

**Pocket Version**  
**COLORADO**  
**TAX HANDBOOK**



**Legislative Council**  
**Report to the**  
**Colorado General Assembly**

**Research Publication No. 360**  
**December 1990**

More detailed information on each of the taxes included in this handbook, as well as information on more local taxes, may be obtained from the Tax Handbook, Research Publication No. 359, December 1990. Write Colorado Legislative Council, Room 029, State Capitol Building, Denver, CO 80203-1784. Telephone: (303) 866-3521.

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# I. REFERENCE INFORMATION

## TABLE A

### Constitutional and Statutory Fiscal Restrictions

| <b><u>Restriction</u></b>  | <b><u>Citation</u></b>                          |
|--|---|
| Balanced Budget  | Article X, Section 16,<br>Colorado Constitution |
| Required Reserve   | 24-75-201.1 (1) (d),<br>C.R.S.                  |
| Restriction on State<br>Appropriations<br>-- 7% Limitation                             | 24-75-201.1 (1) (a),<br>C.R.S.                  |
| Restriction on<br>Local Revenues<br>-- 5.5% Limitation<br>on Property Tax<br>Increases | 29-1-301 (1),<br>C.R.S.                         |

TABLE B

FY 1990  
NET STATE TAX COLLECTIONS  
Collections Without Regard  
to Fund Disposition  
(\$ in Millions)

| Tax                    | Fiscal<br>1990   | Percent<br>of Total |
|------------------------|------------------|---------------------|
| Personal Income        | \$1,380.7        | 43.4%               |
| Sales                  | 768.1            | 24.2%               |
| Motor Fuel             | 355.6            | 11.2%               |
| Unemployment Insurance | 180.4            | 5.9%                |
| Corporate Income       | 104.2            | 3.3%                |
| Insurance Premiums     | 82.5             | 2.5%                |
| Lottery                | 70.0             | 2.2%                |
| Use                    | 62.5             | 2.0%                |
| Cigarette              | 56.3             | 1.8%                |
| Severance              | 26.8             | 0.8%                |
| Estate/Gift            | 21.5             | 0.7%                |
| Gross Ton-Mile         | 21.4             | 0.7%                |
| Liquor                 | 20.8             | 0.6%                |
| Tourism Promotion      | 8.7              | 0.3%                |
| Pari-Mutuel Racing     | 8.3              | 0.3%                |
| Tobacco                | 3.2              | 0.1%                |
| <b>TOTAL</b>           | <b>\$3,180.8</b> |                     |

TABLE C

TAX RECEIPTS FOR  
STATE GENERAL FUND  
(\$ in Millions)

| Tax                    | Fiscal<br>1990   | Percent<br>of Total |
|------------------------|------------------|---------------------|
| Cigarette              | \$ 56.3          | 2.2%                |
| Tobacco                | 3.2              | 0.1%                |
| Estate (Gift)          | 21.4             | 0.9%                |
| Other<br>Excise        | 2.0              | 0.1%                |
| <b>Income</b>          |                  |                     |
| I. Corporate           | 104.2            | 4.2%                |
| II. Personal           | 1,380.7          | 55.0%               |
| Insurance<br>Premiums  | 82.5             | 3.3%                |
| Liquor                 | 20.8             | 0.8%                |
| Pari-Mutuel<br>Racing  | 8.3              | 0.3%                |
| <b>Sales &amp; Use</b> |                  |                     |
| I. Sales               | 768.1            | 30.6%               |
| II. Use                | 62.5             | 2.5%                |
| <b>TOTAL</b>           | <b>\$2,510.0</b> |                     |

## II. STATE TAXES

### CIGARETTE TAX

Citation: Title 39, Article 28, C.R.S., and 39-22-623, C.R.S.

Tax Base: Cigarettes, imposed at the wholesale level.

Present Rate: 20 cents per package of 20 cigarettes.

Administration and Collection: Department of Revenue. Imposed on wholesalers, and payment is evidenced by stamps affixed to cigarette packages or by a metered imprint. Payment is due on or before the 10th day of the month following the month of purchase.

Disposition of Revenue: (\$56.3 M) Provides funding for the Old Age Pension Fund (OAPF); funds remaining are then credited to the general fund.

Local governments receive 27 percent of revenues which are distributed to local entities (\$16.6 M) based on the percent of state sales tax collected relative to all state sales taxes collected.

