

Colorado Permanent Tax Relief Since 1999

Summary

- Colorado taxes have been permanently reduced by about one-half billion dollars on an annual basis. Without these permanent tax cuts, the TABOR surplus refunded in FY 2001-02 would have been nearly \$1.4 billion, \$470 million higher than the \$927.2 million actually refunded.
- The largest share of permanent tax relief — 80.9 percent in FY 2003-04 — is due to tax rate reductions, which directly and immediately benefit all state taxpayers through lower tax payments.
- An average individual saved \$171.55 in permanent tax relief in FY 2003-04, and in FY 2004-05, an average individual is expected to save \$181.57 in permanent tax relief.

As the Colorado economy boomed in the late 1990s, the state budget was collecting more than allowed by the Taxpayer's Bill of Rights — Article X, Section 20 of the Colorado constitution, commonly known as TABOR. To reduce the size of the TABOR surplus, the Governor and the General Assembly decided to let the citizens of Colorado keep their money rather than turning it over to the state only to have it refunded back to citizens the following year. This document details the permanent tax relief — tax relief not dependent on the existence of a TABOR surplus — enacted since Governor Owens took office in 1999. It begins with an overview of the permanent tax relief passed since 1999. It then describes each of the bills enacted and their fiscal impact. The details of the TABOR amendment are described in the Governor's Office of State Planning and Budgeting (OSPB) Special Report entitled "TABOR — the Taxpayer's Bill of Rights" and the mechanisms used to refund the TABOR surplus are discussed in the OSPB Special Report entitled "The TABOR Surplus and TABOR Refund Mechanisms" (see www.state.co.us/ospb).

The Governor and the General Assembly decided to let the citizens of Colorado keep their money rather than turning it over to the state only to have it refunded back to citizens the following year.

How much have Colorado taxes been permanently reduced?

In reaction to large and growing TABOR surpluses, many tax relief measures were passed since Governor Owens took office in 1999. In total, the General Assembly and Governor permanently reduced taxes by \$515.5 million in FY 2003-04. **Table 1** summarizes the tax relief bills enacted since Governor Owens' first term. Bills are listed in descending order of magnitude by legislative year.

- During 1999, Governor Owens signed 14 bills that permanently reduced taxes by \$299.9 million in FY 2003-04. Both income and sales taxes were lowered by the 1999 tax relief measures; bills that reduced *income* taxes total \$283.7 million in FY 2003-04 and bills that reduced *sales and use* taxes total \$13.5 million in FY 2003-04. In addition, a bill permanently reducing a portion of the severance tax was passed in 1999 that saved Colorado companies \$2.7 million in FY 2003-04.

Table 1
Estimated Fiscal Impact of 1999, 2000, 2001, and 2002 Permanent Tax Relief Legislation
(Dollar Amounts in Millions)

