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# LEGISLATIVE COUNCIL

REPORT TO THE

## COLORADO GENERAL ASSEMBLY

### COLORADO TAX STRUCTURE

- THE PROPERTY TAX
- THE SUCCESSION AND GIFT TAXES
- THE INSURANCE TAXES
- THE SALES AND USE TAXES

RESEARCH PUBLICATION NO. 9-1

1954

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## COLORADO TAX STRUCTURE

THE PROPERTY TAX  
THE SUCCESSION AND GIFT TAXES  
THE INSURANCE TAXES  
THE SALES AND USE TAXES

Colorado Legislative Council  
Research Publication No. 9-1  
1954

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## INTRODUCTION

Under the terms of Senate Joint Resolution No. 22 (Dunklee), 1953 Regular Session, Colorado General Assembly, the Legislative Council has been studying the tax system of Colorado. Inasmuch as this was but one of the several legislative resolutions directing the Council to make a study of major state problems it was necessary to "parcel" the time of the Council's two man staff so as to meet the requirements of each resolution insofar as time would permit, and as a result it has not been possible to survey each of the taxes which make up the Colorado Tax System, nor in some cases to go into as much detail as is desirable. However, it is felt that a substantial start has been made in making available data which will assist interested persons in improving their knowledge and understanding of the "life blood" of Colorado State Government.

The Council presented a report on the "State Fund Structure" (Research Publication No. 1) at the 1954 Regular Session of the General Assembly. This publication set forth the extent of earmarking of revenues collected by the State and identified the specific earmarked revenues as to whether they were statutorily or constitutionally earmarked. It is appropriate at this point to repeat the **CONCLUSIONS** of that report and the **PROGRAM OF ACTION** suggested therein:

### Effect of Earmarking.

The practice of earmarking, both constitutional and statutory, has affected fiscal planning and the control of state revenues to the extent that the General Fund receives only

about one-fifth of the expendable revenues. The following are some of the problems created by the earmarking practice.

- 1) It discourages legislative and public interest and understanding because of the complex picture presented.
- 2) An agency supported by earmarked revenues has little incentive to increase its operating efficiency because its income is assured.
- 3) Expenditures by agencies supported by special revenue funds are not subject to the close control inherent in a comprehensive budget. This is true of both the legislative deliberations and administrative execution of the budget.
- 4) There is not necessarily any relationship between the yield of a particular tax and the cost of carrying on the activity. For instance, both the earmarked property tax levies and institutional earnings do not in themselves provide enough to finance the educational, eleemosynary or penal institutions. Almost all receive additional support in the form of a General Fund appropriation.
- 5) It places the state in the embarrassing financial position where one fund may be issuing anticipation warrants while others contain surpluses.
- 6) It tends to over-emphasize an individual activity or agency of the state government by creating a situation where the extent of financial support is not determined on relative worth or need but by the amount of revenue derived from the earmarked source.

As the policy making body of the state government the General Assembly should have the responsibility to determine what activities are to be undertaken and to what extent they are to be conducted. Under present conditions, with substantial items of revenue already dedicated to particular activities by constitutional provisions, the Legislature is prevented from fulfilling this responsibility. In addition, statutory earmarking has resulted in further hampering the carrying out of this responsibility.

#### A Program for Action -- Statutory Earmarking

Any specific changes in the present fund structure should be based on further study. A program for subsequent analyses leading to remedial action might consist of the following.

- 1) Establishing a policy as to when it is in the public interest to earmark revenues. When such earmarking is deemed desirable, establishing a policy to be applied with consistency in regard to:
  - a) Type of budgetary control
  - b) An overhead charge
  - c) Retention of balances
- 2) Unearmarking all revenues presently dedicated that do not meet policy requirements and placing them in the General Fund.
- 3) Establishing a fiscal code that would contain the following:
  - a) A fund plan
  - b) Appropriating procedures
  - c) Financial transactions procedures

The above action would strengthen the General Assembly's hand in its role as the policy making body of the state. It would also serve as an impetus to remove unsound constitutional earmarking.

The Council has now prepared a factual summary of several of the major sources of state revenue and is including them herein. These are:

The Property Tax  
The Succession and Gift Taxes  
The Insurance Taxes  
The Sales and Use Taxes

In addition, a separate document relating to the Income Tax has been prepared and is available at the office of the Legislative Council.



PART I

THE PROPERTY TAX

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Currently the property tax collected for state purposes is usually earmarked (by statute) ... its approximately \$7 million of revenues ... income for over 6 per cent of the income from all tax sources ...

... the First General Assembly imposed mill levies for the year 1877 ... the proceeds of such levies were statutorily appropriated to the support and maintenance of four institutions, thus becoming the first "earmarked" funds.

As a result of actions by the Thirty-First and Thirty-Second General Assemblies, the amount of \$60,17,100 was levied annually and the expenditures for institutional building purposes, 1866-1887) no general assembly exercised any direction of control over the expenditure of this amount.

Apparently the framers of the constitution intended that the Board of Equalization should operate to preserve equalization of value ... However, the Board of Equalization at the present time is not levying the mill levy for state purposes.

Every institution deriving revenue from the state property tax for operation and maintenance was to have additional support from the General Fund ... In 1887 only 17 percent of such institutions were supported by the General Fund.

The general assembly has no special knowledge of the building  
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Colorado's \$5.34 per capita in state property tax collections  
is 130 per cent more than the \$2.41 per capita which is the average for  
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**PART II**

**SUCCESSION AND GIFT TAXES**

For the 18 years during which Colorado has levied a Succession  
Tax it has received \$19,304,363 in General Fund revenue, and during the  
most recent years this tax, plus the Gift Tax, has accounted for approx-  
imately 7 per cent of the General Fund revenue. 1

The Gift Tax for the 17 year period of its utilization as a source  
of General Fund revenue has produced \$3,158,875. 2

In addition to the amounts cited above, the Succession Tax has  
produced \$3,425,857 for the State Old Age Pension Fund. 2

Colorado is one of three states which administer these taxes  
through the Secretary General's office. 3

Colorado is in the top grouping of states with respect to over-  
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**PART III**

**INSURANCE TAXES**

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Colorado, in common with 37 other states, administers its insurance taxes through a separate insurance department.	7

#### PART IV

#### SALES TAX

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Beginning with January 1, 1937, 85% of all net revenue from sales taxes and any other excise levies in Colorado shall be set aside for the Old Age Pension Fund.	1
Whereas 85 percent of the sales and use tax has been constitutionally dedicated, the remaining 15% has been partially earmarked for the Public Welfare Fund by legislative action.	2
In fiscal 1954 there was a surplus of \$334,572 in the Welfare Administrative Fund; \$254,943 of this amount was placed in the Old Age Pension Fund, \$79,628 in the General Fund.	4
Sales and Use Tax Collections have increased from \$6,897,145 in fiscal 1937 to \$13,738,324 in fiscal 1953.	4
Of the western states, only Utah, Montana, Nevada and Oregon do not impose sales taxes.	5

**PART I**

**THE PROPERTY TAX**

## PROPERTY TAXES

"One of the oldest and most firmly established forms of taxation, as well as a principal source of revenue in every state, is that of ad valorem or property taxation -- taxation imposed upon the ownership of use of property, or upon the property itself, and measured by the value of the property taxed. Such taxes are found in every state and in one state or another reach nearly every form of property which may be the subject of ownership, whether real, tangible, or intangible."<sup>1</sup>

The property tax in Colorado, as in most other states, is used primarily by cities, counties, school districts and special purpose districts as a major source of revenue.<sup>2</sup> However, in Colorado there is also levied a property tax to finance certain specific state activities and building programs. A detailed analysis of the Colorado state property tax is presented later in this report.

It is not the purpose of this presentation to analyze the details of the assessment procedure which is so important in the levy of a property tax, nor to discuss the property tax insofar as the local units of government are concerned. This report is intended merely to set forth briefly the history of the property tax as a source of revenue to the state government and the extent to which it is currently being utilized and for what purposes. In addition, attention is directed to a study entitled "Ad Valorem Taxation in Colorado" prepared in October, 1952, by the Legislative Reference Office. Said study sets forth all statutory provisions

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1. Commerce Clearing House, STATE TAXES.

2. See Table 3

relating to ad valorem taxation by state and local units of government.

THE COLORADO PROPERTY TAX AS A SOURCE OF STATE REVENUE. The Colorado property tax is provided for by Sections 1 to 16, inclusive, of Article X of the Constitution, specifically by Section 11, which as last amended in 1920, reads as follows:

"The rate of taxation on property, for state purposes, shall never exceed four mills on each dollar of valuation; provided, however, that in the discretion of the general assembly an additional levy of not to exceed one mill on each dollar of valuation may from time to time be authorized for the erection of additional buildings at, and for the use, benefit, maintenance, and support of the state educational institutions; provided, further, that the rate of taxation on property for all state purposes, including the additional levy herein provided for, shall never exceed five mills on each dollar of valuation, unless otherwise provided for in this constitution."

Currently the property tax collected for state purposes is entirely earmarked (by statute) for specific expenditure purposes (see Table 1). In the overall tax revenue picture at the state level it is exceeded only by the sales, motor fuel, and income tax as a revenue producer, and its approximately \$7 million of receipts accounts for over 6 per cent of the income from all tax sources (excluding, of course, federal aid, etc.). However, since the property tax was the only source of general tax revenue provided for by the constitution at the time of its adoption, the First General Assembly imposed a levy of five mills on each dollar of taxable

valuation of all property within the state for the year 1877 only, and provided for a levy of three mills for subsequent years, and revenue from this levy provided the major source of general fund income to the state for over fifty years.

To provide for the support of the state institutions, previously established by the territorial government, the First General Assembly imposed the following mill levies for the year 1877 and thereafter:

For the Deaf and Blind School at Colorado Springs	1/5 mill
For the University of Colorado at Boulder	1/5 mill
For the Agricultural College at Fort Collins	1/10 mill
For the School of Mines at Golden	1/10 mill

The proceeds of such levies were statutorily appropriated to the support and maintenance of the above named institutions, thus becoming the first "ear-marked" funds.

In 1879, the Second General Assembly imposed a levy of 1/5 mill on all taxable property in the state for the support of the insane asylum (now the Colorado State Hospital), and appropriated the proceeds from such levy for the support and maintenance of that institution.

In 1881, the Third General Assembly imposed a levy of 1/2 mill for the construction of a state capitol building. Such levy continued, in varying amounts, until such time as the bonds issued to finance the construction were finally liquidated, some thirty years ago.

The Third General Assembly likewise imposed a levy of 1/15 mill on all taxable property within the state for the purpose of employing

"competent cattle inspectors . . . to effectually prevent the illegal slaughtering or shipping of cattle." This levy was the first imposed on all property for the benefit of a minority of the citizens of the state, rather than for the benefit of all citizens generally. It did not meet with unanimous approval by the taxpayers of the state, and provoked the following remarks by the state treasurer in his report for the 1881-1882 biennium:

"Much complaint is made against the payment of the stock inspection tax by people other than stockgrowers (and perhaps justly, too,) on the ground that they are taxed for the handling and protection of an industry in which they have no personal interest, while their own business and property is equally open to theft and destruction with no protection other than that derived from general laws, and their own individual expense. If merchandise is to be taxed for stock police, then stock should be taxed for city police. Taxation of all, for protection of all, is justice to all; but taxation of all, for protection of the few, is justice to none."

In passing it might be noted that fifty-six years later, a tax was imposed "on stock for city police" in the shape of a state property tax levy for municipal policemen's pensions.

In 1891, the Eighth General Assembly imposed a levy of 1/6 mill for the support of the State Normal School at Greeley (now the Colorado State College of Education), and appropriated the proceeds thereof for the support and maintenance of said institution.

Thus by 1891, five educational institutions and the institution for



the care of the insane were being supported by portions of the property tax, without necessity for annual review or appropriations by the General Assembly, aside from occasional appropriations for specific building projects.

Subsequent to 1891, increased levies were imposed for the six institutions above named, and other levies were imposed and appropriated for the support of additional state educational institutions, or adjuncts thereof, the result being that in the year 1953, the following institutions derived a portion of their operating and maintenance costs from the state property tax (see Table 1):

University of Colorado  
University of Colorado School of Medicine and Nurses Training  
Colorado A. & M. College  
Colorado A. & M. Experiment Station  
Fort Lewis A. & M. College  
Colorado School of Mines  
Colorado School of Mines Experiment Station  
Colorado State College of Education  
Western State College  
Adams State College  
School for the Deaf and Blind  
Colorado State Hospital

In 1919, the Twenty-Second General Assembly imposed a levy of 7/100 mill for the military fund (Colorado National Guard) and appropriated the entire proceeds thereof "to the support and maintenance of the state military fund."

In 1927, the Twenty-Sixth General Assembly imposed a levy of 3/100 mill for the support of the State Fair at Pueblo, appropriating the entire proceeds "for the payment of cash premiums for livestock,

industrial, horticultural and agricultural exhibits and the expenses of judges and superintendents of such exhibits, the traveling and actual expenses of the members of said commission, the annual salaries of a manager and caretaker, the maintenance of an office, and for program attractions, repairs, buildings and improvements."

Finally, in 1937, the Thirty-First General Assembly imposed a levy of 2/10 mill on all taxable property in the state, the proceeds being "appropriated to, and shall be divided, in the manner now or hereafter provided by law among the Policemen's Pension Funds."

As the result of the enactment of the sales tax in 1935 and the income tax in 1937, the Thirty-First General Assembly was enabled to divert a portion of the property tax from the general fund, and accordingly, it fixed levies in varying amounts, to be assessed on all taxable property in the state during the ten-year period 1937 to 1946, and appropriated the proceeds of such levies, respectively, to twenty institutions and agencies of the state for building purposes.

Again in 1947, the Thirty-Sixth General Assembly continued similar levies in varying amounts for the years 1947 through 1956, this time for building purposes for twenty-three institutions and agencies (see Table 1).

