

**Table 1: State Income Tax Credits and Rebates
(Individual)***

| Tax Credits and Effective Date | Effective Date | FY 2008-09 | FY 2009-10 | % change in amount |
|--|-----------------------|----------------------|----------------------|-------------------------------|
| Child Care Credit | 1/1/1996 | \$3,917,780 | \$3,660,575 | -7% |
| Alternative Fuel Credit | 7/1/1998 | 9,842,546 | 11,127,537 | 13% |
| Gross Conservation Easement Credit | 1/1/2000 | 53,124,970 | 36,254,069 | -32% |
| Enterprise Zone Credits /A | | | | |
| Investment tax credit | 1/1/1986 | 18,609,912 | 17,135,439 | -8% |
| New business facility employee credit | 1/1/1989 | | | |
| Enhanced rural enterprise zone new business facility employee credit | 1/1/2003 | | | |
| New business facility agricultural employee processing credit | 1/1/1989 | | | |
| Agricultural processing employee credit | 1/1/1989 | | | |
| Enhanced rural enterprise zone agricultural processing employee credit | 1/1/2003 | | | |
| Enterprise zone employee health insurance credit | 1/1/1989 | | | |
| Contribution to enterprise zone administrator credit | 1/1/1989 | | | |
| Qualified job training program investment credit | 1/1/1997 | | | |
| Research and development credit | 1/1/1989 | | | |
| Rehabilitation of vacant buildings | 1/1/1989 | | | |
| Rural technology enterprise zone /B | 1/1/1999 | | | |
| Other Credits /A | | | | |
| Alternative minimum tax credit | 1/1/1988 | 176,291,014 | 138,335,643 | -22% |
| Taxes paid to another state credit | 1/1/1987 | | | |
| Plastic recycling investment credit | 1/1/1989 | | | |
| Previous year income tax credit | 1/1/1988 | | | |
| Historic property preservation credit | 1/1/1991 | | | |
| Child care center investment credit | 1/1/1992 | | | |
| Child tax credit | 1/1/1996 | | | |
| Employer child care facility investment credit | 7/1/1992 | | | |
| School-to-career investment credit | 1/1/1997 | | | |
| Colorado Works Program credit | 1/1/1998 | | | |
| Child Care Contribution credit | 1/1/1999 | | | |
| Long-term care insurance credit | 1/1/2000 | | | |
| Contaminated land redevelopment credit | 1/1/2000 | | | |
| Low-income housing credit /B | 1/1/2001 | | | |
| Weather-related livestock sale credit /B | 1/1/2002 | | | |
| Aircraft manufacturer new employee credit | 1/1/2006 | | | |
| Totals | N/A | \$261,786,222 | \$206,513,263 | -21% |

/ A Revenue impacts for these credits are not tracked separately by the department.

/ B These credits are no longer offered. However, they may still have a small revenue impact because taxpayer's may still be carrying previous years' credits into FY 2009 and FY 2010.

* Many of these credits can be claimed on individual and corporate returns. This table includes only the individual impacts.

Source: Colorado Department of Revenue, 2010 Annual Report, P. 29.

Prepared by Legislative Council Staff: January 2011.