Year	Category	Bill Number	Bill Name	Effective Date	Fiscal Year					
					1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1999	Income Tax	H.B. 99-1207	State Income Tax Rate Reduction to 4.75%	Jan-99	\$213.7	\$245.9	\$199.5	\$189.9	\$209.2	\$226.6
		H.B. 99-1003	Elimination of the Marriage Penalty	Jan-00	\$10.1	\$20.6	\$21.1	\$22.4	\$23.8	\$25.2
		H.B. 99-1151	Elderly Pension Exclusion	Jan-00	\$4.2	\$8.8	\$9.0	\$9.2	\$9.3	\$9.5
		H.B. 99-1246	Income Tax Credit for Long-Term Care Insurance	Jan-00	\$2.1	\$4.6	\$5.2	\$5.9	\$6.6	\$7.5
		H.B. 99-1125	Foreign Source Income Adjustment	Jan-00	\$1.5	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1
		H.B. 99-1155	Conservation Easement Tax Credit	Jan-00	\$0.0	\$1.7	\$8.6	\$7.5	\$31.7	\$33.3
	Sales and Use	H.B. 99-1002	Exemption for Farm Equipment	Jul-99	\$3.5	\$3.6	\$3.7	\$3.8	\$3.9	\$4.0
		H.B. 99-1015	Exemption for Food Sold in Vending Machines	Jan-00	\$1.7	\$3.3	\$3.3	\$3.5	\$3.7	\$3.9
		H.B. 99-1381	Exemption for Pesticides Used in Agricultural Products	Jul-99	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
		H.B. 99-1335	Exemption for Biotechnology	Jul-99	\$0.9	\$1.0	\$1.1	\$1.2	\$1.3	\$1.5
		H.B. 99-1271	Exemption for Alternative Fuels	Jul-99	\$0.8	\$0.8	\$0.9	\$0.8	\$1.2	\$1.2
		H.B. 99-1016	Exemption for Compounds Used in Agricultural Products	Jul-99	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
	Cash Funds	H.B. 99-1009	Exemption for Coins and Precious Metal Bullion	Jan-00	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
		H.B. 99-1249	Severance Tax	Jul-99	\$2.9	\$2.8	\$2.7	\$2.7	\$2.7	\$2.7
	Subtotal					\$244.7	\$299.7	\$261.5	\$253.2	\$299.9
2000	Income Tax	H.B. 00-1103	State Income Tax Rate Reduction to 4.63%	Jan-00	\$51.3	\$118.0	\$95.7	\$91.1	\$100.4	\$108.8
		H.B. 00-1351	Increase credits for child care contribution, per child, and child care expense	Jan-00		\$39.3	\$43.3	\$7.4	\$6.6	\$6.6
		H.B. 00-1302	Low-Income Housing Owner Tax Credit (effective 1/1/2001 to 1/1/2003)	Jan-01		\$1.3	\$6.3	\$10.0	\$0.0	\$0.0
		H.B. 00-1306	Brownfield Redevelopment Incentives (effective through 12/31/2005)	Jan-00	\$0.6	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
		H.B. 00-1274	Tax Exclusion for Prepaid Tuition Payments	Jan-01		\$0.6	\$1.2	\$1.2	\$1.2	\$1.2
		H.B. 00-1348	Refunding Conservation Easement Credit	Jan-01		\$0.6	\$0.0	\$0.0	\$0.0	\$0.0
		H.B. 00-1134	Exclusion from Resident Individual	Jan-01		\$0.5	\$1.1	\$1.1	\$1.1	\$1.1
		H.B. 00-1067	Alternative Fuels Incentives (effective through 7/1/2011)	Jan-01		\$0.5	\$1.5	\$1.5	\$1.9	\$1.9
	Sales and Use	H.B. 00-1259	Reduce State Sales and Use Tax Rate to 2.9%	Jan-01		\$49.2	\$79.8	\$75.9	\$83.7	\$90.6
		H.B. 00-1162	Exempt Agriculture Items from the Sales and Use Tax	Jul-00		\$3.0	\$3.1	\$3.1	\$3.1	\$3.1
	Cash Funds	H.B. 00-1310	UI Tax Credits for CY 2001 & 2002	Jan-01		\$22.3	\$32.8	\$9.5	\$0.0	\$0.0
		H.B. 00-1065	Oil and Gas Severance Tax	Jul-00		\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
H.B. 00-1042		Purple Heart License Plate Fees	Jul-00		\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	
Subtotal					\$51.9	\$236.2	\$265.6	\$201.8	\$198.8	\$214.1
2001	Income Tax	H.B. 01-1090	Donation of a Perpetual Conservation Easement	Jan-03				\$1.5	\$4.5	\$4.5
		H.B. 01-1312	Penalty for Underestimating Income Tax	Aug-01				\$1.0	\$2.0	\$2.0
	Sales and Use	H.B. 01-1223	Bingo Equipment	Jul-01			\$0.2	\$0.2	\$0.2	\$0.2
		H.B. 01-1256	Sales and Use Tax Exemption for Dairy	Jul-01			\$0.1	\$0.1	\$0.1	\$0.1
	Other General Fund	H.B. 01-1097	Certified Capital Company Act	Jan-03				\$5.0	\$10.0	\$10.0
Subtotal					\$0.0	\$0.0	\$0.3	\$7.8	\$16.8	\$16.8
2002	Income Tax	H.B. 02S-1010	Income Tax Credit on deferred income from sale of livestock	Jan-02			??	??	??	\$0.0
	Cash Funds	H.B. 02-1410	UI Tax Credits (H.B. 00-1310) made permanent	Jan-03				\$0.0	\$0.0	\$0.0
Subtotal								\$0.0	\$0.0	\$0.0
Total					\$296.5	\$535.9	\$527.4	\$462.8	\$515.5	\$552.8