An analysis of the two 10-year building programs reveals the following:

Total collections, Jan. 1, 1938 to Dec. 31, 1947	\$12,041,197
Total collections, Jan. 1, 1948 to Dec. 31, 1953	11,792,084
Est. collections, Jan. 1, 1954 to Dec. 31, 1957	<u>11,283,857</u>
Total collections over 20-year period	\$35,117,138

As a result of the actions of the Thirty-First and the Thirty-Sixth General Assemblies, the amount of \$35,117,138 was lawfully appropriated; as a practical matter, however, no general assembly exercised any direction or control over the expenditure of this amount, that function being delegated to the governing boards and superintendents of the respective state institutions and agencies, subject to the approval of the State Planning Commission.

It would appear that after the general assembly has imposed a specific levy on property, in the amount of 1/5 mill, or 1/10 mill, or 3/100 mill, the aggregate of all such levies imposed should be the amount assessed against all taxable property in the state and should remain constant from year to year unless amended by legislative action. Such is not the case, however, as is indicated by the levy for state purposes during the past ten years (see Table 2):

1945	3.5000 mills	1950	3.9000 mills
1946	3.4200 mills	1951	3.8578 mills
1947	4.5300 mills	1952	2.7100 mills
1948	4.0000 mills	1953	2.7100 mills
1949	3.8600 mills	1954	2.7000 mills

The detailed breakdown of the state property tax levy for the period 1946-1954 is presented in Table 2. This table also serves to illustrate the part which the State Board of Equalization performs in the setting of the state property tax rate. This board was created by Section 15 of Article X of the constitution. It consists of the governor, auditor, treasurer, attorney general and secretary of state, and its constitutional duty is "to adjust, equalize, raise, or lower the valuation of real and personal

property of the several counties of the state, and the valuation of any item or items of the various classes of such property." Apparently the framers of the constitution intended that this board should operate to preserve equalization of valuations of various classes of property with relation to each other, and to equalize valuations of property as between the several counties of the state; or, in other words, confine itself to a review and determination of assessed valuation. However, with respect to current practices, a significant change was made in 1952 when the General Assembly, in consideration of the increased assessed valuation resulting from the state-wide reappraisal program, passed H.B. 20 (Ch. 56, Session Laws of 1952) providing that "...all tax levies when applied to the total assessed valuation of (1) the state, ...shall be so reduced as to prohibit the levying of a greater amount of revenue than was levied in the preceeding year plus five (5) per cent, except to provide for the payment of bonds and interest thereon..."

Thus, although the General Assembly has at one time set a specific mill levy for each of the purposes for which property taxes are collected, the Board of Equalization at the present time is setting the mill levy for state purposes.

In 1911, the general assembly created the State Tax Commission and transferred to that agency "all (statutory) powers heretofore exercised by the State Board of Equalization" (C. R. S. 1953, 137-6-11). As a consequence, the State Tax Commission now handles all matters involving valuations, both as between various classes of property and between

counties, and the State Board of Equalization usually examines and approves what the State Tax Commission has done; however, the State Board of Equalization still "fixes the rate of tax to be levied and collected for state purposes" (C. R. S. 1953, 137-2-1) in September of each year.

It is worth noting the experience of the most recent years in which the state imposed a property tax levy for General Fund purposes. Chapter 266, House Bill 950, Session Laws, 1947, specified: "There shall be levied and assessed upon all taxable property within this state, both real and personal, in the years 1947 and 1948, in addition to all other levies, two (2) mills on each and every dollar of the assessed valuation of all such taxable property." Nevertheless, and in the absence of subsequent legislative action, the Board of Equalization in 1948 set the levy at 1.47 mills. A review of the minutes of the State Board of Equalization shows that in 1947 the Board set the mill levy for General Fund purposes at 2.0000 mills and cited House Bill 950, 1947 General Assembly, as the authority, but in 1948 the Board (with the same membership) set the mill levy for General Fund purposes at 1.4700 mills and also cited the same House Bill 950, 1947 General Assembly, as the authority for this action. The minutes of the 1948 meeting of the State Board of Equalization wherein the General Fund levy was set at 1.4700 mills contain the following statement relative to their mill levy setting that year:

"After consideration of levies made necessary by legislative action and those (duties) reposing in the Board of

Equalization that the tax levy for the year 1948 for all state purposes be fixed by the State Board of Equalization at four mills and be distributed accordingly to statutory allotment." (The Treasurer is recorded as having voted No.)

This is the same wording used in 1947 when the General Fund levy was set at 2.00 mills and the total state levy was set at 4.53 mills. In 1949, the first year in which there was not a property tax levy for state General Fund purposes, the minutes of the Board of Equalization contain the following remarks which are pertinent to a discussion as to the setting of the state property mill levy:

After setting the state rate at 3.86 mills as against 4.00 mills in 1948 it was stated that "...the foregoing action by the Colorado Board of Equalization completely eliminates the existing 1.47 mill levy now imposed on real and personal property and means that for general fund purposes, the State in 1949 will have drawn entirely from the field of property taxation. The fact that the net decrease in the total 1949 levy is only .14 mills is due to the circumstances that in 1947, the General Assembly by specific legislation which cannot be disturbed by the Board, imposed institutional building levies amounting to 1.33 mills for the next eight years, commencing in 1949. The board of Equalization is of the

opinion, as is indicated by its action, that the increased valuation for 1949 offers an opportunity for a decrease in mill levies, and trusts that wherever possible all tax levying bodies will reduce their levies in proportion to the increase in assessed valuations."

INSTITUTIONAL LEVIES. It was apparently the intention of early general assemblies, by appropriating the entire proceeds from a portion of the property tax to various state institutions for their support and maintenance, to enable those institutions to operate without having to appear before succeeding sessions of the general assembly to plead for funds. A study of past records indicates that such indeed was the case; but the situation has long since changed. Every institution deriving revenue from the state property tax for operation and maintenance now has to have additional appropriations from the general fund. The figures for 1953 illustrate the present situation:

	<u>Receipts From Mill Levy</u>	<u>General Fund Appropriation</u>
University of Colorado	\$ 960,808	\$ 1,485,000
University of Colorado School of Medicine and Nurses Training	184,814	517,500
Colorado A. & M. College	481,285	935,000
Colorado A. & M. College Experiment Station	132,519	226,000
Fort Lewis A. & M. College	90,899	118,958
School of Mines and Experiment Station	324,042	473,000
Colorado State College of Education	483,284	423,000
Western State College	185,629	300,000
Adams State College	92,398	240,000
School for the Deaf and Blind	259,138	30,500
Colorado State Hospital	495,701	5,350,000
Totals:	<u>\$3,690,517</u>	<u>\$10,098,958</u>
Percentages:	27%	73%

The state property tax produced approximately \$7,000,000 in revenue during 1953; no part of the revenue accrues to the General Fund, but on the contrary is allocated to thirty-nine separate purposes by statutes previously enacted, ranging in amount from \$5,200, the smallest, to \$960,000, the largest (see Table 1). Approximately half of the proceeds flow directly from the state treasurer to prescribed institutions and agencies without any review whatsoever by the current general assembly, and the remaining half is given cursory review by the appropriations committees of the general assembly in considering the requests for appropriations of the institutions receiving both mill levy and general fund money. The general assembly has no specific knowledge of the building programs carried on by the various state institutions and agencies from the proceeds of their share of the property tax.

SPECIAL PURPOSE LEVIES. In addition to the state levies referred to above, which are assessed against all property, Colorado has several levies which are assessed against specific types of property. It is not the purpose of this report to analyze these levies, but merely to cite the fact that such special assessments do exist. In comparison with the overall property tax receipts they are not large, approximating \$250,000 in 1954.

These are:

Predatory Animal Fund.

- (a) Levy of one-half mill on each dollar of assessed valuation on all dozens of poultry and on all livestock, except sheep and goats, for Predatory Animal Fund, to carry



out provisions of Secs. 14 and 15, Ch. 73, 1935 CSA.

- (b) Levy of ten mills annually on each dollar of assessed valuation on all sheep and goats, except those in feed lots, for Predatory Animal Fund to carry out provisions of Secs. 14 and 15, Ch. 73, 1935 CSA.

**Metal Mining Fund**

Levy of one-tenth of one per cent upon assessed valuation of all producing and non-producing metaliferous mining property, for Metal Mining Fund.

**Vibrio Research Fund**

Levy of three mills on each dollar of assessed valuation on all sheep and goats in Colorado except those in feed lots, for the Vibrio Research Fund.

THE PROPERTY TAX IN OTHER STATES. Preliminary reports from the United States Department of Commerce indicate that \$379,628,000 in state revenue will be collected in 1954 by the 45 states which utilize this type of tax for state purposes. Table 4 lists the estimated property tax collections for each of the states and the per capita amount. The degree to which the states utilize the property tax for general government purposes is difficult to assess because in some instances the collections shown reflect only the receipts from the "in lieu" method of taxing ownership of motor vehicles and also in some instances only special use is made of the property tax for a particular segment of the economy. A good example is Colorado's own situation. In Table 4, Colorado is shown to have collected

\$7,827,000 from property taxes, whereas in Table 1, the 1953-54 property tax collections from the state mill levy were shown to be \$6,950,626. The difference in these two amounts reflects the \$727,615 in vehicle ownership taxes collected, \$10,077 in aircraft ownership taxes, \$117,061 in special assessments against livestock and poultry to finance specific functions carried on for that segment of the economy, and the balance represents delinquent and interest payments on unpaid taxes. Therefore, the data in Table 4 is not intended to reflect general revenue usage of the property tax in the other states, but is merely presented in order that the reader may gain some indication of total and per capita collections by the state treasuries from property taxation.

It will be noted in Table 4 that two states, Oklahoma and Rhode Island, do not collect any money at the state level from the property tax, seventeen states collect less than \$1.00 per capita from the property tax at the state level, and that the average of all states is \$2.41 per capita. Colorado's \$5.54 per capita is 130 per cent more than this average.

TABLE I  
MILL LEVIES AND PROCEEDS FOR STATE PURPOSES

1952-1954

PURPOSE FOR WHICH TAX IS LEVIED	1954		1953		1952	
	LEVY	PROCEEDS	LEVY	PROCEEDS	LEVY	PROCEEDS
		\$2,697,874,392.00		\$2,564,806,825.00		\$2,471,754,524.00
<b>MAINTENANCE &amp; OPERATION</b>						
State University .....	.36386	\$ 981,648.58	.36521	\$ 936,693.10	.36521	\$ 902,709.47
University Medical and Nurses' Training School.....	.06999	188,824.23	.07025	180,177.68	.07025	173,640.76
Colorado Agricultural and Mechanical College.....	.18227	491,741.57	.18294	469,205.76	.18294	452,182.77
Colorado Agricultural and Mechanical College- Experiment Station .....	.05018	135,379.34	.05037	129,189.32	.05037	124,502.27
Fort Lewis School .....	.03442	92,860.84	.03455	88,614.08	.03455	85,399.12
School of Mines .....	.11141	300,570.19	.11182	286,796.70	.11182	276,391.59
School of Mines - Experiment Station .....	.01131	30,512.96	.01135	29,110.56	.01135	28,054.41
State College of Education .....	.18227	491,741.57	.18294	469,205.76	.18294	452,182.77
Western State College (Gunnison Normal) .....	.07030	189,660.57	.07056	180,972.77	.07056	174,407.00
Adams State College .....	.03499	94,398.63	.03512	90,076.02	.03512	86,808.02
Deaf and Blind .....	.09814	264,769.39	.09850	252,633.47	.09850	243,467.82
Colorado State Hospital .....	.18772	506,444.98	.18842	483,260.90	.18842	465,727.99
Stock Inspection .....	.02332	62,914.43	.02341	60,042.13	.02341	57,863.77
State Fair Tax .....	.02099	56,628.38	.02107	54,040.48	.02107	52,079.87
State Military (National Guard) .....	.04899	132,168.87	.04917	126,111.55	.04917	121,536.17
Police Pensions .....	.13997	377,621.48	.14049	360,329.71	.14049	347,256.79
<b>BUILDING</b>						
Adams State College (Building) .....	.01902	51,313.57	.01909	48,962.16	.01909	47,185.79
Colorado General Hospital (Building) .....	.04057	109,452.76	.04072	104,438.93	.04072	100,649.85
Colorado Psychopathic Hospital (Building) .....	.01521	41,034.67	.01527	39,164.60	.01527	37,743.69
Colorado State Fair Commission (Building) .....	.00761	20,530.82	.00764	19,595.12	.00764	18,884.21
Colorado State Hospital (Building) .....	.27134	732,041.24	.27234	698,499.49	.27234	673,157.63
Department of Public Buildings (Capitol Grounds)(Bldg.) ..	.10827	292,098.86	.10867	278,717.56	.10867	268,605.56
Fort Lewis School (Building) .....	.01775	47,887.27	.01782	45,704.86	.01782	44,046.67
Colorado Agricultural & Mechanical College (Building) ..	.06441	173,770.09	.06465	165,814.76	.06465	159,798.93
State College of Education (Building) .....	.05071	136,809.21	.05090	130,548.67	.05090	125,812.31
State Home & Training School, Grand Junction (Building) ..	.04879	131,629.29	.04897	125,598.59	.04897	121,041.82
State Home & Training School, Ridge (Building) .....	.02536	68,418.09	.02545	65,274.33	.02545	62,906.15
Soldiers' and Sailors' Home (Building) .....	.00507	13,678.22	.00509	13,054.87	.00509	12,581.23
State Military (Building) .....	.00345	9,307.67	.00346	8,874.23	.00346	8,552.27

TABLE NO. I (Continued)

PURPOSE FOR WHICH TAX IS LEVIED	1954 VALUATION \$2,697,874,392.00		1953 VALUATION \$2,564,806,825.00		1952 VALUATION \$2,471,754,524.00	
	LEVY	PROCEEDS	LEVY	PROCEEDS	LEVY	PROCEEDS
BUILDING State Penitentiary (Building) .....	.10143	\$ 273,645.40	.10181	\$ 261,122.98	.10181	\$ 251,649.33
State Reformatory (Building) .....	.02130	57,464.72	.02138	54,835.57	.02138	52,846.11
University of Colorado (Building) .....	.12426	335,237.87	.12472	319,882.71	.12472	308,277.23
Western State College (Building) .....	.02030	54,766.85	.02037	52,245.12	.02037	50,349.64
Workshop for the Blind (Building) .....	.00203	5,476.69	.00204	5,232.21	.00204	5,042.38
School of Mines (Building) .....	.06087	164,219.61	.06109	156,684.05	.06109	150,999.48
Industrial School for Boys (Building) .....	.02536	68,418.09	.02545	65,274.33	.02545	62,906.15
Home for Dependent Children (Building) .....	.01521	41,034.67	.01527	39,164.60	.01527	37,743.69
Industrial School for Girls (Building) .....	.01521	41,034.67	.01527	39,164.60	.01527	34,743.69
School for Deaf and Blind (Building) .....	.00634	17,104.52	.00636	16,312.17	.00636	15,720.36
<b>TOTAL</b>	<b>2.70000</b>	<b>\$7,284,260.86</b>	<b>2.71000</b>	<b>\$6,950,626.50</b>	<b>2.71000</b>	<b>\$6,698,454.76</b>