#### Federal Tax:

|                                 |                           |
|---------------------------------|---------------------------|
| Cigarettes<br>per pack<br>of 20 | 16 cents through 12/31/90 |
|                                 | 20 cents effective 1/1/91 |
|                                 | 24 cents effective 1/1/93 |

### TOBACCO PRODUCTS TAX

Citation: Title 39, Article 28.5, C.R.S.

Tax Base: Applies to cigars and related products and chewing tobaccos. Distributors keep 3.33 percent to cover collection expenses.

Present Rate: 20 percent of manufacturer's list price. These products are also subject to sales and use taxes.

Administration and Collection: Department of Revenue.

Collection Period: Distributors report every quarter the amount of tobacco products purchased during the preceding quarter and the amount of tax due.

Disposition of Revenue: After the requirements of the OAPF have been satisfied, the remainder is credited to the general fund. (\$3.2 M)

#### Federal Tax:

| Effective 1/1/91:  |  |
|--|--|
| Snuff  | 30 cents per pound                         |
| Chewing Tobacco  | 10 cents per pound                         |
| Small Cigars<br>(weighing less than<br>3 pounds per 1,000) | 93.75 cents per 1,000                      |
| Large Cigars<br>(weighing more than<br>3 pounds per 1,000) | 10.625% wholesale.<br>up to \$25 per 1,000 |

Federal taxes on these products are scheduled to increase 20% effective 1/1/93.

## CONTROLLED SUBSTANCES TAX

Citation: Title 39, Article 28.7, C.R.S.

Tax Base: The possession of marijuana and other controlled substances.

Present Rate:

|   |                   |
|---|-------------------|
| Marijuana   | \$100 per ounce   |
| Controlled Substances                             | \$1,000 per ounce |
| Proportionate rates for greater or lesser amounts |                   |

A penalty of 10 times the tax is imposed for failure to pay the tax.

Administration and Collection: Individuals possessing controlled substances or marijuana without stamps affixed to the package are subject to the tax. No other provisions are made for tax collection.

Exemptions: Persons lawfully in possession of these substances pursuant to provisions set out in statute.

Disposition of Revenue: Credited to the general fund.

## ESTATE TAX

Citation: Title 39, Article 23.5, C.R.S.

Tax Base: Imposed on the transfer of the taxable estate of every deceased person who was domiciled in Colorado.

Present Rate: Equals the federal estate tax credit for state death taxes. The total tax bill remains the same but the federal estate tax credit is collected as the state's estate tax. This is called a "pick up" or "gap" tax.

Disposition of Revenue: \$21.4 M to general fund.

(Inheritance and Gift taxes are no longer imposed.)

Federal Tax: The following rates apply for taxable years after 12/31/90 and before 1/1/96.

| Taxable income of:                  |                                       |
|-------------------------------------|---------------------------------------|
| - Not more than \$3,300             | 15% of taxable income                 |
| - Over \$3,300 but not over \$9,900 | \$495 plus 28% of excess of \$3,300   |
| - Over \$9,900                      | \$2,343 plus 31% of excess of \$9,900 |

## INCOME TAXES

### I. Corporate

Citation: Title 39, Article 22, C.R.S.

Present Rate:

**Tax Years Beginning  
On or After July 1, 1989,  
But Before July 1, 1990**

|                  |  |
|------------------|--|
| \$50,000 or Less | 5.0%   |
| Over \$50,000    | \$2,500 plus 5.4% on net income above \$50,000 |

**Tax Years Beginning  
On or After July 1, 1990**

|   |      |
|---|------|
| Same as above, except for rate changes on net income above \$50,000 |      |
| July 1, 1990  | 5.3% |
| July 1, 1991  | 5.2% |
| July 1, 1992  | 5.1% |
| July 1, 1993 and after  | 5.0% |

Determination of Corporate Income: Taxable income closely follows federal corporate taxable income with several Colorado modifications permitted as tax credits. Among the major modifications are an investment tax credit, the carry-forward of a new business facilities tax credit, a credit for purchase of Colorado coal, several different credits for investment in enterprise zones, and a historic properties tax credit.

Collection Period: Due the 15th day of the 4th month following the close of the corporation's fiscal year. Estimated pay-

ment is required if tax liability exceeds \$5,000.