- During the 2000 legislative session, the Governor signed 13 tax relief measures that resulted in an additional \$198.8 million in permanent tax relief in FY 2003-04.
- Even after the significant tax reduction resulting from the 1999 and 2000 tax packages, the state had a \$927.2 million TABOR surplus in FY 2000-01 and a \$469.3 million year-end General Fund reserve. Hence, another five bills lowering Colorado's taxes became law during 2001, permanently reducing taxes by \$16.8 million in FY 2003-04.
- During the 2002 legislative session, one bill was passed to aid farmers and ranchers affected by the 2002 drought. In addition, the unemployment insurance tax credit enacted during the 2000 legislative session was made permanent.

How was permanent tax relief implemented?

Table 2 displays the fiscal impact of the permanent tax reduction bills based on type: tax rate cut, income tax credit, sales and use tax exemption, other tax credit, and cash fund reduction. The bills in Table 2 are ordered by bill number.

Which bills reduce tax rates?

Three bills were passed since Governor Owens took office that reduce the income and sales and use tax rates paid by Colorado taxpayers. An additional bill eliminated the marriage penalty that occurred because Colorado income tax is based on federal taxable income and, until tax year 2003, there was a marriage penalty inherent in federal taxable income. Together, these four bills allowed Colorado taxpayers to keep an additional \$417.1 million in FY 2003-04 and an estimated \$451.3 in FY 2004-05 that would otherwise have been collected by the state and redistributed to citizens using the TABOR refund mechanisms discussed in the OSPB Special Publication titled "The TABOR Surplus and TABOR Refund Mechanisms." (See www.state.co.us/ospb) Reduced tax rates account for 80.9 percent of total permanent tax relief in FY 2003-04 and 81.6 percent in FY 2004-05.

Bills that reduce the income tax rate:

1. *Elimination of the marriage penalty* — House Bill 99-1003 eliminates the state's share of the "marriage penalty" paid by joint filers at the state level. The marriage penalty arises for joint filers who claim the standard deduction on their U.S. income tax return and results in a couple paying more Colorado income taxes when married and filing a joint return than when single and filing two separate returns. The bill adjusts federal taxable income by an amount that eliminates the marriage penalty at the state level, effectively lowering the tax rate for qualifying taxpayers. Note that the provision of the Jobs and Growth Tax Relief Reconciliation Act of 2003 that eliminates the marriage penalty for federal income tax years 2003 and 2004 does not impact Colorado income tax revenues because House Bill 99-1003 has already eliminated the marriage penalty at the state level.

FY 2003-04 tax relief = \$23.8 million

FY 2004-05 tax relief = \$25.2 million

House Bill 99-1003 eliminates the state's share of the "marriage penalty."

Table 2
Estimated Fiscal Impacts of Permanent Tax Bills by Type of Relief
(Dollar Amounts in Millions)