Source: Controller's Budget Report

TABLE 2

COMPARISON OF STATE PROPERTY TAX RATES <sup>1/</sup>  
BY PURPOSE, BY YEAR, 1946-1954

	PURPOSE FOR WHICH TAX IS LEVIED	1954	1953	1952	1951	1950	1949	1948	1947	1946
MAINTENANCE & OPERATION	General Fund.....	-	-	-	-	-	-	1.47000	2.00000	0.20000
	State University .....	.36386	.36521	.36521	.51989	.51989	.51989	.51989	.51989	.51989
	University Medical and Nurses' Training School .....	.06999	.07025	.07025	.10000	.10000	.10000	.10000	.10000	.10000
	Colorado Agricultural and Mechanical College .....	.18227	.18294	.18294	.26042	.26042	.26042	.26042	.26042	.26042
	Colorado Agricultural and Mechanical College - Experiment Station .....	.05018	.05037	.05037	.07171	.07171	.07171	.07171	.07171	.07171
	Fort Lewis School .....	.03442	.03455	.03455	.04919	.04919	.04919	.04919	.04919	.04919
	School of Mines .....	.11141	.11182	.11182	.15918	.15918	.15918	.15918	.15918	.15918
	School of Mines - Experiment Station .....	.01131	.01135	.01135	.01616	.01616	.01616	.01616	.01616	.01616
	State College of Education .....	.18227	.18294	.18294	.26042	.26042	.26042	.26042	.26042	.26042
	Western State College (Gunnison Normal) .....	.07030	.07056	.07056	.10044	.10044	.10044	.10044	.10044	.10044
	Adams State College .....	.03499	.03512	.03512	.05000	.05000	.05000	.05000	.05000	.05000
	Deaf and Blind .....	.09814	.09850	.09850	.14022	.14022	.14022	.14022	.14022	.14022
	Colorado State Hospital .....	.18772	.18842	.18842	.26822	.26822	.26822	.26822	.26822	.26822
	Stock Inspection .....	.02332	.02341	.02341	.03333	.03333	.03333	.03333	.03333	.03333
	State Fair Tax .....	.02099	.02107	.02107	.03000	.03000	.03000	.03000	.03000	.03000
	State Military (National Guard) .....	.04899	.04917	.04917	.07000	.07000	.07000	.07000	.07000	.07000
	Police Pensions .....	.13997	.14049	.14049	.20000	.20000	.20000	.20000	.20000	.20000
BUILDING	Adams State College (Building) .....	.01902	.01909	.01909	.02717	.02717	.02717	.00271	.00271	.01310
	Colorado General Hospital (Building) .....	.04057	.04072	.04072	.05797	.05797	.05797	.00579	.00579	.01680
	Colorado Psychopathic Hospital (Building) .....	.01521	.01527	.01527	.02174	.02174	.02174	.00217	.00217	.01000
	Colorado State Fair Commission (Building) .....	.00761	.00764	.00764	.01087	.01087	.01087	.00108	.00108	.03000
	Colorado State Hospital (Building) .....	.27134	.27234	.27234	.38768	.38768	.38768	.03876	.03876	.10973
	Department of Public Buildings(Capitol Grounds)(Bldg. ) .....	.10827	.10867	.10867	.15470	.15470	.15470	.01547	.01547	.08000
	Fort Lewis School (Building) .....	.01775	.01782	.01782	.02536	.02536	.02536	.00253	.00253	.00524
	Colorado Agricultural and Mechanical College(Bldg. )..	.06441	.06465	.06465	.09203	.09203	.09203	.00920	.00920	.06040
	State College of Education (Building) .....	.05071	.05090	.05090	.07246	.07246	.07246	.00724	.00724	.08165
	State Home & Training School, Grand Jct. (Bldg. ).....	.04879	.04897	.04897	.06971	.06971	.06971	.00297	.00297	.01720
	State Home & Training School, Ridge (Building) .....	.02536	.02545	.02545	.03623	.03623	.03623	.00362	.00362	.02860
	Soldiers' and Sailors' Home (Building) .....	.00507	.00509	.00509	.00725	.00725	.00725	.00072	.00072	.01000
	State Military (Building) .....	.00345	.00346	.00346	.00493	.00493	.00493	.00049	.00049	.00448
	State Penitentiary (Building) .....	.10143	.10181	.10181	.14493	.14493	.14493	.01449	.01449	.05610
State Reformatory (Building) .....	.02130	.02138	.02138	.03043	.03043	.03043	.00304	.00304	.02000	
University of Colorado (Building) .....	.12426	.12472	.12472	.17754	.17754	.17754	.01775	.01775	.15650	
Western State College (Building) .....	.02030	.02037	.02037	.02899	.02899	.02899	.00289	.00289	.03180	

TABLE 2 (Continued)

PURPOSE FOR WHICH TAX IS LEVIED		1954	1953	1952	1951	1950	1949	1948	1947	1946	
BUILDING	Workshop for the Blind (Building) .....	.00203	.00204	.00204	.00290	.00290	.00290	.00029	.00029	.00200	
	School of Mines (Building) .....	.06087	.06109	.06109	.08696	.08696	.08696	.00869	.00869	.08954	
	Industrial School for Boys (Building) .....	.02536	.02545	.02545	.03623	.03623	.03623	.00362	.00362	-	
	Colorado State Children's Home (Building).....	.01521	.01527	.01527	.02174	.02174	.02174	.00217	.00217	-	
	Industrial School for Girls (Building) .....	.01521	.01527	.01527	.02174	.02174	.02174	.00217	.00217	-	
	School for Deaf and Blind (Building) .....	.00634	.00636	.00636	.00906	.00906	.00906	.00090	.00090	-	
	Interest Funding Bonds - 1910 .....	-	-	-	-	.00979	.00220	.01000	.01206	.01868	
	Sinking Fund Funding Bonds - 1910 .....	-	-	-	-	.03241	-	.04206	.04000	.04900	
	TOTAL		2.70000	2.71000	2.71000	3.85780	3.90000	3.86000	4.00000	4.53000	3.42000

1/ Does not include miscellaneous levies which are not levied against all property. (e.g., Predatory Animal Fund, Vibrio Fund).

TABLE 3

PROPERTY TAXES LEVIED IN COLORADO

The following shows the taxes levied for State, County, Municipal, General School, Special School and Special improvement districts, together with the total of all taxes levied for the above purposes.

Year	State	County	City	General School	Special School	Total Revenue
1930	\$5,710,519	\$10,088,346	\$ 9,353,494	\$5,786,907	\$18,267,450	\$ 49,206,716
1931	5,050,822	8,733,128	8,753,895	5,557,516	16,768,640	44,863,801
1932	4,482,057	7,411,658	7,897,828	5,280,083	14,926,305	39,997,921
1933	3,745,196	7,229,104	7,236,566	4,802,598	13,779,605	36,793,069
1934	3,749,125	7,459,086	7,238,172	4,730,441	13,636,177	36,813,001
1935	3,268,849	7,685,489	7,753,184	4,792,005	13,462,059	36,961,586
1936	3,316,553	8,179,228	7,948,636	4,830,877	13,863,511	38,138,805
1937	5,002,024	8,636,312	8,066,232	4,871,440	14,181,968	40,757,976
1938	4,970,548	8,872,102	7,490,693	4,236,093	14,330,933	40,400,369
1939	4,906,543	7,454,306	10,274,713	4,099,720	15,285,619	42,020,901
1940	4,842,379	7,108,136	10,336,038	3,875,593	15,546,956	41,709,092
1941	4,788,820	7,357,844	10,081,451	3,959,849	15,701,188	41,889,154
1942	4,657,352	7,003,992	10,215,071	3,763,523	16,139,973	41,779,903
1943	4,595,903	6,938,872	10,832,754	3,515,417	16,793,520	42,671,466
1944	4,412,171	6,932,737	11,780,511	3,363,125	17,280,755	43,769,331
1945	4,267,319	10,164,072	10,121,871	3,520,575	19,189,663	47,213,502
1946	4,310,125	11,589,498	10,593,681	3,627,850	22,200,351	52,321,507
1947	6,079,752	13,719,884	11,872,574	3,928,819	26,623,632	62,236,484
1948	5,866,189	15,682,789	12,823,369	4,199,780	31,309,232	69,880,155
1949	6,145,150	18,627,911	13,975,322	4,312,045	35,048,391	78,107,819
1950	6,414,031	18,653,416	14,164,075	4,477,883	37,548,951	81,258,156
1951	6,687,786	19,760,517	15,572,362	4,632,748	43,382,562	90,035,975
1952	6,695,347	20,365,202	15,970,013	6,465,977	48,065,340	97,561,879
1953	6,957,817	24,016,783*	16,582,069	6,700,349	53,843,988	108,100,506*

\*Special Improvement Districts are included in Total County Funds, in the amount of \$1,713,135.

TOTAL ASSESSED VALUATION OF THE STATE FOR THE FOLLOWING YEARS 1870 TO 1953, INCLUSIVE

Year	Total Assessed Valuation State	Year	Total Assessed Valuation State
1870	\$ 16,778,005	1913	1,306,536,692
1871	24,112,078	1914	1,309,559,205
1873	35,582,438	1915	1,249,199,210
1874	44,393,806	1916	1,211,697,278
1875	44,690,933	1917	1,305,286,409
1876	44,130,204	1918	1,422,113,275
1877	43,453,946	1919	1,495,218,659
1878	43,072,648	1920	1,590,267,667
1879	58,315,389	1921	1,578,256,499
1880	73,698,746	1922	1,548,617,879
1881	96,135,305	1923	1,543,589,603
1882	104,440,683	1924	1,540,500,479
1883	110,759,756	1925	1,540,732,487
1884	115,675,014	1926	1,546,830,046
1885	115,420,193	1927	1,565,290,666
1886	124,269,710	1928	1,577,560,380
1887	131,323,634	1929	1,586,919,769
1888	168,812,246	1930	1,586,462,903
1889	198,254,127	1931	1,438,448,065
1890	220,544,064	1932	1,280,563,890
1891	231,405,296	1933	1,099,608,890
1892	236,884,449	1934	1,099,332,563
1893	238,722,417	1935	1,088,350,535
1894	208,905,279	1936	1,105,517,854
1895	202,584,334	1937	1,111,561,006
1896	206,598,561	1938	1,102,040,724
1897	199,324,941	1939	1,114,278,215
1898	192,243,080	1940	1,112,976,408
1899	208,486,692	1941	1,126,781,372
1900	216,776,356	1942	1,161,901,207
1901	465,874,288	1943	1,193,836,023
1902	354,002,501	1944	1,212,134,905
1903	333,156,320	1945	1,219,234,042
1904	342,170,703	1946	1,260,270,716
1905	349,242,363	1947	1,342,108,659
1906	356,244,547	1948	1,466,547,471
1907	367,343,319	1949	1,592,007,699
1908	375,284,970	1950	1,644,623,238
1909	400,803,888	1951	1,733,575,141
1910	414,885,770	1952	2,470,607,866
1911	413,835,450	1953	2,567,276,641
1912	422,722,713		

Source: Colorado Tax Commission

TABLE 4

## PROPERTY TAX COLLECTIONS BY STATE - 1954

STATE	Per Capita	Total (000) omitted	STATE	Per Capita	Total (000) omitted
Total.....	\$ 2.41	\$379,628			
Alabama .....	2.94	9,161	Nebraska .....	\$13.33	\$ 17,953
Arizona .....	11.80	10,976	Nevada .....	13.28	2,735
Arkansas .....	.15	286	New Hampshire	2.85	1,501
California .....	6.53	79,585	New Jersey ...	.73	3,747
Colorado .....	5.54	7,827	New Mexico...	5.70	4,319
Connecticut .....	.09	204	New York .....	.15	2,341
Delaware .....	3.70	<sup>1/</sup> 1,325	No. Carolina...	1.40	5,852
Florida .....	1.85	6,196	No. Dakota ...	5.26	3,267
Georgia .....	.31	1,114	Ohio .....	2.51	20,995
Idaho .....	3.84	2,316	Oklahoma .....	-	-
Illinois .....	.04	335	Oregon .....	.01	20
Indiana .....	3.49	14,446	Pennsylvania ..	.14	1,480
Iowa .....	.05	130	Rhode Island ..	-	-
Kansas .....	4.20	8,429	So. Carolina ..	.85	1,859
Kentucky .....	4.06	12,024	So. Dakota ...	.17	111
Louisiana .....	3.70	10,660	Tennessee .....	.01	<sup>2/</sup> 25
Maine .....	.97	883	Texas .....	3.17	26,296
Maryland .....	2.47	6,266	Utah .....	5.25	3,856
Massachusetts ...	.05	227	Vermont .....	.93	349
Michigan .....	4.76	32,622	Virginia .....	3.09	10,954
Minnesota .....	4.15	12,669	Washington....	6.31	15,633
Mississippi .....	.70	1,525	West Virginia..	.14	262
Missouri .....	1.93	7,890	Wisconsin.....	5.65	19,869
Montana .....	6.90	4,237	Wyoming.....	15.92	4,871

<sup>1/</sup> Tax for Board Unit Schools.

<sup>2/</sup> Back taxes only; not counted with "Number of States using tax."

Definition: PROPERTY TAXES. -- Taxes conditioned on ownership of property and measured by its value. Includes general property taxes relating to property as a whole, real and personal, tangible or intangible, whether taxed at a single rate or at classified rates; and taxes on selected types of property, such as motor vehicles or certain or all intangibles.

Source: State Tax Collections, 1954 Bureau of Census.