**Table 2: State Income Tax Credits and Rebates
(Corporate)***

| Tax Credits and Effective Date | Effective Date | FY 2008-09 | FY 2009-10 | % Change in Amount |
|---|-----------------------|---------------------|---------------------|---------------------------|
| New investment tax | 1/1/1986 | \$792,989 | \$685,985 | -13% |
| Gross conservation easement credit | 1/1/2000 | 2,053,398 | 1,787,205 | -13% |
| Alternative fuel credit and refueling facility credit | 7/1/1998 | 369,454 | 233,589 | -37% |
| Enterprise zone investment tax credit | 1/1/1986 | 37,970,175 | 23,268,780 | -39% |
| Enterprise zone employee credits | 1/1/1989 | 2,426,189 | 3,805,584 | 57% |
| Contribution to enterprise zone administrator credit | 1/1/1989 | 677,142 | 479,631 | -29% |
| Other Enterprise Zone Credits /A | | | | |
| Enterprise zone employee health insurance credit | 1/1/1989 | 3,031,222 | 4,151,569 | -13% |
| Contribution to enterprise zone administrator credit | 1/1/1989 | | | |
| Qualified job training program investment credit | 1/1/1997 | | | |
| Research and development credit | 1/1/1989 | | | |
| Rehabilitation of vacant buildings | 1/1/1989 | | | |
| Other Credits /A | | | | |
| Old investment tax /B | 1/1/1979 | 1,455,761 | 6,119,503 | -13% |
| Impact assistance | 1/1/1981 | | | |
| Crop and livestock contribution | 1/1/1982 | | | |
| Historic property preservation | 1/1/1991 | | | |
| Employer child care facilities | 7/1/1992 | | | |
| Child care contribution | 1/1/1999 | | | |
| Child care center and family care home investment | 7/1/1992 | | | |
| School-to-career investment | 1/1/1997 | | | |
| Colorado coal purchases /B | 1/1/1989 | | | |
| Rural technology /B | 1/1/1999 | | | |
| Colorado Works Program | 1/1/1998 | | | |
| Contaminated land redevelopment credit | 1/1/2000 | | | |
| Low-income housing credit /B | 1/1/2001 | | | |
| Weather-related livestock sale credit /B | 1/1/2002 | | | |
| Aircraft manufacturer new employee credit | 1/1/2006 | | | |
| TOTAL | | \$48,776,330 | \$40,531,846 | -17% |

/ A Revenue impacts for these credits are not tracked separately by the department.

/ B These credits are no longer offered. However, they may still have a small revenue impact because taxpayer's may still be carrying previous years' credits into FY 2009 and FY 2010.

* Many of these credits can be claimed on individual and corporate returns. This table includes only the corporate impacts.

Source: Colorado Department of Revenue, 2010 Annual Report, P. 29.

Prepared by Legislative Council Staff: January 2011.