Category	Bill Number	Bill Name	Effective Date	Fiscal Year							
				1999-00	2000-01	2001-02	2002-03	2003-04	2004-05		
Rate Reductions	Income Tax	H.B. 99-1003	Elimination of the Marriage Penalty	Jan-00	\$10.1	\$20.6	\$21.1	\$22.4	\$23.8	\$25.2	
		H.B. 99-1207	State Income Tax Rate Reduction to 4.75%	Jan-99	\$213.7	\$245.9	\$199.5	\$189.9	\$209.2	\$226.6	
		H.B. 00-1103	State Income Tax Rate Reduction to 4.63%	Jan-00	\$51.3	\$118.0	\$95.7	\$91.1	\$100.4	\$108.8	
	Sales and Use Tax	H.B. 00-1259	Reduce State Sales and Use Tax Rate to 2.9%	Jan-01		\$49.2	\$79.8	\$75.9	\$83.7	\$90.6	
Tax Rate Reduction Subtotal					\$275.0	\$433.8	\$396.1	\$379.3	\$417.1	\$451.3	
Credits and Exemptions	Income Tax	H.B. 99-1125	Foreign Source Income Adjustment	Jan-00	\$1.5	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	
		H.B. 99-1151	Elderly Pension Exclusion	Jan-00	\$4.2	\$8.8	\$9.0	\$9.2	\$9.3	\$9.5	
		H.B. 99-1155	Conservation Easement Tax Credit	Jan-00	\$0.0	\$1.7	\$8.6	\$7.5	\$31.7	\$33.3	
		H.B. 99-1246	Income Tax Credit for Long-Term Care Insurance	Jan-00	\$2.1	\$4.6	\$5.2	\$5.9	\$6.6	\$7.5	
		H.B. 00-1067	Alternative Fuels Incentives (effective through 7/1/2011)	Jan-01		\$0.5	\$1.5	\$1.5	\$1.9	\$1.9	
		H.B. 00-1134	Exclusion from Resident Individual	Jan-01		\$0.5	\$1.1	\$1.1	\$1.1	\$1.1	
		H.B. 00-1274	Tax Exclusion for Prepaid Tuition Payments	Jan-01		\$0.6	\$1.2	\$1.2	\$1.2	\$1.2	
		H.B. 00-1302	Low-Income Housing Owner Tax Credit (effective 1/1/2001 to 1/1/2003)	Jan-01		\$1.3	\$6.3	\$10.0	\$0.0	\$0.0	
		H.B. 00-1306	Brownfield Redevelopment Incentives (effective through 12/31/2005)	Jan-00	\$0.6	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	
		H.B. 00-1348	Refunding Conservation Easement Credit	Jan-01		\$0.6	\$0.0	\$0.0	\$0.0	\$0.0	
		H.B. 00-1351	Increase credits for child care contribution, per child, and child care expense	Jan-00	\$38.4	\$39.3	\$43.3	\$7.4	\$6.6	\$6.6	
		H.B. 01-1090	Donation of a Perpetual Conservation Easement	Jan-03				\$1.5	\$4.5	\$4.5	
		H.B. 01-1312	Penalty for Underestimating Income Tax	Aug-01				\$1.0	\$2.0	\$2.0	
		H.B. 02S-1010	Income Tax Credit on deferred income from sale of livestock	Jan-02			??	??	??	\$0.0	
		Sales and Use Tax	H.B. 99-1002	Exemption for Farm Equipment	Jul-99	\$3.5	\$3.6	\$3.7	\$3.8	\$3.9	\$4.0
		H.B. 99-1009	Exemption for Coins and Precious Metal Bullion	Jan-00	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	
	H.B. 99-1015	Exemption for Food Sold in Vending Machines	Jan-00	\$1.7	\$3.3	\$3.3	\$3.5	\$3.7	\$3.9		
	H.B. 99-1016	Exemption for Compounds Used in Agricultural Products	Jul-99	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5		
	H.B. 99-1271	Exemption for Alternative Fuels	Jul-99	\$0.8	\$0.8	\$0.9	\$0.8	\$1.2	\$1.2		
	H.B. 99-1335	Exemption for Biotechnology	Jul-99	\$0.9	\$1.0	\$1.1	\$1.2	\$1.3	\$1.5		
	H.B. 99-1381	Exemption for Pesticides Used in Agricultural Products	Jul-99	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7		
	H.B. 00-1162	Exempt Agriculture Items from the Sales and Use Tax	Jul-00		\$3.0	\$3.1	\$3.1	\$3.1	\$3.1		
	H.B. 01-1223	Bingo Equipment	Jul-01			\$0.2	\$0.2	\$0.2	\$0.2		
H.B. 01-1256	Sales and Use Tax Exemption for Dairy	Jul-01			\$0.1	\$0.1	\$0.1	\$0.1			
Other	H.B. 01-1097	Certified Capital Company Act	Jan-03				\$5.0	\$10.0	\$10.0		
Subtotal					\$57.0	\$76.4	\$95.2	\$70.7	\$95.1	\$98.3	
Cash Funds	H.B. 99-1249	Severance Tax	Jul-99	\$2.9	\$2.8	\$2.7	\$2.7	\$2.7	\$2.7		
	H.B. 00-1042	Purple Heart License Plate Fees	Jul-00		\$0.1	\$0.1	\$0.1	\$0.1	\$0.1		
	H.B. 00-1065	Oil and Gas Severance Tax	Jul-00		\$0.5	\$0.5	\$0.5	\$0.5	\$0.5		
	H.B. 00-1310	UI Tax Credits for CY 2001 & 2002	Jan-01		\$22.3	\$32.8	\$9.5	\$0.0	\$0.0		
	H.B. 02-1410	UI Tax Credits (HB 00-1310) made permanent	Jan-03				\$0.0	\$0.0	\$0.0		
					\$2.9	\$25.7	\$36.0	\$12.8	\$3.3	\$3.3	
Total					\$334.9	\$535.9	\$527.4	\$462.8	\$515.5	\$552.8	