Disposition of Revenue: (\$104.2 M) A share is apportioned to local entities to distribute cigarette tax revenues. The remainder is credited to the general fund.

Federal Tax: Corporate rates effective July 1, 1987:

| Taxable Income       | Rate (graduated)   |
|----------------------|--|
| Up to \$50,000       | 15%  |
| \$50,000 to \$75,000 | 25%  |
| Over \$75,000        | 34%  |
| Over \$100,000       | 5% surtax up to maximum of \$11,750 to phase out graduated rate benefits |

## INCOME TAXES

### II. Personal

Citation: Title 39, Article 22, C.R.S.

Tax Base: Colorado follows the federal law to determine filing status and federal taxable income. For tax year 1990, the federal personal exemption is \$2,050 and the standard deductions of single and married filing jointly are \$3,250 and \$5,450, respectively. Colorado taxable income is further adjusted by adding or subtracting income from other sources that Colorado has chosen to tax or not tax.

Colorado taxable income is then multiplied by the tax rate to determine the gross tax liability. The allowable tax credits are then subtracted from this amount to determine the net tax liability.

**Present Rates:** 5% "flat tax." Alternative minimum tax (AMT) rate is 3.75%.

**Collection Period:** Due April 15 unless an extension is granted.

**Disposition of Revenue:** (\$1,380.7 M)  
A share is apportioned to local entities as a method to redistribute cigarette taxes with remainder to general fund.

| <u>Tax Checkoff Programs</u>                 | <u>Repeal</u> |
|--|---------------|
| •Domestic Abuse Program Fund                 | 1995          |
| •Non-game Wildlife Program                   | 1996          |
| •Veterans Memorial Program                   | 1991          |
| •U.S. Olympic Committee Fund                 | 1992          |
| •Homeless Prevention Activities Program Fund | 1996          |

**Federal Income Tax:** Three rates were established under the Federal Tax Reform Act of 1986, the act to be followed in filing personal income taxes for 1990:

|               |                                    |
|---------------|------------------------------------|
| Single return | - First \$19,450 -- 15%            |
|               | - Over \$19,450 to \$47,050 -- 28% |
|               | - \$47,050 and above -- 33%        |
| Joint return  | - First \$32,450 -- 15%            |
|               | - Over \$32,450 to \$78,400 -- 28% |
|               | - \$78,400 and above -- 33%        |

For income in federal tax year 1991, the income numbers will be reduced from 33% to 31%.

## INSURANCE PREMIUMS TAX

**Citations:** 10-3-209, 10-5-111, 10-6-128, 31-30-1014 (3), (5), (6), C.R.S.

**Tax Base:** Gross amount of premiums from insurance policies covering property or risks regardless of the type of insurance policy.

### Present Rates:

|       |   |
|-------|---|
| 2.25% | non-Colorado company                                    |
| 1.00% | company with a home or regional home office in Colorado |
| 1.00% | captive insurance company                               |
| 2.00% | surplus line insurance                                  |

### Exemptions:

- fraternal and benevolent associations
- mutual protective associations writing crop hail insurance
- policies issued before 1959 by companies maintaining their principal place of business in this state and having 30% of their assets invested in this state's bonds or warrants
- premiums contracted for after December 31, 1968 on policies in connection with a pension, profit sharing, or annuity plan.

**Administration and Collection:** Division of Insurance, Dept. of Regulatory Agencies.

**Collection Period:** Due March 1 for the preceding calendar year.

**Disposition of Revenue:** (\$82.5 M)  
Credited to the general fund, except amounts have been transferred to the fire and police members' benefit fund.



**LIQUOR TAXES**

Citation: 12-46-111 and 12-47-127, C.R.S.

Tax Base: The tax is imposed on the manufacturer or the 1st wholesaler within the state.

Present Rates:

|                                  |                       |
|----------------------------------|-----------------------|
| Fermented malt beverage          | 8.00 cents per gallon |
| Malt liquors                     | 8.00 cents per gallon |
| Vinous liquors                   | 7.33 cents per liter  |
| Limited winery (Colorado grapes) | 0.70 cents per liter  |
| Spiritous liquors                | 60.26 cents per liter |

Administration and Collection: Department of Revenue.

Collection Period: Due on the 20th day of each month for the preceding month's sales.