Table 3: State Sales and Use Tax Exemptions

| Enacted Date | Colorado Revised Statutes | Colorado State Sales Tax Exemptions | 2009 Estimated Revenue Impact |
|--------------|---------------------------|---|-------------------------------|
| 1935 | §39-26-102(20)(a) | Exempts the sales to and purchases of tangible personal property that becomes a component part of a manufactured product or service. | 594,652,668 |
| | §39-26-715(1)(a)(I)and(2) | Exempts the sale of gasoline and special fuel. Also exempts the sales and purchases of electricity, coal, wood, gas, fuel oil, or coke sold, but not for resale (added in 1980). | 210,174,896 |
| 1937 | §39-26-102(21) | Exempts the sale and purchases of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel, for use in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone, radio communication, street and railroad transportation services, and all industrial uses. Also includes newsprint and printer's ink for use by publishers of newspapers and commercial printers. | 46,105,643 |
| | §39-26-704(1) | Exempts all sales to the United States government and the state of Colorado, its departments and institutions, and political subdivisions. | 81,435,865 |
| | §39-26-718(1)(a) | Exempts all sales made to, and sales made by charitable organizations in the conduct of their regular charitable functions and activities. | 40,747,722 |
| 1943 | §39-26-102(15) | Exempts direct mail advertising materials distributed by persons engaged solely and exclusively in providing cooperative direct mail advertising. | 8,576,932 |
| | §39-26-102(21) | Exempts the sales and purchases of energy derived from specific sources for use in processing; manufacturing; mining; refining; irrigation; construction; street and rail transportation; telephone and telegraph; radio and television broadcasting; and industrial uses. | 3,569,096 |
| | §39-26-716(3)(a) & (4)(a) | Exempts the sale, storage and use of neat cattle, sheep, lambs, poultry, swine, goats, held and used for breeding purposes only. | 72,106,174 |
| | §39-26-716(4)(b) | Exempts the sale and purchase of feed for livestock, seeds, and orchard trees. | 38,164,283 |
| 1945 | §39-26-716(4)(a) | Provides an exemption for live fish for stocking purposes and goods sold at farm auction close-out sales. | 3,799,640 |
| 1959 | §39-26-704(3) | Exempts the sales of lodging fees for those who enter into a written lodging agreement for thirty or more consecutive days. | 10,678,095 |
| | §39-26-706(1)(a) | Exempts the sale, storage, or consumption of cigarettes. This exemption is not effective for FY 2009-10 and FY 2010-11 (HB09-1342) 7/ | 35,498,684 |
| 1961 | §39-26-716(4)(c) | Exempts the sale of straw or bedding for use in the care of livestock or poultry. | 61,691 |
| 1963 | §39-26-704(2) | Prohibits a Colorado sales tax on retail sales within a distance of twenty miles within the boundaries of this state to persons resident, excluding corporations, of adjoining states, which adjoining states do not impose or levy a retail sales tax on such sales, if the resident of the adjoining states are in the same state for the express purpose of making purchases and not as a tourist. | 1/ |
| 1965 | §39-26-717(1)(a) | Exempts the sale of prescription drugs. | 65,055,079 |
| 1969 | §39-26-704(4) | Exempts all sales made to schools, other than schools held or conducted for private or corporate profit. | 23,744,662 |
| 1970 | §39-26-716(4)(a) | Provides an exemption for live fish purchases used for stocking. | 73,302 |
| 1976 | §39-26-712(1)(a) & (1)(b) | Exempts new and used trucks and trailers that are purchased for interstate commerce or use outside of the state that will permanently be licensed and registered outside the state of Colorado. | 5,136,266 |
| 1977 | §39-26-102(10)(f) | Exempts the transfers of assets in certain types of corporations in exchange for stocks or securities. | 1/ |
| | §39-26-113(5)(a) | Exempts the sales of new or used automobiles for use outside Colorado by nonresident purchasers. | 3,005,297 |
| | §39-26-710(1)(a) | Exempts the sales of construction and building materials to a common carrier by rail operating in interstate or foreign commerce for use by the common carrier in construction and maintenance of its railroad tracks. | 1,182,288 |
| | §39-26-713(1)(a) | Specifies the timing of taxation that takes place either upon acquisition of a personal asset to throughout the lifetime use of the asset. | 1/ |
| | §39-26-713(1)(c) | Exempts the sale of tangible personal property for testing, modification, inspection, or similar type of activities in the state if the ultimate use of the property in manufacturing or similar type of activities occurs outside of this state and if the test, modification, or inspection period does not exceed 90 days. | 1/ |
| | §39-26-716(2)(a) | Exempts special fuel for farm vehicles when such vehicles are being used on farms and ranches. | 3,427,139 |
| 1978 | §39-26-717(1)(a) | Exempts the sale of insulin. | 603,522 |
| | §39-26-104(1)(e) | Exempts the value of free or reduced rate meals given to employees in food service establishments. | 47,992 |
| | §39-26-707(1)(c) & (1)(d) | Exempts the sale of any article, container, or bag to a retailer or vendor of food if the article, container, or bag is given to the consumer with no additional charge. | 2,664,464 |
| | §39-26-713(1)(b) | Exempts the transfer of tangible personal property when used for the purchase, sale, or promotion of the transferor's product, to an out-of-state vendee for use outside the state in selling products normally sold at wholesale by the transferor. | 40,779 |
| 1979 | §39-26-707(1)(e) | Exempts the sale of food for domestic home consumption. | 251,668,497 |
| | §39-26-708(1) | Exempts the sales of construction and building materials to contractors and subcontractors for use in the building, erection, alteration, or repair of structures, highways, roads, streets, and other public works owned and used by the United States government, the state of Colorado, its departments and institutions, political subdivisions, charitable organizations, and public schools. | 91,653,536 |
| | §39-26-709(1) | Exempts the sales of machinery and machine tools used in the manufacturing process. | 90,825,007 |
| | §39-26-715(1)(a)(II) | Exempts fuel used for residential heat, light, and power. | 93,962,379 |
| | §39-26-716(4)(c) | Exempts the sale of straw for livestock bedding. | 3/ |