2. *Reduction of the state income tax rate* — House Bill 99-1207 reduces the state income tax rate from 5.0 percent to 4.75 percent beginning January 1, 1999. This is the largest of the 1999 permanent tax cuts.

FY 2003-04 tax relief = \$209.2 million
 FY 2004-05 tax relief = \$226.6 million

3. *Further reduction of the state income tax rate* — House Bill 00-1103 permanently reduces the state income tax rate from 4.75 percent to 4.63 percent for tax years beginning January 1, 2000.

FY 2003-04 tax relief = \$100.4 million
 FY 2004-05 tax relief = \$108.8 million

Bills that reduce the sales and use tax rate:

1. *Reduce state sales and use tax rate* — House Bill 00-1259 permanently reduces the state sales and use tax rate from 3.0 percent to 2.9 percent beginning January 1, 2001.

FY 2003-04 tax relief = \$83.7 million
 FY 2004-05 tax relief = \$90.6 million

Which bills enact income tax credits?

During the 1999, 2000, and 2001 legislative sessions, 14 bills were passed that provide tax credits to various state constituents. These credits represent 13.2 percent of total permanent tax relief in FY 2003-04 and are expected to represent 12.8 percent of total permanent tax relief in FY 2004-05.

1. *Foreign source income adjustment* — House Bill 99-1125 changes the calculation used to compute the amount of foreign source income that is excluded in Colorado for state corporate income tax purposes. The adjustment now reflects the federal corporate tax rate in effect during the tax year for all federal taxable income. Prior to passage of this bill, the adjustment used a federal tax rate that existed before 1987.

FY 2003-04 tax relief = \$3.1 million
 FY 2004-05 tax relief = \$3.1 million

2. *Elderly pension exclusion* — House Bill 99-1151 increases the amount of pension or annuity income an individual aged 65 or older may subtract from federal taxable income for state income tax purposes. The exempt amount increases from \$20,000 to \$24,000.

FY 2003-04 tax relief = \$9.3 million
 FY 2004-05 tax relief = \$9.5 million

House Bill 99-1151 increases the amount of pension or annuity income an individual aged 65 or older may subtract from federal taxable income for state income tax purposes.

3. *Conservation easement tax credit* — House Bill 99-1155 creates an income tax credit for individuals and corporations that donate all or part of a perpetual conservation easement in gross to a governmental entity or a 501 (3) (c) charitable organization. The credit, not to exceed \$100,000 per donation, may be carried forward and applied against income taxes due for up to 20 succeeding income tax years.

FY 2003-04 tax relief = \$31.7 million

FY 2004-05 tax relief = \$33.3 million

4. *Income tax credit for long-term care insurance* — House Bill 99-1246 creates a state income tax credit for long-term care insurance. The credit is equal to 25 percent of the cost of the policy, but cannot exceed \$150. The credit is only available to individuals who earn less than \$50,000 per year or joint filers with income of less than \$100,000 per year.