TABLE 3

PROPERTY TAXES LEVIED IN COLORADO

The following shows the taxes levied for State, County, Municipal, General School, Special School and Special improvement districts, together with the total of all taxes levied for the above purposes.

Year	State	County	City	General School	Special School	Total Revenue
1930	\$5,710,519	\$10,088,346	\$ 9,353,494	\$5,786,907	\$18,267,450	\$ 49,206,716
1931	5,050,622	8,733,128	8,753,895	5,557,516	16,768,640	44,863,801
1932	4,482,057	7,411,658	7,897,828	5,280,083	14,926,305	39,997,921
1933	3,745,196	7,229,104	7,236,566	4,802,598	13,779,605	36,793,069
1934	3,749,125	7,459,086	7,238,172	4,730,441	13,636,177	36,813,001
1935	3,268,849	7,685,489	7,753,184	4,792,005	13,462,059	36,913,586
1936	3,316,553	8,179,228	7,948,636	4,830,877	13,863,511	38,138,805
1937	5,002,034	8,636,312	8,066,232	4,871,440	14,181,968	40,757,976
1938	4,970,548	8,872,102	7,490,693	4,236,093	14,880,933	40,400,369
1939	4,906,548	7,454,306	10,274,713	4,099,720	15,285,619	42,020,901
1940	4,842,379	7,108,136	10,336,038	3,875,593	15,546,956	41,709,092
1941	4,788,820	7,357,844	10,081,451	3,959,849	15,701,188	41,889,154
1942	4,657,352	7,003,992	10,215,071	3,763,523	16,139,973	41,779,903
1943	4,595,903	6,933,872	10,882,754	3,615,417	16,793,520	42,671,466
1944	4,412,171	6,932,737	11,780,511	3,363,125	17,280,785	43,769,331
1945	4,267,319	10,164,072	10,121,871	3,520,575	19,139,663	47,213,502
1946	4,310,125	11,589,498	10,593,681	3,627,850	22,200,351	52,321,507
1947	6,079,752	13,719,894	11,872,574	3,928,819	26,623,632	62,236,484
1948	5,866,189	15,682,789	12,823,369	4,169,780	31,809,232	69,880,155
1949	6,145,150	18,627,911	13,979,322	4,312,045	35,043,391	78,107,819
1950	6,414,031	18,653,416	14,164,075	4,477,683	37,548,951	81,258,156
1951	6,687,786	19,760,517	15,572,362	4,632,748	43,382,562	90,035,975
1952	6,695,347	20,365,202	15,970,013	6,455,977	48,065,340	97,561,879
1953	6,957,317	24,016,783*	16,582,069	6,700,349	53,843,988	108,100,506*

\*Special Improvement Districts are included in Total County Funds, in the amount of \$1,713,135.

TOTAL ASSESSED VALUATION OF THE STATE FOR THE FOLLOWING YEARS 1870 TO 1953, INCLUSIVE

Total Assessed Valuation		Total Assessed Valuation	
Year	State	Year	State
1870	\$ 16,778,005	1913	1,306,536,892
1871	24,112,078	1914	1,309,559,205
1873	35,582,438	1915	1,249,199,210
1874	44,393,806	1916	1,211,697,278
1875	44,690,933	1917	1,305,286,409
1876	44,130,204	1918	1,422,113,275
1877	43,453,946	1919	1,495,213,659
1878	43,072,648	1920	1,590,267,667
1879	58,315,389	1921	1,578,256,499
1880	73,698,746	1922	1,548,617,879
1881	96,135,305	1923	1,543,589,603
1882	104,440,683	1924	1,540,500,479
1883	110,759,756	1925	1,540,732,487
1884	115,675,014	1926	1,546,830,046
1885	115,420,193	1927	1,565,290,666
1886	124,269,710	1928	1,577,560,380
1887	131,323,684	1929	1,586,919,769
1888	168,812,246	1930	1,586,462,903
1889	193,254,127	1931	1,438,448,065
1890	220,544,064	1932	1,280,563,890
1891	231,406,296	1933	1,099,603,890
1892	236,884,449	1934	1,099,332,563
1893	238,722,417	1935	1,088,350,535
1894	208,905,279	1936	1,105,517,854
1895	202,584,334	1937	1,111,561,006
1896	206,598,561	1938	1,102,040,724
1897	199,324,941	1939	1,114,278,215
1898	192,243,080	1940	1,112,976,408
1899	203,486,692	1941	1,126,781,372
1900	216,776,356	1942	1,161,901,207
1901	465,874,288	1943	1,193,836,028
1902	354,002,501	1944	1,212,134,905
1903	333,156,320	1945	1,219,234,042
1904	342,170,703	1946	1,260,270,716
1905	349,242,363	1947	1,342,108,659
1906	356,244,547	1948	1,466,547,471
1907	367,343,319	1949	1,592,007,699
1908	375,284,970	1950	1,644,623,238
1909	400,803,888	1951	1,733,575,141
1910	414,885,770	1952	2,470,607,866
1911	418,835,450	1953	2,567,275,641
1912	422,722,713		

Source: Colorado Tax Commission

TABLE 4

## PROPERTY TAX COLLECTIONS BY STATE - 1954

STATE	Per Capita	Total (000) omitted	STATE	Per Capita	Total (000) omitted
Total.....	\$ 2.41	\$379,628			
Alabama .....	2.94	9,161	Nebraska .....	\$13.33	\$ 17,953
Arizona .....	11.80	10,976	Nevada .....	13.28	2,735
Arkansas .....	.15	286	New Hampshire .....	2.85	1,501
California .....	6.53	79,585	New Jersey ...	.73	3,747
Colorado .....	5.54	7,827	New Mexico ...	5.70	4,319
Connecticut .....	.09	204	New York .....	.15	2,341
Delaware ..	3.70	<sup>1/</sup> 1,325	No. Carolina ...	1.40	5,852
Florida .....	1.85	6,196	No. Dakota ...	5.26	3,267
Georgia .....	.31	1,114	Ohio .....	2.51	20,995
Idaho .....	3.84	2,316	Oklahoma .....	-	-
Illinois .....	.04	335	Oregon .....	.01	20
Indiana .....	3.49	14,446	Pennsylvania ..	.14	1,480
Iowa .....	.05	130	Rhode Island ..	-	-
Kansas .....	4.20	8,429	So. Carolina ..	.85	1,859
Kentucky .....	4.06	12,024	So. Dakota ...	.17	111
Louisiana .....	3.70	10,660	Tennessee .....	.01	<sup>2/</sup> 25
Maine .....	.97	883	Texas .....	3.17	26,296
Maryland .....	2.47	6,266	Utah .....	5.25	3,856
Massachusetts ...	.05	227	Vermont .....	.93	349
Michigan .....	4.76	32,622	Virginia .....	3.09	10,954
Minnesota .....	4.15	12,669	Washington....	6.31	15,633
Mississippi .....	.70	1,525	West Virginia..	.14	262
Missouri .....	1.93	7,890	Wisconsin.....	5.65	19,869
Montana .....	6.90	4,237	Wyoming.....	15.92	4,871

<sup>1/</sup> Tax for Board Unit Schools.

<sup>2/</sup> Back taxes only; not counted with "Number of States using tax."

Definition: PROPERTY TAXES. -- Taxes conditioned on ownership of property and measured by its value. Includes general property taxes relating to property as a whole, real and personal, tangible or intangible, whether taxed at a single rate or at classified rates; and taxes on selected types of property, such as motor vehicles or certain or all intangibles.

Source: State Tax Collections, 1954 Bureau of Census.

PART II

THE SUCCESSION AND GIFT TAXES

## SUCCESSION AND GIFT TAXES IN COLORADO

The Thirteenth General Assembly in the 1901 Revenue Act first imposed an inheritance tax when it included in said revenue act a provision that:

"All property, real, personal and mixed, which shall pass by will or the intestate laws of this state from any person who may die. . . which shall be transferred by deed, grant, sale or gift made in contemplation of death. . . shall be, and is subject to a tax at the rate hereinafter specified to be paid to the Treasurer of the proper county for the use of the state. . ."

On April 5, 1901 this measure was approved and thus began the history of the Colorado Inheritance and Succession Tax Law.

The statutory provisions relating to this tax have been amended at practically every general session since that time. Included in such changes were the amendment of 1913 when the Nineteenth General Assembly passed a separate law "Imposing an Inheritance Tax" and established this tax separate and apart from the general statutory revenue act. In 1927, there was imposed an "Additional Tax to Take Advantage of the Credit Allowed on Federal Estate Tax," and in 1933, Chapter 145 (Session Laws, 1933) was enacted which provided for "ten per cent (10%) additional upon the amount of any tax payable under the provisions of the inheritance tax laws of this State." This additional levy was to be paid into the Pension Fund of the County, and in April, 1936, it became payable into the state Old Age Pension Fund.

For the 53 years during which Colorado has levied Inheritance taxes it has received \$43,536,582, and during the most recent years this tax, plus the Gift Tax, has accounted for approximately 9 per cent of the General

Fund Revenue. Receipts from these two sources currently amount to approximately \$2.5 to \$3.0 million annually.

Colorado, in 1937, enacted House Bill 662, AN ACT IMPOSING A TAX UPON THE TRANSFER OF PROPERTY BY GIFT AND PROVIDING FOR THE COLLECTION THEREOF, Chapter 161, Session Laws, 1937. It provided for four classes of donees, based upon relationship to the donor, and exemptions and rates of taxation to be applied. This law has been amended from time to time subsequent to 1937. The Gift Tax for the 17 year period of its utilization as a source of General Fund Revenue has produced \$2,158,875.

In addition to the amounts cited above the Inheritance Tax has produced \$2,623,857 for the state Old Age Pension Fund, for the period April, 1936 through June, 1954, with current receipts approximating a quarter of a million dollars per year. The year to year breakdown of the collections cited above is presented in Tables 1, 2 and 3 of this text.

Administrative procedures and costs are always an important consideration when discussing a form of taxation. In Colorado, the Inheritance and Gift Taxes are administered by the Office of the Attorney General through the Inheritance Tax Division, with the actual collection being handled by the Department of Revenue. On the basis of information reported by Commerce Clearing House in its "State Tax Guide," only two other states, Illinois and New Hampshire, administer the Inheritance tax through the office of the Attorney General. Twenty-five states administer this tax through a Department or Commissioner of Revenue or a similar tax collecting agency, six states use the Tax Commission, two an Estate or

Inheritance Tax Collector and the remainder call upon various and sundry agencies to administer the death tax program (see Table 7).

The annual cost for the last six years of the Colorado Inheritance Tax Division of the Office of the Attorney General is listed in Table 4. These data show that the cost of administering this tax for the period 1949-54 has ranged from 2.2 to 2.8 per cent of the total amount collected. This compares as follows with the cost of collection by the Colorado Department of Revenue of several other major taxes:

ADMINISTRATION: COST PER \$100 COLLECTED, BY TAX SOURCE  
FISCAL YEARS ENDED JUNE 30, 1950-1953  
(Source: Dept. of Revenue)

<u>Tax</u>	Cost per \$100 of Collections			
	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>
Sales and Use . . . . .	\$ 1.24	\$ 1.25	\$ 1.22	\$ 1.31
Sales . . . . .	1.16	1.17	1.13	1.20
Use . . . . .	2.48	2.45	2.72	3.23
Income . . . . .	3.30	2.67	2.43	2.49
Motor Fuel . . . . .	.38	.41	.40	.40
Motor Vehicle:				
Registration . . . . .	4.16	3.70	5.04	5.38
Aircraft . . . . .	38.61	18.25	67.52	132.23
Auto Title . . . . .	91.17	102.25	147.62	123.51
Miscellaneous . . . . .	27.56	24.80	23.50	24.07
Operators & Chauffeurs . . . . .	97.18	62.63	75.89	71.75
Store License . . . . .	24.24	24.19	23.92	23.66
Unfair Practice Act . . . . .	<u>52.61</u>	<u>56.56</u>	<u>63.53</u>	<u>62.40</u>
Total. . . . .	2.13	1.99	1.93	1.99

SUCCESSION AND GIFT TAX COLLECTIONS -- COLORADO AND OTHER STATES

Table 5 lists all of the states by the type of succession tax levied, and Table 6 sets forth for each of the 47 states which levy succession and gift taxes

the total and per capita collections from these sources for the fiscal year 1953-54, and the per capita collections for the fiscal years 1940-41, 1943-44 and 1948-49. These data are presented for the purpose of providing an indication as to the general position of Colorado in the nation with respect to succession and gift tax collections. It should be emphasized that this is but one tax in the complex tax structure of each state, and specific conclusions are difficult to assess. However, it will be noted that for the year 1953-54, Colorado with its collection of \$2,715,000 had a per capita collection of \$1.93. This placed Colorado 14th in the per capita collections, and in 1948-49 with a per capita collection of \$1.52, Colorado ranked 11th, in 1943-44 with a per capita collection of \$1.24 she ranked 9th, and in 1940-41 Colorado's \$1.01 ranked 11th in the per capita collections in state succession and gift taxes.

In evaluating the data presented in Table 6 it must be emphasized that of the 48 states only 12 levy a gift tax and one state levies neither a succession nor a gift tax. Table 7 provides a state by state listing of the exemptions and rates which apply to selected categories of heirs in the succession tax laws. In addition, there is listed in the case of the spouse or child, the size of the first bracket of taxation and the level to which the top rate of taxation applies. Table 8 lists the states which impose the Estate type of succession tax and presents the rates, exemption and amount above which the maximum rate applies. Table 9 applies to the 12 states which impose a Gift Tax and provides pertinent data for selected categories of donees.

Due to the highly technical nature of succession and gift taxes resulting from complex definitions of heirs, lines of succession and descriptions of taxable property all of which vary from state to state, it is not feasible to evaluate the Colorado succession and gift taxes as compared with other states. However, the data in Table 6 can serve as an indication that Colorado is in the top grouping of states with respect to overall tax collections from succession and gift taxes.

### SUCCESSION AND GIFT TAXATION, GENERAL

Inheritance, Estate and Gift Taxes, as pointed out in preceding pages, have come into some prominence in the tax picture of both state and federal levels of government. Only the State of Nevada fails to impose any one of these three taxes; all other states impose the inheritance and/or estate taxes, and twelve states, including Colorado, also impose a gift tax.<sup>1</sup>

"An inheritance tax, strictly speaking, is a tax on the right to receive. It is measured by the share of the estate going to each particular beneficiary, and varies in most states according to the relationship of the beneficiary to the decedent. An estate tax, on the other hand, is a tax on the right to transmit the property from the decedent's estate to the living. It does not matter who the beneficiary may be.