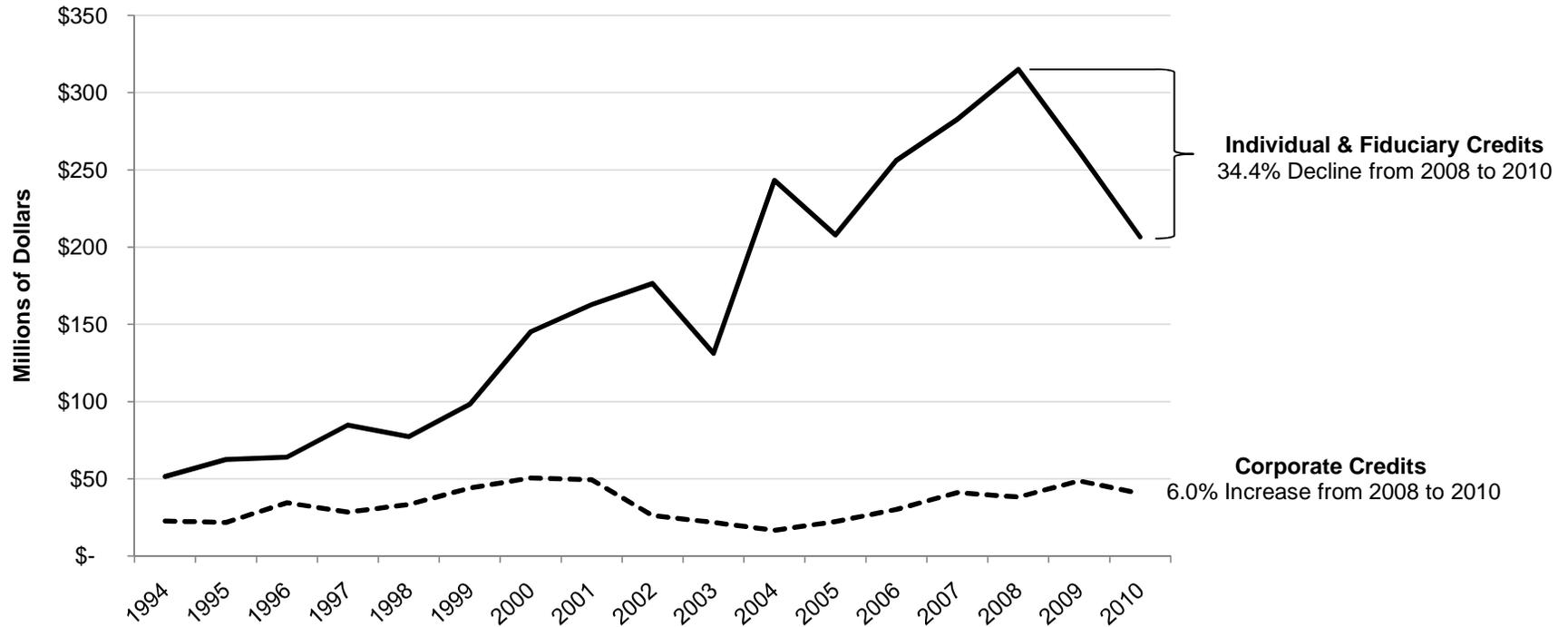
Table 3: State Sales and Use Tax Exemptions