FY 2003-04 tax relief = \$6.6 million

FY 2004-05 tax relief = \$7.5 million

5. *Alternative fuels incentives* — House Bill 00-1067 offers a state income tax credit for purchasing alternative fuel vehicles and for constructing, reconstructing, or acquiring an alternative refueling facility. The bill extends the state alternative fuel rebate program for governmental and nonprofit entities and eliminates the requirement that a vehicle be used in connection with a business to claim the alternative fuel income tax credit. The credit is effective beginning July 1, 2000 and continuing through July 1, 2011.

FY 2003-04 tax relief = \$1.9 million

FY 2004-05 tax relief = \$1.9 million

6. *Exclusion from resident individual* — House Bill 00-1134 excludes from the definition of “resident individual” for income tax purposes any individual absent from the state for at least 305 days of the tax year for active military duty outside of the United States. The exclusion only applies to individuals who elect not to file an individual income tax return as a resident individual. It is effective beginning January 1, 2001.

FY 2003-04 tax relief = \$1.1 million

FY 2004-05 tax relief = \$1.1 million

House Bill 00-1274 allows a permanent income tax credit for prepaid tuition payments.

7. *Tax exclusion for prepaid tuition payments* — House Bill 00-1274 allows a permanent income tax credit for prepaid tuition payments for income tax years beginning on or after January 1, 2001.

FY 2003-04 tax relief = \$1.2 million

FY 2004-05 tax relief = \$1.2 million

8. *Low-income housing owner tax credit* — House Bill 00-1302 provides an income tax credit for owners of qualified low-income housing developments for tax years beginning on or after January 1, 2001 but before January 1, 2003. The maximum amount of the credit awarded each year is \$5 million and the credit is awarded for a four-year period.

FY 2003-04 tax relief = unknown

FY 2004-05 tax relief = unknown

9. *Brownfield redevelopment incentives* — House Bill 00-1306 is an income tax credit that begins January 1, 2001 and sunsets at the end of 2005. However, during the 2005 legislative session, House Bill 05-1275 extended the sunset until the end of 2010. The bill provides a credit for costs to clean up contaminated property. The credit is equal to (a) 50 percent of the first \$100,000 in clean up costs; plus (b) 30 percent of the next \$100,000; plus (c) 20 percent of the next \$100,000. There is no tax credit for amounts exceeding \$300,000, but there is a five-year carry forward in the event that a business cannot use the full amount of its credit in any single year. The credit is only allowed for clean up in municipalities with a population greater than 10,000.

FY 2003-04 tax relief = \$0.3 million

FY 2004-05 tax relief = \$0.3 million

10. *Refunding the conservation easement credit* — House Bill 00-1348 modifies House Bill 99-1155 to allow income tax credits for conservation easements that are not fully used in one year to be refunded the following year rather than carried forward as a tax credit in future years provided that a TABOR surplus exists. The total amount of the credit cannot exceed \$100,000 per donation and the amount claimed in any year cannot exceed the taxpayer's total tax liability. Unused amounts can be carried forward for up to 20 years. The credit is effective as of January 1, 2000.

FY 2003-04 tax relief = \$0.0

FY 2004-05 tax relief = \$0.0

11. *Increase credits for child care contributions, per child, and child care expenses* — House Bill 00-1351 increases the income tax credit to 50 percent for contributions to promote “child care in the state,” including donations for the establishment and operation of child care facilities, for training of child care providers, and for financial assistance for child care. The 50 percent credit is applicable in 2000 through 2004. The credit cannot exceed \$100,000 but can be carried forward for up to five years. The credit is effective as of January 1, 2000 and sunsets January 1, 2005.

House Bill 00-1351 also increases the child care expenses and per child income tax credits that qualifying individuals with dependent children can take in years when there is a TABOR refund, even if the refund is below the threshold amount required for the TABOR refund mechanism portion of this bill. The increase in the child care expenses and per child income tax credits is effective as of January 1, 2000 and does not sunset.

FY 2003-04 tax relief = \$6.6 million

FY 2004-05 tax relief = \$6.6 million

12. *Donation of a perpetual conservation easement* — House Bill 01-1090 extends the tax credit for the donation of a perpetual conservation easement enacted through House Bill 99-1155 and House Bill 00-1348 to partnerships, S corporations and other similar pass-through entities, estates, and trusts that

House Bill 00-1351 increases the income tax credit to 50 percent for contributions to promote “child care in the state.”