"The various forms of estate and inheritance taxation may be defined in general terms as taxes levied on the transmission of property at death, or on the transmission of property in which the occasion of the transfer is so closely related to the death of the decedent that it comes within the general scope of such taxation. Since the tax is on the transfer and not on the property itself, it is not a property tax, and, accordingly, is not a direct tax. Therefore, it escapes those limitations which apply to property or direct taxes. So far as the power to levy the tax is

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1. For a listing of states and form of succession tax, and those with a gift tax, see Table 5.



concerned, the right of a state rests on its inherent sovereign powers to levy a tax.

"The estate tax is employed in the federal statute and, in addition, a number of states, including Alabama, New York and Florida, use only the estate tax system. Many other states impose in some form an estate tax but this is largely supplemental to their basic inheritance tax and has been employed generally for the purpose of absorbing the 80% credit under the federal statute.

"In the estate tax the tax is measured on the net estate before it is distributed or divided among the beneficiaries. Under the inheritance or succession tax as commonly employed, the beneficiaries are separated into classes according to the degree of relationship and different rates and exemptions are applied to the different classes, so that a separate tax is imposed upon each individual share of the estate left by the decedent which may be greater if the relationship differs, even though the exact amount received is the same.

"Estate and inheritance taxes are special taxes, and, therefore, are to be strictly construed in favor of the taxpayer and against the state seeking to collect the tax. If the law is susceptible of prospective or retroactive construction in the absence of clear intent to the contrary, it will be held prospective. Retroactive death taxes are ordinarily held invalid as invading vested rights.

"The U. S. Supreme Court has upheld the validity of state statutes in a number of cases. Constitutional justification of inheritance or estate taxes imposed by state laws is based not alone on the power of the state to regulate, if not to prohibit, devolutions of property upon death, but on the broader foundation of the power of the state to tax. The leading case sustaining the basic principle of inheritance and estate taxation as imposed by state laws is *MAGOUN v ILLINOIS TRUST & SAVINGS BANK* (1928), 170 U.S. 283, 18 S. Ct. 594."<sup>2</sup>

In *Magoun v Illinois* the validity of the Illinois act (of which Colorado's is substantially a copy) was based upon two factors:

- 1) An inheritance tax is not one on property, but on succession.
- 2) The right to take property by devise or descent is a creature of

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2. Commerce Clearing House, STATE TAX GUIDE.

the law and not a natural right, and therefore the authority which confers it may impose conditions upon it.

The principal case which specifically upholds the Colorado Inheritance Tax as a principle of law is *Brown v Elder*, ('04), 32 Colo. 527, 77 Pac. 853.

With respect to Gift Taxes, it may be wondered why they are considered in conjunction with a discussion of inheritance and estate taxation, or the so-called death taxes. It is simply because that the obvious method of avoiding death taxes was to transfer the property prior to death, and it was in an effort to close this obvious "loophole" that the gift tax was imposed. As stated above, the Federal Government and eleven states in addition to Colorado impose such a tax.

Gifts may be made inter vivos (between living persons), causa mortis (deathbed gifts), gifts made at death, or in contemplation of death. It is the inter vivos which are particularly difficult in the consideration of the tax on transfer of property. The latter two types of gifts are generally covered in the death tax provisions.

TABLE 1

INCOME TO STATE GENERAL FUND -- INHERITANCE  
AND SUCCESSION TAX -- 1901-1954 (FISCAL YEARS)

<u>ANNUAL</u>		<u>BIENNIAL</u>	
1953-54	\$ 2,013,515.24	1930-32	\$ 1,772,299.51
1952-53	2,828,781.10	1928-30	1,387,889.65
1951-52	2,360,411.63	1926-28	1,544,098.08
1950-51	2,019,532.02	1924-26	1,763,305.55
1949-50	1,661,469.46	1922-24	1,568,197.85
1948-49	1,709,318.39	1920-22	1,013,180.00
1947-48	1,900,326.33	1918-20	1,294,305.81
1946-47	1,350,527.88	1916-18	661,274.29
1945-46	2,292,584.84	1914-16	1,069,463.02
1944-45	1,059,318.45	1912-14	446,502.94
1943-44	1,309,355.50	1910-12	399,797.35
1942-43	1,360,997.73	1908-10	213,000.00
1941-42	809,748.46	1906-08	432,699.53
1940-41	905,353.25	1904-06	97,292.80
1939-40	1,025,000.00	1902-04	11,921.20
1938-39	825,398.88	1901-02 <sup>1</sup>	539.77
1937-38	1,061,973.40		
1936-37	936,493.14		
1935-36	715,648.29		
1934-35	169,320.87		
1933-34	1,119,077.82		
1932-33	426,661.75		

Total Entire Period: \$43,536,581.78

1. Inheritance taxation first applied in 1901.

Source: State Treasurer's Reports

TABLE 2

GIFT TAX TO GENERAL FUND  
Fiscal Years 1937-1954<sup>1</sup>

1953-54	\$ 419,479.95
1952-53	110,416.22
1951-52	101,913.58
1950-51	195,278.15
1949-50	54,532.02
1948-49	76,333.41
1947-48	127,534.69
1946-47	78,481.94
1945-46	177,242.99
1944-45	51,338.91
1943-44	27,450.91
1942-43	116,916.14
1941-42	279,474.38
1940-41	129,244.57
1939-40	34,165.73
1938-39	81,210.66
1937-38	97,860.36
	<hr/>
	\$ 2,158,874.61

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1. Gift Tax became effective August 4, 1937

Source: State Treasurer's Reports

TABLE 3

INCOME TO THE OLD AGE PENSION FUND FROM INHERITANCE TAX  
Fiscal Years 1936-1954<sup>1</sup>

<u>Fiscal Year</u>	<u>Amount</u>
1953-54	\$ 281,848.64
1952-53	219,189.32
1951-52	187,110.68
1950-51	236,191.96
1949-50	192,158.84
1948-49	116,562.86
1947-48	186,612.75
1946-47	132,807.02
1945-46	176,652.76
1944-45	163,859.78
1943-44	84,890.00
1942-43	64,893.13
1941-42	84,458.80
1940-41	112,542.23
1939-40	136,213.48
1938-39	74,325.38
1937-38	94,117.79
1936-37	79,421.20
	<hr/>
	\$ 2,623,856.62

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1. Effective April 1, 1936

Source: State Department of Public Welfare

TABLE 4

ADMINISTRATIVE COSTS -- DIVISION OF INHERITANCE (AND GIFT) TAX  
1949-50 -- 1954-55

<u>Fiscal Year</u>	<u>Personal Services</u> <sup>1</sup>	<u>Maintenance and Operation</u>	<u>Capital Outlay</u>	<u>State's Share to Retirement</u>	<u>Total</u>	<u>% of Total Death &amp; Gift Tax Collections</u> <sup>3</sup>
1954-55 <sup>2</sup>	\$79,329	\$ 9,500	\$ 1,500	\$ 2,814	\$93,143	---
1953-54	66,875	6,507	1,408	1,937	76,727	2.8
1952-53	61,231	5,577	1,315	1,802	69,925	2.2
1951-52	53,812	5,724	1,136	1,321	61,993	2.3
1950-51	46,858	5,012	585	1,159	53,614	2.2
1949-50	45,765	4,705	363	1,200	52,033	2.7

1. "Personal Services" includes fees, averaging about \$7,500 per year, paid to "box" examiners (approximately 77 appointed throughout the state) and to other extra help.

2. Budgeted.

3. Includes the 10% into the Old Age Pension Fund.

Source: Division of Inheritance Tax

TABLE 5

STATES LISTED BY TYPE OF TAX LEVIED

<u>Inheritance and Succession (Estate)</u>	<u>Inheritance</u>	<u>Estate</u>	<u>None</u>
*California	Idaho	Alabama	**Nevada
*Colorado	*Oregon	Arizona	Total: 1
Connecticut	South Dakota	Arkansas	
Delaware	West Virginia	Florida	
District of Columbia	Total: 4	Georgia	
Illinois		Mississippi	
Indiana		New York	
Iowa		North Dakota	
Kansas		*Oklahoma	
Kentucky		Utah	
*Louisiana		Total: 10	
Maine			
Massachusetts			
Michigan			
*Minnesota			
Missouri			
Montana			
Nebraska			
New Hampshire			
New Jersey			
New Mexico			
*North Carolina			
Ohio			
Pennsylvania			
*Rhode Island			
South Carolina			
*Tennessee			
Texas			
Vermont			
*Virginia			
*Washington			
*Wisconsin			
Wyoming			
Total: 34			

\*States also imposing Gift Tax.

\*\*Nevada repealed its inheritance tax in 1925. In 1942 there was passed a constitutional amendment prohibiting inheritance or estate taxes.

Source: STATE TAX GUIDE, Commerce Clearing House, Inc. (current).

TABLE 6

SUCCESSION AND GIFT TAXES, BY STATES  
TOTAL AND PER CAPITA 1953-54  
PER CAPITA 1940-41, 1943-44, 1948-49

State	1953 - 54		1948-49	1943-44	1940-41
	Total Collections	Per Capita Collections			
Connecticut	\$ 9,517,000	\$ 4.40	\$ 3.13	\$ 2.28	\$ 3.32
Delaware <sup>1</sup>	1,482,000	4.38	2.39	.95	1.00
Pennsylvania	35,816,000	3.36	2.39	1.75	1.69
Massachusetts	14,383,000	2.94	2.36	1.72	1.95
Rhode Island <sup>2</sup>	2,201,000	2.69	1.90	2.25	1.32
Washington <sup>2</sup>	6,252,000	2.52	1.40	.82	.79
New Jersey	11,909,000	2.32	1.88	2.91	1.25
New Hampshire	1,215,000	2.31	2.15	1.73	1.20
Wisconsin <sup>2</sup>	7,529,000	2.14	1.60	.84	1.43
Oregon <sup>2</sup>	3,404,000	2.12	1.01	1.12	.58
California <sup>2</sup>	25,532,000	2.09	2.16	1.23	1.71
Maine	1,898,000	2.08	1.39	.95	.66
Iowa	5,157,000	1.98	1.21	.73	.63
COLORADO <sup>2</sup>	2,715,000	1.93	1.52	1.24	1.01
New York	29,250,000	1.92	1.92	1.48	2.06
Montana	1,141,000	1.86	.86	2.11	.32
Vermont	606,000	1.61	.97	.60	.73
Michigan	10,630,000	1.55	1.37	.54	.79
Oklahoma <sup>2</sup>	3,342,000	1.48	.70	.36	.29
Maryland	3,713,000	1.46	1.21	.97	1.12
Illinois	12,191,000	1.35	.97	.71	.54
Minnesota <sup>2</sup>	4,073,000	1.33	.77	.61	.33
Kansas	2,271,000	1.13	.50	.30	.24
Missouri	4,574,000	1.12	.84	.45	.40
North Carolina <sup>2</sup>	4,568,000	1.09	.65	.28	.54
Tennessee <sup>2</sup>	3,198,000	.96	.73	.33	.34
West Virginia	1,854,000	.96	.57	.24	.87
Kentucky	2,798,000	.94	.73	.55	.50
Indiana	3,775,000	.91	.69	.38	.37
Wyoming	261,000	.85	.23	.18	.30

(Continued on next page)



TABLE 6 (Continued)

SUCCESSION AND GIFT TAXES, BY STATES  
TOTAL AND PER CAPITA 1953-54  
PER CAPITA 1940-41, 1943-44, 1948-49

State	1953-54		1948-49	1943-44	1940-41
	Total Collections	Per Capita Collections			
South Dakota	547,000	.83	.71	.14	.10
Ohio	6,650,000	.79	.53	.63	.39
Texas	6,394,000	.77	.55	.25	.16
Louisiana <sup>2</sup>	2,153,000	.75	.62	.31	.37
Utah	494,000	.67	.64	.35	.41
Florida	2,090,000	.62	.58	.69	.50
Virginia <sup>2</sup>	2,005,000	.57	.44	.25	.31
Idaho	280,000	.46	.35	.16	.14
South Carolina	738,000	.34	.37	.11	.17
New Mexico	226,000	.30	.37	.15	.09
Alabama	748,000	.24	.14	.06	.04
Arizona	200,000	.22	.11	.06	.15
North Dakota	136,000	.22	.23	.07	.05
Georgia	612,000	.17	.46	.05	.18
Mississippi	340,000	.16	.09	.03	.01
Arkansas	174,000	.09	.08	.10	.12
Nebraska	105,000	.08	.14	.06	.10
Nevada	---	---	---	---	---
	\$ 246,940,000	\$ 1.57			

1. Delaware data for 1952-53.

2. Also impose Gift Tax.

Source: U.S. Department of Commerce, STATE TAX COLLECTIONS.