| Enacted Date | Colorado Revised Statutes | Colorado State Sales Tax Exemptions | 2009 Estimated Revenue Impact |
|--------------|---------------------------|--|-------------------------------|
| 1979 (cont.) | §39-26-717(1)(a) | Exempts various items needed by diabetics, other than insulin, from sales tax. | 2,224,680 |
| | §39-26-721(1) | Exempts forty-eight percent of the purchase price of factory built housing. | 5,229,121 |
| 1980 | §39-26-717(1)(b) & (1)(c) | Exempts various medical equipment, devices, and accessories as defined in detail in the statute. | 8,400,385 |
| | §39-26-102(20)(b) | In food manufacturing, certain processes occur which require materials to be consumed that do not become a final component part of the manufactured good and are unfit for further use. Along with the property which becomes part of the food product, those goods that are unfit for further use and are not part of the final product manufactured are exempt from sales tax. | 8,614,377 |
| 1982 | §39-26-102(21) | Exempts nuclear fuel when deemed a wholesale sale. | 1/ |
| | §39-26-706(3) | Exempts the sales and purchases of refractory materials and carbon electrodes used by a person manufacturing iron and steel for sale or profit and all sales and purchases of inorganic chemicals used in processing of vanadium-uranium ores. | 4,426 |
| 1984 | §39-26-711(1)(a) | Exempts the sales of aircraft purchased by commercial airlines who have regularly scheduled flights. | 4/ |
| 1985 | §39-26-102(15) | Exempts the sale of newspaper advertising supplements. | 1,863,759 |
| 1986 | §39-26-714(1) | Exempts the sales of vending machine items less than 15 cents. | 1/ |
| | §39-26-707(1)(a) | Exempts all sales of food purchased with food stamps. | 5,957,101 |
| 1987 | §39-26-707(1)(b) | Exempts all sales of food purchased with funds provided by the special supplemental food program for women, infants, and children (WIC), as provided for in 42 U.S.C sec. 1786. | 1,110,072 |
| 1990 | §39-26-102(15) | Exempts direct mail advertising materials distributed by persons engaged solely and exclusively in providing cooperative direct mail in advertising. | 1,698,699 |
| 1991 | §39-26-711(1)(b) | Exempts the sale of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft. | 773,241 |
| | §39-26-102(19) | Exempts materials used in the printing process that are unique enough where they cannot be reused for another order as they are customized to the print job requirements for one particular customer order. | 20,466 |
| 1992 | §39-26-710(1)(b) & (1)(c) | Exempts the sale of tangible personal property that is to be affixed or attached as a component part of a locomotive, freight car, railroad work equipment, or other railroad rolling stock, or the sale of locomotives, freight cars, railroad work equipment, and other railroad rolling stock used or purchased for use in interstate commerce by a railroad company. | 3/ |
| 1995 | §39-26-718(1)(b) | Exempts special event sales by charitable organizations. | 3/ |
| 1996 | §39-26-202(1)(c) | Exempts the sales of wireless equipment used as an inducement to enter into or continue a contract for taxable telecommunication services. | 1,087,993 |
| | §39-26-706(2)(a) | Exempts sales of internet access service but does not include that portion of packaged or bundled services providing phone or television cable services when the package or bundle includes the sale of internet access services. | 15,541,030 |
| 1998 | §39-26-713(1)(d) | Exempts the value of a manufactured good donated directly from the manufacturer to a tax-exempt organization. | 420,424 |
| | §39-26-402(1) | Provides a sales tax exemption for the sales of tangible personal property that is to be used in Colorado directly and predominantly in research and development of biotechnology during the calendar year. | 654,628 |
| | §39-26-706(4) | Exempts all sales of precious metal bullion and coins, as defined in C.R.S. §39-26-102(2.6) and (6.5). | 561,797 |
| | §39-26-714(2) | Exempts the sale of food through vending machines. | 9,074,112 |
| 1999 | §39-26-716(2)(b) & (3)(b) | Exempts the sale of farm equipment. | 5,783,764 |
| | §39-26-716(2)(d) & (3)(d) | Exempts the sales of agriculture compounds that are consumed by, administered to, or used while caring for livestock and all sales and purchases of semen for agricultural or ranching purposes. | 3,278,477 |
| | §39-26-716(2)(e) & (3)(e) | Exempts the sales of pesticides that are registered by the commissioner of agriculture and livestock products and offered for sale by dealers licensed to sell such pesticides. | 2,001,892 |
| | §39-26-718(1)(a) | Exempts special events sales by veterans' organizations. | 2,374,042 |
| | §39-26-719(1)(a) | Exempts the sale of low-emitting vehicles greater than 10,000 lbs. and any kits to convert them. | <500,4/ |
| | §39-26-106(3)(a) | If the state collects a threshold level of surplus revenues under Article X, Section 20 of the State Constitution (TABOR), a sales tax exemption is granted for the sales of commercial vehicles over 26,000 pounds in gross vehicle weight. | 2/ |
| 2000 | §39-26-502(2) | If the state collects a threshold level of surplus revenues under Article X, Section 20 of the State Constitution (TABOR), a sales tax exemption is granted for the sales of pollution control equipment sold to businesses. | 2/ |
| | §39-26-716(2)(b) & (3)(b) | Exempts the sale of farm parts used in the repair or maintenance of farm equipment (combined with §39-26-716(2)(b) & 3(b), sales of farm equipment). | 3/ |
| 2001 | §39-26-716(2)(b) & (3)(b) | Exempts the sales of dairy equipment. | 52,733 |
| | §39-26-720(1) | Exempts the sales to bingo-raffle licensees of bingo and raffle equipment. | 155,454 |