Exemptions:

- wines for religious purposes
- vinous liquor made for family use
- wines sold at public auction to dispose of liquor

Disposition of Revenue: After the requirements of the OAPF have been satisfied, the remainder is credited to the general fund. (\$20.8 M)

Federal Taxes:

|                                |                          |
|--------------------------------|--------------------------|
| Effective 1/1/91:              |                          |
| Distilled spirits              | \$13.50 per proof gallon |
| Wines:                         |                          |
| 14% or less alcohol            | \$1.07 per wine gallon   |
| 14 to 21% alcohol              | \$1.57 per wine gallon   |
| (Table continued on next page) |                          |

|                                       |   |
|---------------------------------------|---|
| 21 to 24% alcohol                     | \$3.15 per wine gallon                          |
| Artificially carbonated wines         | \$3.30 per wine gallon                          |
| Champagne wines                       | \$3.40 per wine gal.                            |
| Beer, regardless of alcoholic content | \$18 per barrel generally (32 cents per 6-pack) |

**LOTTERY**

Citation: Title 24, Article 35, Part 2, C.R.S.

Collection Base: Sale of Colorado lottery tickets and lotto proceeds.

Administration and Collection: Department of Revenue, State Lottery Division.

Collection Period: Daily.

Disposition of Revenue: Revenues from the lottery and lotto are credited to the lottery fund and originally distributed:

- I. 50% prizes
- II. 50% remaining for:
  - (A) Administrative Costs
  - (B) Remaining Distribution:
    - (1) 40% Conservation Trust Fund (CTF)
    - (2) 10% Dept of Natural Resource (DNR)
    - (3) 50% Capital Construction (CCF)

Modifications in H.B. 1274, 1988 session: (a) funds transferred to the CTF capped at \$10.96 million, and the DNR capped at \$2.74 million; (b) remaining monies distributed to the CCF were designated for state correctional facilities; (c) original formula resumes in FY 1996-97; and (d) excess balance of \$36 million distributed to CTF, DNR, and CFC. (\$70.0 M)

## MOTOR-FUEL TAXES

### I. Gasoline

Citation: Title 39, Article 27, Part 1, C.R.S.

Tax Base: Sales of gasoline and gasohol, excluding aviation fuel.

Present Rate:

|                           |                     |
|---------------------------|---------------------|
| Effective August 1, 1990  | 20 cents per gallon |
| Effective January 1, 1991 | 22 cents per gallon |

Administration and Collection: Department of Revenue.

Collection Period: On or before the 25th day of the calendar month following the month in which the fuel was used or imported.

Disposition of Revenue: To HUTF and highway related activities. Two formulas are used to distribute HUTF funds to state and local entities. (\$355.6 M)

#### Motor Fuel Tax Distribution

|   |  |
|---|--|
| <u>First 7 Cents</u><br>(1969 law)  | <u>Additional Revenues</u><br>amendments in 1981,<br>1983, 1986, 1989)                 |
| A. "Off-the-top"<br>deductions  | A. "Off-the-top"<br>bridge repair (16%)  |
| B. Remaining funds<br>65% to state highway<br>fund<br>26% to counties<br>9% to cities | B. Remaining funds<br>80% to state highway<br>fund<br>22% to counties<br>18% to cities |
| <u>Federal Tax:</u>   |  |
| Effective 12/1/90:  |  |
| Gasoline  | 14 cents per gallon  |
| Gasohol   | 14 cents per gallon  |

## MOTOR-FUEL TAXES

### II. Special Fuels

Citations: Title 39, Article 27, Part 2, C.R.S.

Tax Base: Special fuels, such as diesel and liquified petroleum gas; excluding aviation fuel.

Present Rate:

|                 |                       |
|-----------------|-----------------------|
| Effective:      |                       |
| August 1, 1989  | 20.5 cents per gallon |
| January 1, 1990 | 18.5 cents per gallon |
| January 1, 1992 | 20.5 cents per gallon |

Liquified Petroleum Gas:

| Gross Weight in Pounds | Annual Fee |
|------------------------|------------|
| 1 - 10,000             | \$ 70      |
| 10,001 - 16,000        | 100        |
| Over 16,000            | 125        |

Exemptions: Fuel used by farm vehicles on farms, by construction equipment on a highway construction project, and governmental entities

Disposition of Revenue: To HUTF and highway related activities. Two formulas are used to distribute HUTF funds to state and local entities.