TABLE 7

## STATE INHERITANCE TAX EXEMPTIONS AND RATES FOR SELECTED CATEGORIES OF HEIRS -- SEPTEMBER 1, 1954

STATE <sup>1</sup>	EXEMPTIONS				RATES			IN CASE OF SPOUSE OR CHILD		ADMINISTERED BY
	WIDOW	CHILD	BROTHER or SISTER	OTHER THAN RELATIVE	SPOUSE or CHILD	BROTHER or SISTER	OTHER THAN RELATIVE	SIZE OF FIRST BRACKET	LEVEL AT WHICH TOP RATE APPLIES	
Alabama			Estate Tax							Department of Revenue
Arizona <sup>3</sup>			Estate Tax							Estate Tax Collector
Arkansas			Estate Tax							Commissioner of Revenue
California <sup>3</sup>	\$ 24,000	\$ 12,000	\$ 2,000	\$ 50	2-10%	5-15%	7-16%	\$ 25,000	\$ 500,000	State Controller
Colorado	20,000	10,000	2,000	500 <sup>5</sup>	2-8	3-10	7-16	50,000	500,000	Department of Law
Connecticut	10,000	10,000	3,000	500	2-8	3-9	6-12	25,000	1,000,000	Tax Commissioner
Delaware	20,000	3,000	1,000	---	1-4	2-5	5-8	50,000	200,000	Tax Commissioner
Dist. of Columbia	5,000	5,000	2,000	1,000	1-5	3-10	5-15	25,000	1,000,000	Assessor
Florida			Estate Tax							Commissioner of Revenue
Georgia			Estate Tax							Department of Revenue
Idaho <sup>3</sup>	10,000	10,000	1,000	---	2-15	4-20	8-30	25,000	500,000	Tax Collector
Illinois	20,000	20,000	10,000	100	2-14	2-14	10-30	20,000	500,000	Attorney General
Indiana	15,000	5,000	500	100	1-10	5-15	7-20	25,000	1,500,000	Department of Revenue
Iowa	40,000	15,000	---	---	1-8	5-10	10-15	10,000	300,000	Tax Commission
Kansas	75,000	15,000	5,000	200	1-5	3-12 $\frac{1}{2}$	5-15	25,000	500,000	Commissioner of Revenue
Kentucky	10,000	5,000	1,000	500	2-10	4-16	6-16	10,000	3,000,000	Department of Revenue
Louisiana <sup>3</sup>	5,000	5,000	1,000	500	2-3	5-7	5-10	5,000	20,000	Parish Sheriff
Maine	10,000	10,000	500	500	2-6	8-12	10-16	25,000	250,000	State Tax Assessor
Maryland	150	150	150	150	1	7 $\frac{1}{2}$	7 $\frac{1}{2}$	Entire Share		County Register
Massachusetts	10,000	10,000	1,000	1,000	1-9	4-15	6-15	10,000	1,000,000	Commissioner of Taxation
Michigan	30,000	5,000	5,000	---	2-8	2-8	10-15	50,000	750,000	Department of Revenue
Minnesota	10,000	10,000	1,000	100	1-12	3-36	5-60	15,000	1,100,000	Commissioner of Taxation
Mississippi			Estate Tax							Tax Commission
Missouri	20,000	5,000	500	100	1-6	4-24	5-30	20,000	400,000	Director of Revenue
Montana	17,500	2,000	500	---	2-8	4-16	8-32	25,000	100,000	St. Bd. of Equalization
Nebraska	10,000	10,000	10,000	500	1	1	6-18	Entire Share	60,000	County Treasurer
Nevada			No Inheritance or Estate Tax							
New Hampshire	Entire	Entire	None	Variable	---	8 $\frac{1}{2}$	0-8 $\frac{1}{2}$	---	---	Attorney General
New Jersey	5,000	5,000	---	---	1-16	5-16	5; 8-16	50,000	3,700,000	Department of Treasury
New Mexico <sup>3</sup>	10,000	10,000	10,000	500	1	5	5	Entire Share		Bureau of Revenue
New York	20,000	5,000	5,000	---	1-20	1-20	---	150,000	10,100,000	Tax Commission
North Carolina	10,000	5,000	None	None	1-12	4-16	8-17	10,000	3,000,000	Commissioner of Revenue
North Dakota	20,000	5,000	None	None	2-23	2-23	2-23	25,000	1,500,000	Tax Commissioner
Ohio	5,000	5,000	500	None	1-4	5-8	7-10	25,000	200,000	County Auditor
Oklahoma	Aggregate to 15,000		---	---	1-10	1-10	1-10	10,000	10,000,000	Tax Commission
Oregon <sup>2</sup>	Entire	Entire	1,000	500	---	1-20	4-25	---	---	State Treasurer
Pennsylvania	750	0-750	None	None	2	15	15	Entire	Entire	Department of Revenue
Rhode Island	10,000	10,000	5,000	1,000	1-7	2-8	5-11	25,000	1,000,000	Tax Administrator
South Carolina	10,000	7,500	500	200	1-6	2-7	4-14	20,000	300,000	Tax Commission
South Dakota	10,000	10,000	500	100	1-4	3-12	5-20	15,000	100,000	Division of Taxation
Tennessee	10,000	10,000	1,000	1,000	1-7	5-15	5-15	25,000	500,000	Comm. of Finance & Taxation
Texas <sup>3</sup>	25,000	25,000	10,000	500	1-6	3-10	5-20	50,000	1,000,000	State Comptroller

(Continued on next page)

TABLE 7 (Continued)

STATE INHERITANCE TAX EXEMPTIONS AND RATES FOR SELECTED CATEGORIES OF HEIRS -- SEPTEMBER 1, 1954

STATE <sup>1</sup>	EXEMPTIONS				RATES			IN CASE OF SPOUSE OR CHILD		ADMINISTERED BY
	WIDOW	CHILD	BROTHER or SISTER	OTHER THAN RELATIVE	SPOUSE or CHILD	BROTHER or SISTER	OTHER THAN RELATIVE	SIZE OF LEVEL AT FIRST WHICH TOP BRACKET RATE APPLIES		
Utah <sup>3</sup>			Estate Tax							
Vermont	10,000	10,000	None	None	2-6	6	6	25,000	250,000	Commissioner of Taxes
Virginia	5,000	5,000	2,000	1,000	1-5	2-10	5-15	50,000	1,000,000	Department of Taxation
Washington <sup>3</sup>	5,000	5,000	1,000	None	1-10	3-20	10-25	25,000	500,000	Tax Commission
West Virginia	15,000	5,000	None	None	3-13	4-18	10-30	50,000	1,000,000	Tax Commissioner
Wisconsin <sup>4</sup>	15,000	2,000	500	100	2-10	6-30	8-40	25,000	500,000	Department of Taxation
Wyoming	10,000	10,000	10,000	None	2	2	6	Entire	Entire	Inherit. Tax Commission

1. All states, except those designated by asterisk (\*), impose also a "gap filling" estate tax to assure full absorption of the 80 percent Federal credit.
2. Class 1 beneficiaries are exempt from the inheritance tax, and are liable only for their proportionate share of the basic tax.
3. Community property state.
4. Additional tax is also levied.
5. No exemption if the value of the transfer exceeds \$500.

Source: Compiled from Commerce Clearing House, INHERITANCE, ESTATE AND GIFT TAX SERVICE.

TABLE 8

STATE ESTATE TAX RATES AND EXEMPTIONS  
September 1, 1954

<u>State</u> <sup>1</sup>	<u>Rates</u>	<u>Maximum Rate Applies Above:</u>	<u>Exemption</u>
Alabama	80% of 1926 Federal Rates		
Arizona	80% of 1926 Federal Rates <sup>2</sup>	\$ 10,000,000	\$ 100,000
Arkansas	80% of 1926 Federal Rates	10,000,000	100,000
Florida	80% of 1926 Federal Rates	10,000,000	100,000
Georgia	80% of 1926 Federal Rates	10,000,000	100,000
Mississippi	80% of 1926 Federal Rates	10,000,000	50,000 <sup>3</sup>
New York	100% of 1926 Federal Rates	10,100,000	Variable <sup>4</sup>
North Dakota	2 -- 23%	1,500,000	Variable <sup>5</sup>
Oklahoma	1 -- 10%	10,000,000	15,000
Oregon	1 -- 15% <sup>6</sup>	1,500,000	10,000
Rhode Island	1% <sup>2, 5</sup>	Entire Estate Above \$10,000	10,000
Utah	3 -- 10%	125,000	10,000 to 40,000

1. Does not include states listed in Table 7 which, in addition to their inheritance tax, levy an estate tax to assure full absorption of the 80% Federal credit.
2. In addition to the basic estate tax, these states also levy an additional estate tax to absorb the difference between the 80% Federal credit and the sum otherwise collectible.
3. Property up to \$50,000 exempt, plus \$20,000 insurance paid to named beneficiaries exempted.
4. Exemptions: \$20,000 transferred to spouse; \$5,000 transferred to lineal ancestor or descendant and specified relatives; certain life insurance up to \$100,000 and estates totaling less than \$2,000 after exemptions.
5. Exemptions: Spouse, \$20,000 or 50% of adjusted gross estate, whichever is the larger; lineal ancestor or descendant, if a minor, \$5,000, if not a minor, \$2,000.
6. Also imposes an inheritance tax.

TABLE 9

STATE GIFT TAX RATES AND EXEMPTIONS FOR SELECTED CATEGORIES OF DONEES  
September 1, 1954

State	Donee's Lifetime Exemption				Rates			Annual Exclusion To Each Donee
	Wife	Child	Brother or Sister	Other than Relative	Spouse or Child	Brother or Sister	Other than Relative	
California	\$24,000	\$12,000	\$ 2,000	\$ 50	2-10%	5-15%	7-16%	\$4,000
Colorado	20,000	10,000	2,000	500	2-8	3-10	7-16	2,500 spouse or child 1,500 brother or sister 1,000 other than relative
Louisiana	30,000	30,000	30,000	30,000	2-3	5-7	5-10	5,000 spouse or child 1,000 brother or sister 500 other than relative
Minnesota <sup>1</sup>	10,000	10,000	1,000	---	3/4-9	2-1/4-27	3-3/4-45	3,000
North Carolina	25,000	25,000	---	---	1-12	4-16	8-17	1,000
Oklahoma	---	---	---	---	1-10	1-10	1-10	3,000
Oregon	10,000	10,000	10,000	10,000	1-1/2-12	1-1/2-12	1-1/2-12	5,000 spouse or child 1,000 other than lineal descendant
Rhode Island	25,000	25,000	25,000	25,000	1-7	1-7	1-7	4,000
Tennessee	---	---	---	---	1-7	5-15	5-15	10,000 spouse or child <sup>2</sup> 5,000 other than lineal descendant <sup>2</sup>
Virginia	5,000	5,000	2,000	1,000	1-5	2-10	5-15	---
Washington	3	3	3	3	.9-9	2.7-18	9-22.5	3,000
Wisconsin <sup>4</sup>	15,000	2,000	---	---	2-10	4-20	8-40	---

1. Minnesota: The tax shall in no instance exceed 35% of the true and full value of the property transferred in excess of the specific exemptions.
2. Tennessee: Only one exemption is allowed to each class of donees. This exemption is allowable in each calendar year.
3. Washington: Exemptions by class of donees and are total for each class: Lineal ancestors or descendant \$10,000; brothers and sisters allowed \$1,000; all others none other than the annual.
4. Wisconsin: In addition a tax of 30% of the tax is levied subject to the statutory provision that the total tax shall not exceed 15% of the property transferred to the beneficiary.

These Are For Selected Categories of Donees And Is Not All Inclusive.

Source: Compiled from Commerce Clearing House, INHERITANCE, ESTATE AND GIFT TAX SERVICE

PART III

THE INSURANCE TAXES

## INSURANCE TAXES

Insurance, as a business, goes back at least 4,000 years in recorded history. It is known that in Egypt there were specific kinds of insurance policies. Records of ancient Rome also indicate that such things as burial insurance was common. The Guilds of the Middle Ages provided death benefits to the families of their members, and had some form of protection against other hazards as well. But modern insurance practices probably date from the underwriting activities at Lloyds Coffeehouse in London which started in 1690.

American insurance received its start in Pennsylvania in 1752, and the first direct tax on the insurance industry was levied in 1816 in Connecticut which imposed a tax of 6% on the company's value and New York state levied a 10% gross premiums tax in 1825. By the time of the Civil War, taxation of the insurance industry had become a standard feature in all of the states. The taxation was principally for regulation rather than revenue, and was often retaliatory in nature. Most states followed the practice of taxing foreign companies only -- the taxation of domestic companies came later, and there still exists in many states a tax distinction between the foreign and the domestic company.

## THE INSURANCE TAX IN COLORADO

Premium taxes and licenses paid by the insurance industry totalled more than \$3.0 million in 1953, and accounted for about 10 per cent of the General Fund revenues of nearly \$30.0 million. Insurance taxes were 2.6 per cent of the total Colorado state tax collections during fiscal year 1953. This places the insurance tax among the state's top ten revenue producers.

Background. Taxation of insurance premiums and the attendant regulation of the industry in Colorado was inaugurated by the Fourth General Assembly in 1883. In that year the General Assembly created the State Insurance Department as part of the State Auditor's Office. The auditor was named ex-officio Insurance Commissioner but was required to hire a deputy to administer the new insurance regulations and taxes.

The 1883 law further provided for a 2 per cent tax on the "excess of premiums received over losses and operating expenses incurred within the state during the previous year." In other words, the statute provided a net premium tax of 2 per cent on all companies doing business in Colorado, on the amount of business written within the state. The tax, as well as the schedule of filing fees was presumably enacted to provide funds for the operation of the department. Accordingly the statute of 1883 provided that any deficiency in the operation of the insurance department was to be met by an additional assessment on the insurance companies in the state. Each company was, under the law, required to pay a share of the deficit proportional to its business in Colorado. The statute further provided that any excess funds



remaining after expenses of the insurance department were met were to be transferred to the School Fund.

In addition, the 1883 statute established a schedule of fees in relation to the insurance business which has remained essentially unchanged since that date. The schedule of fees which were required to be paid by insurance companies under the 1883 statute is compared to the present schedule of fees as found in the Colorado Revised Statutes of 1953 in the following table:

<u>Purpose of Fee</u>	<u>1883 Statute</u>	<u>CRS, 1953</u>
Filing of Power of Attorney	\$ 50.00	\$ 50.00
Filing Articles of Incorporation	50.00	50.00
Filing Annual Statement	35.00	50.00
Certificate of Authority to do Business in Colorado	50.00	5.00
Annual Fee for each Agent's or Employee's License	5.00	2.00
Annual Fee for Broker's License		10.00
Fee for Certifying Papers	1.00	1.00
Fee for Proofreading Certified Copies, Each Folio	.20	.20

In 1885 the General Assembly amended the taxation portions of the insurance act to provide that all excess funds go to the State General Fund rather than the School Fund. The 1895 General Assembly changed the premium tax from a 2 per cent net to a 2 per cent gross premium tax. Though there have been some subsequent modifications to the distribution of funds from the 2 per cent gross premium tax, the rate has remained constant since 1895, when the concept of a gross premium tax was first written into the law.

By 1907 the regulation of the insurance industry had become an increasingly time-consuming and important function. State auditors for several years previous had urged that the insurance regulations be strengthened. As a result the 1907 General Assembly rewrote the insurance code and set up the insurance department

as a separate agency of government, removing it from the auditor's office. Organizationally, the 1907 pattern has remained unchanged.

