2012 Colorado Tax Profile and Expenditure Report

Introduction

Three Major Sections in the Report:

1) Expenditure Study--lists the various tax expenditures by tax type
2) Tax Profile Study--estimates the state and local taxes paid by households and the distribution of those taxes across income classes
3) Individual and Corporate Statistics of Income—tables that give us a view of the monetary composition as well as a limited amount of demographic information about households in the state. Corporate data shows comparisons between inter- and intra-state corporations

EXPENDITURE STUDY

Definition of Tax Expenditures

Statutory definition

a "tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue".

Colloquial definition

"...like direct expenditures, tax expenditures can be used to promote the policy goals of the general assembly by providing favorable tax conditions for certain activities considered beneficial to the state."

Other Purposes for Statutorily-defined Tax Expenditures:

Vendor discounts/bad debt allowances
Conformance with federal law
Clarifying language
Prevention of multiple points of taxation/avoidance of a VAT structure
Provision of a level playing field
Avoidance of taxing governmental/quasi-governmental units
Provision of favorable tax conditions for beneficial activities

Actual Data Versus Estimates

Fiscal Note Estimates

Income Tax Data--two questions

Why is income tax year 2009 the latest data available?
Why isn't more detailed info available?

Timing of Data Availability

Starting point is federal taxable income--line on federal return after you've totaled income from all sources and taken exemptions & deductions

Puts the onus of verification of taxpayer info on the IRS
State cannot compile such data from own returns

Timeline for 2009 income tax return data compilation:

April 2010	2009 returns filed by most
Oct/Nov 2010	IRS processes this information, sends to states
Aug-Oct 2010	Extension filers file returns
Oct/Nov 2011	IRS processes this information, sends to states
May/June 2012	Begin matching and compilation of data

Limited Data Availability
Why aren't more detailed CO deductions and credits available for this study?
2009 income tax returns first administered on new CITA accounting system
Starting with income tax year 2010 CITA captures more data

TAX PROFILE STUDY
Compiled to estimate total & average state & local taxes paid by CO households

Executive Summary
- How CO taxes and expenditures compare with other states
- Changes in tax collections since last study--2001
- Proportional distribution of income and taxes among CO households
- Average amount of taxes paid by households
- Effective rate of various state and local taxes on households

Tax Equity
Discussion of vertical and horizontal equity, user-based vs ability-to-pay

STATISTICS OF INCOME
Compilation of federal and state income tax information for the purpose of understanding the economic composition of CO households