Federal Tax:

|  |                      |
|--|----------------------|
| Effective 12/1/90:   |                      |
| Diesel fuel  | 20 cents per gallon  |
| Special motor fuels<br>(including alcohol fuels<br>from petroleum) | 14 cents per gallon  |
| Alcohol fuels from<br>natural gas                                  | 5.4 cents per gallon |

## MOTOR-FUEL TAXES

### III. Aircraft Fuels

Citation: Title 28, Article 6, C.R.S.

Tax Base: Gasoline used in general aviation and products, excluding regularly scheduled commercial aircraft.

Present Rate: 6 cents per gallon tax on non-turbo-propeller or non-jet engine aircraft and a 4 cent tax on fuel for turbo-propeller or jet engine aircraft. First imposed January 1, 1989.

Administration and Collection: Department of Revenue.

Collection Period: Same as gasoline. (See page 14.)

Disposition of Revenue: Distributed to airports by the Colorado Aeronautical Board, Department of Military Affairs. (\$1.08 M)

## GROSS TON-MILE TAX

Citation: Section 42-3-123 (14), (15), (16), and (17), C.R.S.

S.B. 159, 1989 Session, replaced the GTM tax with a higher registration fee schedule beginning January 1, 1990.

## PARI-MUTUEL RACING

Citation: Section 12-60-109, C.R.S.

Tax Base: Gross receipts from wagering on horse and greyhound racing events, prior to the distribution of the winnings.

### Present Rates and Distribution:

|  |  |  |
|--|--|--|
| Greyhound*   | 4.0% On all wagers   | General Fund   |
| Horse Racing commercial year-round (no commercial year-round tracks currently operate) | 4.0% On all wagers<br>0.5% On win, place, or show<br>3.5% Other wagers                                       | General Fund<br>Horse Breeders Owners Awards<br>Supplemental Purse Fund                |
| Horse Racing Fair Circuit (operate at state and county fairs)                          | 4.0% on all wagers<br>5.5% on win, place, or show and<br>6.0% on other wagers                                | General Fund<br>Horse Breeders Owners Awards<br>Supplemental Purse Fund                |
| Horse Racing Nonprofit year-round (None currently exist)                               | 1.0% on all wagers or cash fee, whichever is greater<br>0.5% on win place, or show and,<br>3.5% Other wagers | Racing Commission Cash Fund<br>Horse Breeders Owners Awards<br>Supplemental Purse Fund |

\* If the aggregate amount paid exceeds \$6,201,685.85 in a year, a licensing fee cannot be assessed in the following year. If the aggregate amount paid is below the guarantee, each track is assessed a proportionate amount to make up the shortfall.

Administration and Collection: Colorado Racing Commission, DORA (\$8.3 M)

Collection Period: Daily.

## PASSENGER-MILE TAX

Citation: 42-3-123 (18), C.R.S.

Tax Base: Passenger miles traveled by passenger buses.

Present Rate: One mill per passenger-mile. Passenger miles is the number of revenue passengers carried times the miles carried. Temporary certificates of public convenience and necessity are \$10. Out of state buses may obtain a trip permit for \$5 or the amount of the tax due, whichever is greater.

Exemptions: Passenger service within a city by a mass transit or bus company, taxicabs, hotel buses, sightseeing buses, or limousines operated within a city, town, or county.

Administration and Collection: Department of Revenue.

Collection Period: On or before the 25th day of each month for miles traveled the preceding month.

Disposition of Revenue: Revenues are credited to the HUTF.

Collections: The tax has been collected with the GTM tax and is not accounted for separately. Estimates approximate \$300,000 per year.

## SALES AND USE TAXES

Citation: Title 39, Article 26, Part 1 and Part 2, C.R.S.

Tax Base: Gross receipts from retail sales of tangible personal property.

Present Rate: State -- 3 percent, Local governments -- up to 4%. However, if cities are at 4%, the limitation cannot prohibit a county from levying a 1% tax so the total rate in some counties is 8%.

Administration and Collection: Department of Revenue.

Collection Period: Due by the 20th day of the month following collection. Retailers retain 3.33 percent to cover collection expenses.

Disposition of Revenue: After the requirements of the OAPF have been satisfied, the remainder is credited to the general fund.