Distribution of excess collections from the insurance fund to the State General Fund has continued since 1885 with one relatively minor exception. In 1917 the law was amended to provide that one-half of the tax receipts from foreign fire insurance companies doing business in Colorado was to be turned over to the firemen's pension fund. In 1935 the General Assembly enacted an amendment to the laws which diverted the entire 2 per cent premium tax levied against foreign fire insurance companies to the firemen's pension fund. This law has remained intact since that date. A tabulation of insurance premium taxes from the inception of the tax through fiscal year 1953-54 is found on Table 1.

Principal Features of Law. The present tax on insurance premiums provides that all companies must pay a 2 per cent gross premium tax subject to the following exceptions: (a) the amounts received as re-insurance premiums are deductible from gross premiums for purposes of computing the tax, and (b) for all companies except life insurance companies the amounts paid to policy holders as return premiums are also deductible. The present statute also provides that any company which has 50 per cent or more of its funds invested in bonds of the State of Colorado or any of its political subdivisions is exempt from the premium tax.

Legality of Premium Tax. The principal theoretical purpose of the insurance premium tax is to provide funds for the regulation of the industry. Since this is the case, the collection of taxes over and above the amount required for this purpose, and

diverting the balance for General Fund purposes has been questioned in the courts. Courts in Colorado and other states, as well as Federal courts, have held that diverting money into the General Fund from this tax does not void its principal purpose. In the case of the Colorado National Life Insurance Company vs. Clayton (54 Colorado 256), The Colorado Supreme Court held that collecting revenues in excess of the needs of the Insurance Department does not void the tax since the intent of the law is to support a separate fund for maintenance of the Insurance Department, and the fact that excess collections are transferred from the Insurance Fund to the General Fund does not invalidate the law.

Tax Administration in Colorado. The regulation, including tax administration, of the 689 insurance companies licensed to do business in Colorado falls within the Office of the Commissioner of Insurance. In 1953 the administrative cost of the Insurance Commissioner's office was \$95,588, or 3.1% of total insurance tax receipts. The national average for insurance departments is about 5%. The cost of the Insurance Commissioner's office is principally for examination of domestic companies, and auditing of insurance companies' annual statement records. Within the Office of the Insurance Commissioner falls the responsibility for certification of companies, regulating rates, and all of the other matters pertaining to the regulation of the industry. The insurance department does not maintain cost records on each of its activities. But of 20 employees in the department, 17 are in tax collecting functions and 3 are engaged in rate matters.

The tax on the companies is computed on the basis of the reports they file each year on the amount of business written in Colorado. The reports are subject to audit of the department.

### COMPARISON WITH OTHER STATES

Colorado, in common with all of the other 47 states, levies a special tax on the insurance industry. A general comparison of the tax rates and principal features of the tax laws may be found in Table 2. Colorado's basic tax rate of 2% is found in 21 other states, though some states impose additional levies as well. Several states impose a basic premium tax, and then levy an additional tax on selected types of insurance. For example, Kentucky levies a tax of 2% on all foreign insurance companies plus an additional 3/4% on fire insurance premiums.

Tax Credit Provisions. A number of states have provided graduated tax reductions to the insurance companies on the basis of investments in securities of the state. Colorado's law exempts the following categories of companies from payment of gross premiums taxes: Domestic fraternal and benevolent associations, domestic mutual fire insurance companies, and companies having more than 50% of their assets invested in Colorado state, county, municipal or other public bonds. A list of the states having tax reduction features for investments in the state's securities follows:

- |         |  |
|---------|--|
| Alabama | Allows credit for ad-valorem taxes paid on its principal offices in the state.   |
| Florida | Companies maintaining regional home offices in Florida get 50% tax reduction plus credit for ad-valorem taxes on Florida home office property. Reductions cannot exceed 80% overall. |

Georgia	If company has one-fourth of assets invested in Georgia property, tax is reduced from 2% to 1%. If investments are three-fourths in Georgia property, tax reduced to 1/4%.
Idaho	Companies having 25% of assets invested in Idaho or deposited in Idaho banks as time deposits have tax cut from 3% to 1%.
Maryland	Domestic companies allowed credit for franchise taxes. Companies having home office in Maryland are allowed credit on fees paid, not to exceed 15%.
South Carolina	If 25% of premium receipts in South Carolina are invested in South Carolina securities, tax is reduced from 2% to 1-3/4%. Tax is reduced in inverse proportion to the percentage of South Carolina premiums invested in South Carolina securities, down to 1%.
Tennessee	Certain types of companies may reduce premiums taxes by investing in Tennessee securities. Tax may be reduced up to a maximum of 75% of the total by having 90% of company assets invested in Tennessee.
Texas	Rates are graduated from 3.3% to 1.1%, based on the percentage of Texas securities owned.

Tax Collections. The 1950 census ranks Colorado 34th in population among the states. Colorado ranks 31st in insurance premiums taxes. It held the same tax collection rank in 1948 and was 32nd in 1945. On a per capita tax collection basis, Colorado ranks 19th among the states in 1954. In 1948 Colorado ranked 10th on a per capita basis, and in 1945 ranked 19th. A comparison of all states for three selected years is found on Table 3. It will be noted that the rank of the states in tax collections from the insurance premiums generally falls very close to the population rank of the state, thus indicating a uniformity in tax rates among the several states. This is true because insurance premiums are generally closely allied to the state population. It will also be noted that returns from the insurance premium tax has sharply increased in the ten year span since 1945.

Administration. Colorado, in common with 37 other states, administers the insurance premium tax through a separate insurance department. The ten states which administer insurance premium taxes in other departments distribute the administrative authority as follows: Four states administer insurance taxes through the tax commission or revenue departments, two states administer the tax through the auditor's office, and two states through the corporation commission. One state uses the secretary of state's office and one state uses the office of the state treasurer to administer the tax.

TABLE 1

## INSURANCE PREMIUM TAX

COLLECTION AND ADMINISTRATION EXPENSE  
1884--1953

<u>Fiscal Years</u>	<u>Total Tax Collection</u>	<u>Cost of Insurance Department</u>	<u>Bienniums</u>	<u>Total Tax Collection</u>	<u>Cost of Insurance Department</u>
1953	\$ 3,002,602	\$ 95,588	1929-30	\$ 1,588,921	\$ 54,561
1952	2,714,360	79,074	1927-28	1,441,114	67,927
1951	2,578,626	72,498	1925-26	1,287,459	80,812
1950	2,438,614	67,862	1923-24	1,113,865	81,057
1949	2,213,401	53,594	1921-22	1,054,499	76,483
1948	1,914,406	52,296	1919-20	824,044	67,018
1947	1,556,567	37,135	1917-18	630,618	60,800
1946	1,156,817	35,024	1915-16	526,060	40,723
1945	1,072,556	36,472	1913-14	543,338	43,705
1944	994,183	36,048	1911-12	407,290	50,043
1943	976,561	44,097	1909-10	417,073	42,031
1942	943,701	41,222	1907-08	403,640	43,611
1941	1,157,777	39,400	1905-06	366,637	33,573
1940	857,252	29,477	1903-04	318,305	31,105
1939	831,962	26,659	1901-02	259,315	28,786
1938	834,410	29,006	1899-1900	216,392	20,786
1937	797,039	27,510	1897-98	187,367	17,485
1936	756,260	27,623	1895-96	125,703	19,218
1935	719,850	29,306	1893-94	84,768	20,758
1934	687,586	25,337	1891-92	86,315	22,226
1933	752,077	32,167	1889-90	72,579	24,459
1932	795,880	36,936	1887-88	48,570	22,570
1931	820,426	34,275	1885-86	39,935	19,425
			1884	26,720	13,694
			(18 months)		

Total Tax Collections 1884-1953: \$ 42,642,690

Total Cost of Insurance Dept.: \$ 1,971,462

% of Tax Collections to Operate Insurance Dept.: 4.6%

Source: Auditor's Reports

TABLE 2 (Continued)

Louisiana:	All companies - life. Health and accident - \$140 minimum to \$310 per \$10,000. Fire, marine and river. \$180 minimum to \$380 per \$10,000. If 1/6 of total assets are Louisiana securities, only 1/3 of the additional rate of 2% on fire insurance premiums is charged.
Maine:	Foreign companies - 2% - Domestic companies 1% - 1/2 of 1% additional on fire insurance.
Maryland:	All companies - 1% on annuities: 2% all others - 1/15 of 1% additional on deposits by fire insurance.
Massachusetts:	Foreign companies - 1/4 of 1% on life insurance - 5% fire and marine: All other types 2%. Domestic companies, 2% on all types.
Michigan:	Foreign companies - 2% on life and casualty - 3% on fire, marine, and automobile. Domestic companies pay 5 mills on each dollar of paid up capital. Minimum tax \$10.00, maximum \$50,000.
Minnesota:	All companies - 2% - 1/2 of 1% additional on fire insurance.
Mississippi:	Foreign companies - 2-1/4% on life, health, accident, and industrial; 3% on all others - Rates reduced 1/3 if 80% of investments are Mississippi securities: Domestic companies - difference between ad valorem tax and one-half the tax on foreign companies doing like business.
Missouri:	All companies - 2%.
Montana:	All companies. If total premiums are less than \$5,000 - \$125: Over \$5,000, \$20 per \$1,000 as a license tax - 1/4 of 1% additional on fire insurance premiums.
Nebraska:	Foreign companies - 2% on life insurance - Domestic companies - 4/10 of 1%. Domestic fire companies 1/4 of 1%, foreign fire companies 1/2 of 1%.
Nevada:	All companies - 2%.
New Hampshire:	All companies - 2%, marine insurance - 5%.
New Jersey:	All companies - 2% on life insurance - 1% paid on annuity contracts. All others - 2%: 5% on marine.



TABLE 2 (Continued)

New Mexico:	All companies - 2%.
New York:	Paid under insurance law: foreign companies, 1 to 5%; alien companies - 1-3/4 to 5% - additional tax law: foreign companies - 1 to 2%; alien companies - 1/2%; domestic companies - 1-3/4 to 2%.
North Carolina:	Foreign companies - 2-1/2% of annuities and other insurance. Domestic companies 1%: 4% on workmen's compensation: 1/2 of 1% additional on fire insurance.
North Dakota:	All companies - 2-1/2%, 1/2 of 1% additional on mutual and domestic fire insurance.
Ohio:	Foreign companies - 2-1/2% - Domestic companies. 2/10 of 1% but not less than \$25 - 1/2 of 1% additional on fire insurance.
Oklahoma:	Foreign companies - 4% with schedule of 2 to 30% reduction for Oklahoma securities owned - 5/16 of 1% additional on fire insurance. License fee: \$100.
Oregon:	All companies - 2% - 1/2 of 1% additional on fire insurance. 5% on foreign and alien marine insurance. 1/2 of 1% additional on fire premiums.
Pennsylvania:	Foreign companies - 2% - Marine insurance 5%.
Rhode Island:	All companies. 2% - 5% on marine insurance.
South Carolina:	Foreign companies. 2%. Tax is reduced 1 to 1-3/4 if investments are certain securities - 1% additional on fire insurance.
South Dakota:	Domestic companies 1/2 of 1% on annuity contracts. Foreign companies - 2-1/2% on all premiums except annuities. 1-1/4% on annuities. 1/2 of 1% additional on fire premiums.
Tennessee:	All companies - 2% plus 1/2 of 1% on fire insurance - 1-1/2% on annuities - 4% on workmen's compensation.

TABLE 2 (Continued)

Texas:	All companies - 3.3% on life, health, and accident with graduated rates of 1% to 3% if certain per cent of securities owned are Texas securities. If premiums are less than \$450,000, rate is 5/8 of 1% - Other insurance 3.85%. With graduated rates of 1 to 2-3/4 - 1-1/4 additional on fire, lightning, tornado, windstorm, or hail - 1/5 of 1% additional on motor vehicle - 3/5 of 1% additional on workmen's compensation. 1% additional on title insurance.
Utah:	All companies - 2-1/4% - 5% on ocean marine writing profit.
Vermont:	All companies 2% - 1/2 of 1% additional on fire insurance.
Virginia:	All companies - 2-1/4% on life insurance. - 1% on mutual. Workmen's compensation 2-1/2%. 2-3/4% on all others.
Washington:	Foreign companies - 2%, domestic companies 1%. Ocean marine and foreign trade insurance contracts. 3/4 of 1%.
West Virginia:	All companies - 2% - 1/2 of 1% additional on fire insurance.
Wisconsin:	All companies - 2-3/8% on fire and marine - 2% additional on fire insurance - Life insurance 3-1/2% on domestics - 2% on foreign - Casualty and surety companies 2%.
Wyoming:	All companies - 2-1/2%.

(The term "all companies" means foreign and domestic companies.)

Source: Commerce Clearing House, State Tax Guide, 2nd edition, 1952.