House Bill 00-1351 also increases the child care expenses and per child income tax credits.

donate a conservation easement. The bill raises the maximum credit to 100 percent of the first \$100,000 plus 40 percent of the value of the donation that is in excess of \$100,000, with a maximum credit value of \$260,000. Previously, the credit was limited to \$100,000.

FY 2003-04 tax relief = \$4.5 million

FY 2004-05 tax relief = \$4.5 million

13. *Penalty for underestimating income tax* — House Bill 01-1312 permits individual taxpayers that make estimated payments to decrease their calculated liability by the TABOR refund mechanism(s) they receive. Moreover, this bill reduces the penalties collected in certain cases.

FY 2003-04 tax relief = \$2.0 million

FY 2004-05 tax relief = \$2.0 million

14. *Livestock tax credits* — House Bill 02S-1010 provides an income tax credit of 4.63 percent for income eligible to be deferred on the sale of livestock due to weather-related conditions. The credit will reduce General Fund revenues by an unspecified amount in FY 2003-04 and FY 2004-05.

FY 2003-04 tax relief = unknown

FY 2004-05 tax relief = unknown

Which bills enact sales and use tax exemptions?

Since 1999, 10 bills have been enacted that permanently exempt certain items from the state sales and use tax. These credits represent 3.3 percent of permanent tax relief in FY 2003-04 and will represent 3.1 percent of permanent tax relief in FY 2004-05.

1. *Exemption for farm equipment* — House Bill 99-1002 creates a sales and use tax exemption for the purchase of farm equipment with a value of \$1,000 or more.

FY 2003-04 tax relief = \$3.9 million

FY 2004-05 tax relief = \$4.0 million

2. *Exemption for coins and precious metal bullion* — House Bill 99-1009 creates an exemption from the sales and use tax for the purchase of coins and precious metal bullion.

FY 2003-04 tax relief = \$0.2 million

FY 2004-05 tax relief = \$0.2 million

3. *Exemption for food sold in vending machines* — House Bill 99-1015 exempts food sold through vending machines from the state sales and use tax.

FY 2003-04 tax relief = \$3.7 million

FY 2004-05 tax relief = \$3.9 million

4. *Exemption for agricultural compounds* — House Bill 99-1016 exempts from the state sales and use tax agricultural compounds provided to promote the health of livestock and semen.

FY 2003-04 tax relief = \$0.5 million

FY 2004-05 tax relief = \$0.5 million

5. *Exemption for alternative fuel vehicles* — House Bill 99-1271 allows the purchase of a low emitting vehicle to be eligible for the alternative fuels income tax credit or rebate program. It also creates a state sales and use tax exemption for the purchase of low emitting certified vehicles, power source replacements, and parts used for converting power sources for motor vehicles with a gross vehicle weight of 10,000 pounds or more.

FY 2003-04 tax relief = \$1.2 million

FY 2004-05 tax relief = \$1.2 million

6. *Exemption for biotechnology* — House Bill 99-1335 provides a mechanism to rebate state sales and use taxes paid for tangible personal property that is to be used mainly in Colorado for the research and development of biotechnology.

FY 2003-04 tax relief = \$1.3 million

FY 2004-05 tax relief = \$1.5 million

7. *Exemption for pesticides used in agricultural products* — House Bill 99-1381 creates an exemption from the state sales and use tax for pesticides that are used in the production of agricultural and livestock products.

FY 2003-04 tax relief = \$2.7 million

FY 2004-05 tax relief = \$2.7 million

8. *Agricultural items sales and use tax exemption* — House Bill 00-1162 exempts materials used in connection with construction, reconstruction, repair, or replacement of a farm building or an agricultural commodity storage facility from sales taxes beginning July 1, 2000.

FY 2003-04 tax relief = \$3.1 million

FY 2004-05 tax relief = \$3.1 million

9. *Bingo equipment* — House Bill 01-1223 exempts from state sales and use taxes the sale, storage, use, or consumption of bingo equipment to, or by, bingo-raffle licensees.