Exemptions: The statutes contain over 55 different products or groups of products that are exempt from the state sales and use taxes. Some of the exempt items are subject to an excise tax applied specifically to that product. A complete list of exemptions is found in the Tax Handbook and a few of the more significant exemptions follow:

- Food for consumption off-premises
- Home heating fuel
- Specified medical supplies and prosthetic devices
- Sales to charitable organizations
- purchases of machinery and machine tools in excess of \$500
- Gasoline and special fuels
- Cigarettes
- Fuels use in processing or in manufacturing

## SEVERANCE TAXES

Citation: Title 39, Article 29, C.R.S.

Tax Base: On the production or extraction of metallic minerals, molybdenum, oil and gas, oil shale, and coal. Mineral and oil and gas production is also subject to property taxation. See pages 24-27.

### Present Rate:

Metallic minerals. Based on the gross income (value) of the mineral upon extraction.

| Gross Income      | Tax Rate |
|-------------------|----------|
| 1st \$11 million  | exempt   |
| over \$11 million | 2.25%    |

A credit of up to 50 percent of the tax liability is allowed for payment of property tax.

- Molybdenum. -- January 1, 1986 to July 1, 1994 -- 5 cents per ton
- After July 1, 1994 -- 10 cents per ton

Oil and gas. Crude oil, natural gas, carbon dioxide, and oil and gas are also taxed on the basis of gross income at market value at the wellhead.

| Gross Income                  | Tax Rate                             |
|-------------------------------|--------------------------------------|
| Under \$25,000                | 2%                                   |
| \$25,000 but under \$100,000  | \$500 + 3%<br>excess of \$25,000     |
| \$100,000 but under \$300,000 | \$2,750 + 4%<br>excess of \$100,000  |
| \$300,000 and over            | \$10,750 + 5%<br>excess of \$300,000 |

Wells producing 10 barrels or less per day are exempt. A credit against the

severance tax is allowed equal to a percent of all property taxes paid.

Coal. 36 cents per ton until July 1, 1994; after that date the rate will be 60 cents per ton. The first 25,000 tons each quarter are exempt. A 50% credit is allowed for coal produced by underground mines and for lignite.

Oil shale. 4 percent of gross proceeds. The tax is also reduced based upon the length of time in operation:

| Years Operating             | Reduction | Actual Rate |
|-----------------------------|-----------|-------------|
| First year                  | 75%       | 1%          |
| Second year                 | 50%       | 2%          |
| Third Year                  | 25%       | 3%          |
| Fourth and Succeeding Years | None      | 4%          |

First 15,000 tons per day or the first 10,000 barrels per day are exempt.

Exemption for impact assistance. A credit is allowed for the amount of a company's approved contributions to local governments for mitigation of developmental impacts.

Administration and Collection: Department of Revenue.

Collection Period: Annually, on or before the 15th day of the 4th month following the end of the taxable year.

### Disposition of Revenue:

- 50% to state severance tax fund
- 50% to local severance tax fund (\$26.6 M, total for both)

## TOURISM PROMOTION FUND TAX

Citation: Title 39, Article 26.1, C.R.S.

Tax Base: Imposed on the price charged for rooms or accommodations, restaurant food and drinks, ski lift or admission tickets, private tourist attraction admission tickets, rental automobiles, and tour bus or sightseeing carrier tickets.

Present Rate: 0.2%.

Administration and Collection: Businesses collect the tax and transmit funds the Department of Revenue.

Collection Period: Quarterly.

Exemptions: Attractions owned or operated by governmental entities and non-profit charitable organizations.

Disposition of Revenue: Colorado tourism promotion fund (\$8.7 M) created in Title 24, Article 32, Part 13, C.R.S.

## UNEMPLOYMENT INSURANCE TAX

Citation: Title 8, Article 76, C.R.S.

Tax Base: Applied to the first \$10,000 of annual earnings paid each employee by public and private employers. Exemptions are provided.

Present Rate: New employers pay 2.7 percent of taxable wages. The average rate for all employers is 2.2 percent. A tax surcharge may be added based on the amount of benefits paid which are not effectively charged to any active employer. Employers are also subject to the federal unemployment tax.

Administration and Collection: Division of Employment and Training, Department of Labor and Employment.

Collection Period: Payable quarterly for each applicable calendar year and credited to the unemployment insurance trust fund.