TABLE 3

TAX COLLECTIONS FROM INSURANCE TAXES BY STATES  
Fiscal Years 1954, 1948, 1945  
(In Thousands of Dollars)

Population Rank 1950 Census	State	1954			1948			1945		
		Tax Collections	(a) Rank	Per Capita	Tax Collections	(a) Rank	Per Capita	Tax Collections	(a) Rank	Per Capita
17	Alabama	\$ 3,833	27	1.23	\$ 2,055	28	.66	\$ 1,521	26	.488
38	Arizona	1,321	49	1.42	652	43	.70	351	44	.379
30	Arkansas	2,567	33	1.34	1,497	33	.78	979	33	.513
3	California	34,325	2	2.81	17,609	2	1.44	11,654	2	.98
34	COLORADO	3,002	31	2.13	1,914	30	1.35	1,073	32	.76
28	Connecticut	8,893	10	4.11	5,299	10	2.45	5,124	9	2.37
47	Delaware	1,150	41	3.21	622	44	1.74	446	40	1.25
20	Florida	6,641	17	1.98	3,164	21	.94	1,667	24	.50
13	Georgia	5,782	21	1.61	3,113	22	.87	1,853	23	.52
44	Idaho	1,621	37	2.68	817	40	1.35	401	43	.17
4	Illinois	20,546	4	2.28	13,315	4	1.48	8,616	4	.96
12	Indiana	7,361	14	1.78	4,534	12	1.10	3,032	11	.73
22	Iowa	5,209	23	2.00	3,301	18	1.27	2,205	20	.78
31	Kansas	4,227	26	2.11	2,377	25	1.18	1,302	28	.65
19	Kentucky	4,685	25	1.58	2,927	24	.99	1,654	25	.56
21	Louisiana	6,062	19	2.10	2,329	26	.81	1,900	21	.66
35	Maine	1,770	36	1.94	1,234	35	1.35	851	35	.93
24	Maryland	5,733	22	2.26	3,236	20	1.27	2,387	17	.94
9	Massachusetts	7,855	11	1.60	8,293	6	1.69	2,235	19	.46
7	Michigan	14,629	7	2.13	8,204	7	1.25	5,172	8	.79
18	Minnesota	6,402	18	2.09	3,892	15	1.28	2,602	13	.85
26	Mississippi	2,716	32	1.24	1,528	32	.70	956	34	.44
11	Missouri	9,448	9	2.31	5,261	11	1.28	3,114	10	.76
43	Montana	1,311	41	2.14	680	42	1.11	410	42	.67
33	Nebraska	2,514	34	1.87	1,206	36	.90	791	36	.59
48	Nevada	436	48	2.12	191	48	.93	102	48	.50
45	New Hampshire	1,341	39	2.55	852	38	1.62	584	37	1.11
8	New Jersey	12,203	8	2.37	7,171	9	1.39	5,205	7	1.01
40	New Mexico	1,283	42	1.69	496	46	.65	288	46	.38
1	New York	47,466	1	3.12	25,285	1	1.66	17,275	1	1.13
10	North Carolina	7,648	12	1.82	4,169	13	.99	2,469	16	.59
42	North Dakota	1,131	45	1.82	555	45	.89	449	39	.72
5	Ohio	20,026	5	2.39	10,793	5	1.29	8,254	5	.99
25	Oklahoma	6,750	16	3.00	3,914	16	1.74	2,601	14	1.16
32	Oregon	3,501	29	2.19	2,034	29	1.27	1,100	31	.69
3	Pennsylvania	21,597	3	2.03	13,319	3	1.25	9,587	3	.90
37	Rhode Island	2,019	35	2.47	1,378	34	1.68	1,170	29	1.43
27	South Carolina	3,526	28	1.61	2,250	27	1.03	1,340	27	.61

(a) Rank based on total tax collections

(Continued on next page)

Population Rank  
1950 Census

TABLE 3 (Continued)

	State	1954			1948			1945		
		Tax Collections	(a) Rank	Per Capita	Tax Collections	(a) Rank	Per Capita	Tax Collections	(a) Rank	Per Capita
41	South Dakota	\$ 1,276	43	1.94	\$ 821	39	1.25	\$ 446	41	.68
16	Tennessee	5,965	20	1.79	3,293	19	.99	2,269	18	.68
6	Texas	19,473	6	2.35	7,863	8	.95	6,241	6	.75
39	Utah	1,541	38	2.10	975	37	1.33	576	38	.78
46	Vermont	847	46	2.25	534	46	1.42	344	45	.91
15	Virginia	7,527	13	2.12	4,118	14	1.16	2,652	12	1.04
23	Washington	5,008	24	2.02	3,006	23	1.21	1,859	22	.75
29	West Virginia	3,097	30	1.60	1,722	32	.90	1,149	30	.59
14	Wisconsin	6,876	15	1.95	3,689	17	1.05	2,568	15	.73
48	Wyoming	773	47	2.53	282	47	.92	204	47	.67

(a) Rank based on total tax collections

Source: STATE TAX COLLECTIONS, U.S. Dept. of Commerce

PART IV

THE SALES AND USE TAXES

## THE SALES AND USE TAX

A sales and use tax was first advocated as a source of general revenue for the State of Colorado in 1933. The proposal was passed by the House of Representatives in that year, but failed to clear the Senate. However, in view of economic conditions then prevailing, the measure was passed by both houses early in 1935 under the title "Emergency Retail Sales Tax Act of 1935", and became effective on March 1, 1935. The act provided that from the revenue derived from the tax, the amount of \$300,000 monthly should be credited to the "Emergency Relief Fund of 1935", with the remainder to be placed to the credit of the general fund. Indicative of its emergency status, the act provided for termination on June 30, 1937, unless sooner declared terminated by the Governor.

The revenue derived from the tax in the first full fiscal year (ending June 30, 1936) amounted to \$5,809,000, of which \$3,600,000 was expended for emergency relief purposes and \$2,209,000 was credited to the general fund.

Disposition of Revenue. At the election held on November 3, 1936, an initiated amendment to the constitution, "The Old Age Pension Amendment, Article XXIV", was adopted by a substantial majority of the voting electors. The amendment provides that "beginning January 1, 1937, eighty-five percent of all net revenues" accrued or accruing, received or receivable from any and all excise taxes now or hereafter levied upon sales at retail, or any other purchase transaction; together with eighty-five percent of the net revenue derived from any excise taxes now or hereafter levied upon the storage, use or consumption of any commodity or product" shall be "set aside, allocated and allotted" to the Old Age Pension Fund. The amendment also provided for the continuance of the "Emergency Retail Sales Tax Act" after

its expiration, unless revenue in equal amount was provided for the Old Age Pension Fund from other sources. Thus the main portion of the sales tax was "frozen" for old age pensions. Since it would be virtually impossible to raise an equal sum by a replacement tax, the people of Colorado have therefore eliminated most of the sales tax from its revenue structure except as it applies to old age pensions.

Accordingly, effective January 1, 1937, only 15 percent of the revenue derived from the sales tax became available for appropriation by the General Assembly. This also held true for the use tax<sup>which</sup> went into effect June 5, 1937. Eighty-five percent of this tax, set at 2%, was by the terms of Article XXIV of the constitution earmarked by the Old Age Pension Fund.

Whereas eighty-five percent of the sales and use tax have been constitutionally dedicated, the remaining fifteen percent has been partially earmarked for the Public Welfare Fund by legislative action. The General Assembly in 1937 earmarked the remaining 15% of the sales and use tax receipts as follows:

1. 5% for Welfare Department administration and the state share of county welfare department administrative costs.
2. \$1,800,000 annually for Aid to Dependent Children.
3. \$80,000 annually for Aid to Needy Blind.
4. \$90,000 annually for Child Welfare Services.
5. \$300,000 annually for emergency and contingency purposes.

The statutes provided that any monies remaining from the Public Welfare Fund should revert to the general fund, "to be appropriated by the General Assembly to be used for the care and relief of destitute unemployed and unemployable citizens of the state, and to allay the present widespread distress among needy citizens of the state." The difference between the

total set aside for welfare purposes other than old age pensions and 15% of sales and use tax revenue is available for general fund appropriations.

The laws of 1951 changed the distribution of the State Public Welfare Fund in some slight degree. All sales and use tax revenues after refunds and Department of Revenue collection costs are deducted, together with other revenues earmarked for welfare purposes are under the 1951 amendment to the law channeled directly into the Public Welfare Fund. The fund is then allocated on the following basis:

<u>PURPOSE</u>	<u>TYPE OF EARMARKING</u>
1. 5% for welfare administration	Statutory
2. 85% for Old Age Pensions	Constitutional
3. \$500,000 for Aid to Needy Disabled	Statutory
4. \$1,250,000 for Aid to Dependent Children	"
5. \$115,000 for Aid to the Blind	"
6. \$125,000 for Child Welfare Services	"
7. \$300,000 for Emergency and Contingency	"

8. All balances remaining in the Public Welfare Fund are under the 1951 statutes which is still in force, to revert to the General Fund to be appropriated by the General Assembly for care and relief of "destitute unemployed and unemployable citizens of the state, and to allay the present widespread distress among needy citizens of the State." The statute also provides that any balances in the 5% welfare administration fund are to be credited to other welfare programs directly without going through the General Assembly.

The operations of the Public Welfare Fund for the fiscal year 1954 are tabulated on following page. These figures only cover sales and use tax receipts and disbursements.



Net Sales and Use Tax Receipts		\$ 33,299,562
Earmarked for Old Age Pension	\$ 26,889,428	
Sales and Use Tax receipts for Welfare Administration	1,664,979	
Earmarked by Statute for other Welfare Programs	<u>2,052,415</u>	
Total Sales and Use Tax Earmarked		<u>\$ 30,606,822</u>
Balance of Sales and Use Tax Receipts to General Fund		<u>\$ 2,692,740</u>

In addition to the \$2,692,740 which reverts to the General Fund from sales and use tax receipts for reappropriation for general purposes, there was an additional \$334,572 surplus in the administrative account of the Welfare Department. This surplus was distributed as follows: \$254,943 to the Old Age Pension Fund and \$79,628 to the General Fund.

Since all of the earmarking of the sales and use tax receipts over and above the eighty-five percent constitutionally earmarked for old age pensions are statutorially dedicated, the General Assembly has full control over these funds on an annual appropriation basis should it choose to exercise it. By amendment to the Statutes, the General Assembly may put all welfare programs, except old age pensions, including the administrative cost of the Welfare Department, under direct annual legislative appropriation.

#### Growth in Tax Collections

The total revenue derived from the combined sales and use tax during the first full fiscal year of its operation (ending June 30, 1937) amounted to \$ 6,697,168. The revenue has increased in each succeeding fiscal year as a result of the growth of population, the accelerated rate of economic activity, and the increase in the price level. For the fiscal year ended June 30, 1953, total revenue amounted to \$33,730,534.

The sales tax, with its very limited exemptions, affords the broadest base of any general tax imposed by the State of Colorado. The law provides for monthly remittance of the tax (5% is retained by the collecting source) and the yield is quickly drawn into the state treasury. From the standpoint of the one who pays the tax, it is relatively "painless", and there is little if any opposition to it from the tax paying public.

A summary of sales tax collections and administrative cost since inception of the tax follows in Table I.

TABLE I  
SALES & USE TAX COLLECTIONS AND ADMINISTRATIVE COSTS

<u>YEAR</u>	<u>TOTAL TAX COLLECTIONS</u>	<u>ADMINISTRATIVE COSTS</u>	<u>%</u>
1953	\$ 33, 730, 534	\$ 417, 886	1.24
1953	30, 992, 405	387, 054	1.25
1951	30, 071, 288	366, 126	1.22
1950	25, 919, 469	339, 392	1.31
1949	25, 798, 793	340, 449	1.32
1948	24, 791, 835	332, 137	1.34
1947	20, 995, 199	305, 441	1.45
1946	15, 532, 038	305, 181	1.96
1945	11, 885, 558	227, 895	1.92
1944	10, 699, 450	221, 720	2.07
1943	9, 896, 861	225, 978	2.28
1942	8, 956, 560	INA	
1941	8, 191, 253	INA	
1940	7, 616, 759	INA	
1939	6, 857, 090	INA	
1938	6, 780, 921	INA	
1937	6, 697, 167	INA	
1936	5, 809, 000	INA	

NOTE: Administrative costs for 1936-1942 are not available. 1943 Report of Revenue Department estimates early cost at \$4.69 per \$100 collected.

SOURCE: Department of Revenue Annual Reports.

### Sales Taxes in Other States

All states bordering on Colorado impose sales tax at the rate of 2%, and of such bordering states, all except Arizona impose a use tax in equal amount. Of the so-called "western" states, only Idaho, Montana, Nevada and Oregon do not impose sales taxes. California and Washington laws provide for a tax of 3%, but food products are exempted under the California law. A table showing sales tax rates, total and per capita collections in the western states follows.

TABLE 2

#### SALES AND USE TAX RATES

<u>STATE</u>	<u>Sales Tax <sup>1/</sup></u>	<u>Use Tax <sup>1/</sup></u>	<u>1953-54 Collections General Sales <sup>2/</sup></u>	<u>1953-54 Per Capita, General Sales Tax Collections <sup>3/</sup></u>
Arizona	2%	None	\$ 24, 913, 000	\$26.79
California	3%	3%	463, 733, 000	38.04
<u>COLORADO</u>	2%	2%	33, 855, 000	23.96
Kansas	2%	2%	46, 680, 000	23.27
New Mexico	2%	2%	27, 566, 000	36.37
North Dakota	2%	2%	12, 770, 000	20.56
Oklahoma	2%	2%	43, 493, 000	19.32
South Dakota	2%	2%	12, 145, 000	18.49
Utah	2%	2%	17, 985, 000	24.50
Washington	3%	3%	INA	INA
Wyoming	2%	2%	8, 767, 000	28.65

SOURCES: <sup>1/</sup> Commerce Clearing House, State Tax Guide

<sup>2/</sup> STATE FINANCES, 1954, U. S. Department of Commerce, Bureau of Census

<sup>3/</sup> Calculated from tables in STATE FINANCES, U. S. Department of Commerce, Bureau of Census

### Sales Tax Exemptions in Western States

The practice of exempting certain groups of commodities from sales or use taxes varies widely between the states. Some states grant no exemptions except those which are required by state or federal constitutions, while other states exempt so many commodities from the general

sales tax that the levy becomes actually a series of selective excise taxes. Most states exempt commodities which are already subject to state taxation such as motor fuel, and virtually every state provides that sales to public bodies including the federal government are exempt from sales taxes. Recent congressional action however permits states to impose sales taxes on commodities purchased by government contractors for use exclusively on a federal project. The states of Tennessee and Washington are now collecting sales taxes from this source.

A brief summary of the more significant sales tax exemptions in the Western states and states in the Colorado area follows:

Arizona-- Motor fuel, taxable property sold to a contractor for building purposes, sales of common or contract carriers.

California-- Food products, livestock feed.

Kansas-- Livestock feed.

New Mexico-- Livestock feed.

North Dakota-- Livestock feed (food and drugs were exempted in 1952 as a result of passage by the people of an initiated measure. The State Attorney General, however, rules the petition void since it was improperly drawn.

Oklahoma-- Non-alcoholic beverages, tobacco products, motor vehicles.

South Dakota-- Butter substitutes already taxed.

Utah-- Sales to religious institutions.

Wyoming-- Livestock feed, sales to religious or charitable institutions, products on which federal excise tax exceeds 20% or state excise tax exceeds 5%.

Washington-- Sales to American Red Cross.

COLORADO-- Livestock feed, sales to religious and charitable organizations, products on which the federal excise tax exceeds 12½%.