FY 2003-04 tax relief = \$0.2 million

FY 2004-05 tax relief = \$0.2 million

10. *Sales and use tax exemption for dairy* — House Bill 01-1256 expands the definition of farm equipment that is exempt from state sales and use taxes to include dairy equipment used to produce raw milk.

FY 2003-04 tax relief = \$0.1 million

FY 2004-05 tax relief = \$0.1 million

House Bill 99-1271 allows the purchase of a low emitting vehicle to be eligible for the alternative fuels income tax credit or rebate program.

House Bill 00-1162 exempts materials used in connection with . . . a farm building or an agricultural commodity storage facility.

Which bills enact other tax credits?

One bill was enacted during the 2001 legislative session that provides a tax credit to insurance companies.

1. *Certified Capital Company Act* — House Bill 01-1097 provides a premium tax credit to insurance companies that invest in certified capital companies for providing venture capital to businesses. With the enactment of House Bill 04-1206, beginning in 2005, the beneficiary of these credits was redesignated from the certified capital companies to CoverColorado. The CoverColorado Program provides medical insurance to eligible Colorado residents.

FY 2003-04 tax relief = \$10.0 million

FY 2004-05 tax relief = \$10.0 million

Which bills affect cash funds?

Five bills have been enacted since 1999 that permanently reduce the fees and taxes collected by the state's cash funds.

1. *Severance tax* — House Bill 99-1249 lowers the amount of severance tax paid by Colorado companies. It increases the amount of metallic minerals exempt from severance tax from \$11 million to \$19 million; exempts the first 625,000 tons of molybdenum ore produced each year from severance tax; increases the amount of coal production that is exempt from the severance tax from 8,000 tons to 300,000 tons produced in each quarter of the taxable year; and specifies that the investment earnings of the state Severance Tax Trust Fund and the Local Government Severance Tax Fund will now be credited to their respective funds instead of the General Fund.

FY 2003-04 tax relief = \$2.7 million

FY 2004-05 tax relief = \$2.7 million

2. *Purple heart license plate fees* — House Bill 00-1042 eliminates the payment of fees and specific ownership taxes for one set of special license plates for Purple Heart recipients. It will decrease the Highway Users Tax Fund by less than \$0.4 million over the forecast horizon.

FY 2003-04 tax relief = \$0.1 million

FY 2004-05 tax relief = \$0.1 million

3. *Oil and gas severance tax* — House Bill 00-1065 reduces severance taxes by increasing the amounts of oil and gas production that are allowed to be exempt from taxation. It also excludes such production from the ad valorem tax credit and extends the severance tax and ad valorem tax credits to oil and gas. This bill will decrease cash fund revenues by approximately \$3.0 million over the forecast horizon.

FY 2003-04 tax relief = \$0.5 million

FY 2004-05 tax relief = \$0.5 million

4. *Unemployment insurance tax credits* — House Bill 00-1310 provides a 20 percent credit that is applied against employers' unemployment insurance (UI) taxes in calendar years 2001 and 2002. The credit is applicable if the UI Trust Fund balance exceeds 1.1 percent of the total UI covered wages paid in Colorado on July 1, 2000 and July 1, 2001, respectively. The credit was applicable both years and the total reduction in UI tax revenues was \$64.6 million.

FY 2003-04 tax relief = \$0.0

FY 2004-05 tax relief = \$0.0

House Bill 00-1042 eliminates the payment of fees and specific ownership taxes for one set of special license plates for Purple Heart recipients.

5. *Unemployment insurance tax credits* — House Bill 02-1401 makes permanent House Bill 00-1310. House Bill 02-1401 provides a 20 percent credit that will be applied against employers' unemployment insurance (UI) taxes. The credit is applicable for a given calendar year if the UI Trust Fund balance exceeds 1.1 percent of the total UI covered wages paid in Colorado on July 1 of the immediately preceding calendar year. However, because of rising unemployment insurance benefit payments made from the UI Trust Fund, the credit is unlikely to be in effect through the forecast horizon.

FY 2003-04 tax relief = \$0.0

FY 2004-05 tax relief = \$0.0