Disposition of Revenue: Withdrawn to pay unemployment benefits. (\$190.4 M)

### III. SELECTED LOCAL TAXES

#### OCCUPATIONAL TAXES

##### I. General

Description of Tax: Occupational or business taxes are imposed for the privilege of carrying on certain occupations within the taxing jurisdiction. Taxes are often based on number of employees or, in some cases, whether business is retail or non-retail. Rates vary widely. See Tax Handbook for examples of rates.

##### II. Liquor and Beer Occupation Tax

Description of tax: A privilege tax to permit the sale of liquor and beer by various establishments and at special events. Ninety-two cities reported imposing this tax. Annual fees range from \$100 to \$3,650.

##### III. Utility Occupational Tax or Franchise Fee

Description of Tax: A franchise may be required before a public utility may be permitted to operate in a municipality. Types of businesses taxed are electric, gas, and telephone utilities and cable TV franchises.

#### PROPERTY TAX

##### Constitutional and Statutory Citations:

- Article X, Sections 3, 4, 5, 6, 11, and 15, Colorado Constitution
- Title 39, Articles 1 through 13, C.R.S.

A 1982 constitutional amendment requires three methods be used to determine

the actual value (AV) of a property: 1) cost, 2) market, 3) income. The AV is determined for residential property by the cost and market approaches. Agricultural land is based on the earning or productive capacity capitalized at a prescribed rate. The valuation for assessment for producing mines and lands or leaseholds producing oil and gas is determined by a portion of annual production. The amendment also set the rate for the valuation for assessment of residential and all other real property. The General Assembly is required to maintain the same ratio of statewide valuation of residential property in relation to other taxable property whenever a change in the level of value occurs. Exemptions are included in the constitutional amendment.

##### Administration:

The county assessor assesses property except for public utilities and railroads which are assessed at the state level. County commissioners review the valuations to ensure equalization and also hear appeals. The State Board of Equalization reviews and certifies the abstracts which become the basis for the tax roll. The county treasurer collects and disperses the property taxes to all taxing entities.

##### Collections:

The county treasurer mails tax bills after January 1. The taxpayer may make a single payment for the full amount of taxes on April 30. If the property tax bill is over \$25, the taxpayer may make two equal payments, the first due by the last day of February and the second due by July 31.

## Property Valuation:

Property types. Real property is permanently fixed, such as land and buildings. Everything not included within the term real property is considered personal property. Items of personal property -- e.g., household furnishings, freestanding appliances, carpet and drapes -- are subject to taxation only if they are used to produce income, as in a rental unit.

Actual value. The actual value of property reflects the property's worth during a specified period of time. Actual value is determined by the market approach which compares market sales of similar properties, the cost approach which estimates the material and labor costs to replace a similar property, and the income approach which converts income from rent to an estimate of value.

Reassessment cycle. The actual value of property is currently computed based on a two-year reassessment cycle. Property was revalued in 1989, and will be revalued again in 1991. The data gathering period for the 1991 reassessment is the one-and-one-half year period prior to July 1, 1990. Following the 1993 revaluation, reassessments are to occur annually and the data gathering period will advance by one year over that used in the prior year.

Assessed value. The assessed value is equal to the actual value multiplied by the assessment rate. The residential assessment rate for 1991 is 15 percent. Other taxable property is to be valued at 29 percent, except for those classes that are based on production -- oil and gas lands and

leaseholds, producing mines, and agriculture.

Mill. The rate of property taxation for real and personal property is expressed in mills. One mill will generate one dollar of taxes for each \$1,000 of assessed value.

Mill levy. Except for school districts, a taxing jurisdiction's mill levy is determined by dividing the jurisdiction's budget by its total assessed value and then certified by the county commissioners.

Each taxpayer is subject to at least two mill levies -- county and school district. However, there are many variations among mill levies due to the variety of taxing entities including cities, towns, and special districts. A taxpayer's property tax bill is determined by the combined mill levy of all the taxing districts multiplied by the property's assessed value.

Exemptions. Exemptions are listed in Article X of the Colorado Constitution. Section 39-3-101, et seq., C.R.S., further defines the constitutional exemptions.

## Tax Deferrals, Credits, and Abatements:

Tax deferral. Persons 65 years or older may defer payment of taxes for an owner-occupied non-income producing home. The deferral is for one calendar year, but may be continued on an annual basis.

