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**MEMORANDUM**

August 28, 2001

TO: Interested Persons

FROM: Ron Kirk, Economics Section, 303-866-4785

SUBJECT: 1959 McNichols Tax Study Recommendations

This memorandum responds to your request for information on recommendations that resulted from the 1959 McNichols tax study, "*Financing Government in Colorado*." This intensive study was conducted by Governor McNichol's tax study group and directed by Dr. Eugene T. Halaas, Professor of Finance, University of Denver. The study took over two years to complete and cost the state approximately \$1.9 million in current dollars to fund. This report was the last comprehensive study of Colorado's tax system.

**Summary**

The 1959 McNichols study made 27 recommendations that affected state taxes. Eleven of the 27 recommendations became effective for tax year 1960, while five were not adopted. The remaining 11 recommendations were enacted fully or in part by 1981, 22 years after the study's completion. Recommendations impacted individual and corporate income, sales, property, and other taxes.

## Recommendations

Each of the three tables in this memorandum are organized by tax type. To summarize recommendations, tables contain an overview of the law as it was in 1959, the specific recommendation, and the subsequent statutory (or constitutional) change. Many of the recommendations in Tables 1 and 2 affecting income and sales taxes were aimed at making the tax system more fair by increasing the state's reliance on income taxes for additional revenues.<sup>1</sup> Changes in the retail sales and excise taxes were offered to make taxes less regressive.<sup>2</sup>

For the 1960 budget, it was estimated that an additional \$10 million was needed to fund General Fund expenditures. The following recommendations affecting income, sales, and excise taxes were estimated to provide these needed revenues. The study group asked for immediate consideration of all recommendations but especially those designed to provide additional General Fund revenues in 1960.

***Individual and corporate income taxes.*** *Financing Government in Colorado*, or the McNichols Study, was published in February 1959 and included eight income tax recommendations. Six of the eight recommendations became law for income tax year 1960; two of the recommendations were not adopted, one of which eventually became law in 1987 as a result of the 1986 federal tax reform. Table 1 provides an overview of the recommendations that affected income taxes.

***Sales and other taxes.*** Six recommendations targeted sales and excise taxes, five of which were adopted between 1959 and 1980. Six other recommendations impacted motor fuels, other taxes, and the distribution of funds from the Highway Users Tax Fund (HUTF) to counties, cities, and towns. Five of these six recommendations were adopted in full or part between 1959 and 1981. Table 2 provides an overview of these 12 recommendations.

***Property tax recommendations.*** The 1959 McNichols Study offered seven recommendations affecting property taxes. One recommendation impacting the state property tax was fully implemented by 1964. The six other recommendations impacted the property tax assessment process and were implemented by 1977. Table 3 contains an overview of these seven recommendations.

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1. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 34.

2. Ibid.

**Table 1**  
**Recommendations Affecting Income Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Tax Rate Structure</b></p> <p>Individual income tax rates ranged from 1 percent on the first \$1,000 of net taxable income to 10 percent on income over \$11,000.</p>	<p><b>Reduce the progressivity of the individual income tax and make it more fair and productive.<sup>3</sup></b></p> <ul style="list-style-type: none"> <li>• narrow the rate range to 3 percent on the first \$1,000 of net taxable income and increase rates at one-half percent steps for each additional \$1,000 of income.</li> <li>• cap the maximum tax rate at 8 percent for taxable income over \$10,000.</li> </ul>	<p><b>Adopted:</b> Beginning with the 1960 tax year, the recommended rate structure was adopted, but all net income over \$10,000 was taxed at 9 percent.<sup>4</sup> Effective tax year beginning January 1, 1963, the recommendation was fully adopted. The rate structure was amended to cap the maximum tax rate at 8 percent for taxable income over \$10,000.<sup>5</sup> Over the subsequent 25 years, the rate structure varied slightly due to statutory changes and credits until a 5 percent flat rate was implemented in 1987.<sup>6</sup> The five percent rate has since been reduced to 4.63 percent.</p>
<p><b>Federal Income Tax Deductibility</b></p> <p>For individuals and corporations, federal income taxes paid were fully deductible in the computation of state taxable income.</p>	<p><b>Prevent the erosion of the tax base.<sup>7</sup></b></p> <ul style="list-style-type: none"> <li>• eliminate the federal income tax deduction for individuals. This deduction equaled roughly one-half of total personal expense deductions.</li> </ul>	<p><b>Not Adopted:</b> For individuals, this deduction was repealed with the implementation of the flat tax.<sup>8</sup></p>
	<p><b>Achieve a more balanced, equitable tax structure.<sup>9</sup></b></p> <ul style="list-style-type: none"> <li>• eliminate the federal tax deduction for corporations. When compared with 33 states that levy a corporate income tax, Colorado ranked below the national average.</li> </ul>	