Table 3: State Sales and Use Tax Exemptions

| Enacted Date | Colorado Revised Statutes | Colorado State Sales Tax Exemptions | 2009 Estimated Revenue Impact |
|---|---------------------------|---|-------------------------------|
| 2002 | §39-26-104(1)(c)(l) | Enacted to comply with the "Mobile Telecommunications Sourcing Act", 4 U.S.C. secs. 116 to 126. The provisions are intended to simplify how cell phone service is taxed by having customers designate a billing address for their service. Cell phone service is billed according to the tax laws at the billing address. In summary, only those who have cell phone service billed to a Colorado address are subject to the Colorado state sales tax. Otherwise, they are exempt from paying the Colorado sales tax. | 1/ |
| 2007 | §39-26-722(1) | Exempts the sale of any infrastructure required to create a clean room in a manufacturing facility. Effective thru FY 2016-17 only if total state General Fund appropriations growth is forecast at 6 percent over the prior year. | 3,637,100 |
| 2008 | §39-26-725(1) | Sales by schools, parent or teacher organizations, booster groups, or other groups or clubs to support a school activity. | 210,000 |
| | §39-26-723(1) | Sales, storage, and use of wood products that come from trees salvaged from pine beetles. Effective thru FY 2012-13. | 680,000 |
| 2009 | §39-26-711.5(1)(a) | Sales of new or used aircraft in the state to nonresidents who use the aircraft outside the state. | 6/ |
| | §39-26-724(1)(b) | Exempts the sale, storage, and use of components used in thermal systems whose primary purpose is to use energy from the sun to produce heat or cold for heating or cooling a residential or commercial building or water, or other manufacturing process. Effective thru FY 2013-14. | 254,652 |
| Total Revenue Impact for 71 Exemptions | | | \$ 1,821,190,241 |
| 1/ Not Available. 2/ Only available as a refund of sales tax paid if the state excess revenues under Article X, Section 20 or the State Constitution exceed \$350 million as adjusted annually for growth in personal 3/ Amount combined with other exemption. 4/ Non-Disclosable. 5/ Only available during years total state General Fund appropriations growth is forecast at 6 percent over the prior year. 6/ Minimal impact. 7/ House Bill 09-1342 eliminated the state sales and use tax exemption on purchases of cigarettes for fiscal years 2009-10 and 2010-11. | | | |

Figure 1: State Income Tax Credits Claimed (Fiscal Years 1995-2010)



Source: Colorado Department of Revenue, Annual Reports.
Prepared by Legislative Council Staff: January 12, 2011.