Severance tax credit. Oil and gas companies are allowed a credit against the severance tax equal to a specified percentage of all property taxes paid except those



imposed on equipment and facilities used for production, transportation, and storage.

**Abatements and refunds.** Beginning in 1988, property owners are permitted to protest the value of their property for the prior year as well as the current year. When an error is found in the valuation, the property owner is entitled to a tax abatement or, if the taxes have already been collected, a tax refund.

## SALES AND USE TAXES

**Description of Tax:** Sales and use taxes are levied on the retail sales of tangible personal property and some services. Counties and statutory cities must exempt the same items as the state, except that they may apply sales and use taxes to machinery or machine tools, residential heat and power, and sales of food for off-premise consumption. Home rule cities determine the items subject to their sales and use taxes.

Statutory municipalities and counties may levy a use tax on the storage, use, or consumption of construction and building materials and motor and other vehicles for which registration is required. Home rule cities are required to conform ordinances or procedures to state law in certain areas. The Department of Revenue, upon request, may administer, collect, and distribute the sales tax for counties and municipalities.

Section 29-2-108, C.R.S. limits the total state, county, and municipal sales tax to 7 percent except that the rate may be 8 percent if necessary to allow a county to impose a 1 percent sales tax.

## Tax Rates for Special Purposes

Sales and use taxes are levied for special purposes in numerous areas of the state:

|  |            |
|--|------------|
| Regional Transportation District (RTD)   | 0.6%       |
| Cultural Facilities (Same area as RTD)   | 0.1%       |
| Baseball Stadium (Same area as RTD)  | 0.1%       |
| County Lodging for Tourist Promotions (Several counties. Tax imposed on lodging only.) | Up to 2.0% |

## SPECIFIC OWNERSHIP TAX

**Tax Base:** Factory list price on every motor vehicle, trailer, semitrailer, or vehicle. Motor vehicles are divided into classes A, B, C, D, and F. (NOTE: There is no longer a class E.)

| Class | Motor Vehicle Type  |
|-------|---|
| A     | Vehicles, including trucks, used for compensation               |
| B     | Trucks and trailers not included in Class A                     |
| C     | Other vehicles not in Classes A or B, e.g., private automobiles |
| D     | Utility trailers, camper trailers, and trailer coaches          |
| F     | Mobile machinery and self-propelled construction equipment      |

**Tax Rate:** The taxable value for class A and B vehicles is 75 percent and for class C and D vehicles is 85 percent of the manufacturer's suggested retail price. Class F vehicles' value is either the factory list price and 75 percent of the original price of mounted equipment, or 75 percent of

original retail delivery price plus 75 percent of original retail delivery price of mounted equipment, or value is determined by the property tax administrator.

The tax is computed using the following schedule:

| Years of Service | Class     | Fee or Percent of Taxable Value          |
|------------------|-----------|--|
| 1st              | A,B,C,D,F | 2.10%                                    |
| 2nd              | A,B,C,D,F | 1.50%                                    |
| 3rd              | A,B,C,D   | 1.20%                                    |
|                  | F         | 1.25%                                    |
| 4th              | A,B,C,D   | 0.90%                                    |
|                  | F         | 1.00%                                    |
| 5th              | F         | 0.75%                                    |
| 5th - 9th        | A,B       | 0.45% or \$10.00<br>whichever is greater |
|                  | C,D       | 0.45%                                    |
| 9th and over     | F         | .50% but not<br>less than \$5.00         |
| 10th and over    | A         | \$10.00                                  |
|                  | B,C       | \$3.00                                   |
|                  | D         | 0.45% or \$3.00                          |
|                  |           | whichever is greater                     |

**Exemptions:**

- Mobile homes
- U.S. armed forces vehicles with foreign plates
- Government vehicles
- Firefighting vehicles, police ambulances, farm tractors, mobile machinery and self-propelled construction equipment
- One class B and one class C vehicle weighing less than 6,500 pounds owned by a disabled veteran or P.O.W.

**Administration and Collection:** Class A taxes are collected by the Department of Revenue and are due no later than January 1. Counties collect taxes for class B, C, D,

and F vehicles, which are due at the time of registration.

**Disposition of Revenue:** Revenue from class A is apportioned to the cities and counties. Class B, C, D, and F moneys are deposited with the county treasurers. (\$154.1 M)