurate reports. We will have to add one more line on proposed combined form and development of statistical data may be somewhat complicated.

However, there are offsetting advantages. Approximately 70,000 food sales tax returns and an even greater number of refund warrants will be eliminated. One data processing entry on 1,500,000 returns will be dropped. The fact that many taxpayers will pay small amounts instead of getting a refund may delay filing of these returns.

We estimate that savings will about offset added auditing and enforcement costs. One essential assumption has been made that all local sales tax ordinances which are to be collected by the state will either conform with the state law or a uniform local ordinance.

CIGARETTE TAX

Distribution of the state collected cigarette tax to local government will be affected significantly. Where local sales tax on food is a high percentage of total local sales tax collected, the community will receive a lower proportion of the cigarette tax distribution than before. Denver and other towns where food is a low portion of total tax will increase its share of the cigarette tax revenue.