3. Ibid., p. 30.

4. Section 138-1-2 (1) (a) and (b), C.R.S., *1960 Permanent Supplement 1954 to 1960*, p. 1639.

5. Section 138-1-2 (1) (a) and (b), C.R.S., Source: L. 63: p. 936.

6. Section 39-22-104 (1), C.R.S.

7. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 30-31.

8. Section 39-22-104 (1), C.R.S.

9. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 32.

10. Section 138-1-12 (3), C.R.S., Source: L. 59: p. 786.

**Table 1 (Continued)**  
**Recommendations Affecting Income Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Long-Term Capital Gains</b></p> <p>Fifty percent of capital gains from the sale of assets held six months or longer were excluded from taxable income.</p>	<p><b>Make the tax system more fair.<sup>11</sup></b></p> <ul style="list-style-type: none"> <li>include 100 percent of capital gains as taxable income except income from the sale of a homeowner's own residence.</li> </ul>	<p><b>Adopted in Part:</b> For tax year 1960, the capital gains exclusion was modified to 50 percent for assets held for more than 30 months, and 100 percent for assets held for 30 months or less.<sup>12</sup></p>
<p><b>Surtax on Income From Intangible Assets</b></p> <p>Dividend and interest income were subject to a 2 percent surcharge in addition to the normal tax rate. The first \$600 of dividend and interest income was excluded from surtaxable income. The surtax was enacted in 1937 in lieu of the property tax on intangibles.</p>	<p><b>Reduce inequities between taxpayers who retain similar dividend and interest assets.<sup>13</sup></b></p> <ul style="list-style-type: none"> <li>eliminate the surtax because the \$600 exemption creates inequities between people of similar income.</li> </ul>	<p><b>Adopted in Part:</b> Beginning with the 1960 tax year, the surtaxable income exclusion for dividends, interest, and other securities was increased from \$600 to \$5,000.<sup>14</sup> The exclusion for surtaxable income was increased from \$5,000 to \$15,000 in 1979.<sup>15</sup> The surcharge was eliminated after the federal 1986 tax reform in 1987.<sup>16</sup></p>
<p><b>Medical Expense Allowance</b></p> <p>The deduction for medical expenses was allowed, but capped at \$2,500 for single filers and \$5,000 on joint returns. Only expenses in excess of 5 percent of adjusted gross income qualified for this deduction.</p>	<p><b>Make the medical expense deduction more aligned with the federal tax treatment.<sup>17</sup></b></p> <ul style="list-style-type: none"> <li>permit a full deduction for medical expenses, but retain the cap for single and joint filers.</li> </ul>	<p><b>Adopted in Part:</b> Effective tax year beginning January 1, 1960, medical expenses were fully deductible.<sup>18</sup> Beginning 1987, itemized deductions were no longer allowed on the state income tax form.</p>

11. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 31.

12. Section 138-1-27 (1), C.R.S., Source: L. 59: p. 783.

13. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 31.

14. Section 138-1-2 (3), C.R.S., Source: L. 59: p. 781.

15. Section 39-22-106 (1) C.R.S. Source: L. 79: p. 1427.

16. Section 39-22-106 (1) C.R.S. Source: L. 87: p. 1426.

17. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 31.

18. Section 138-1-12 (15), C.R.S., Source: L. 59: p. 782.

**Table 1 (Continued)**  
**Recommendations Affecting Income Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Employer Withholdings</b></p> <p>Employers were required to withhold 4 percent of the federal tax withheld.</p>	<p><b>Reduce the large number of tax refunds concentrated in the lower income groups with incomes of less than \$5,000.<sup>19</sup></b></p> <ul style="list-style-type: none"> <li>base state withholdings on federal withholdings but as a percentage according to the amount withheld for the federal tax. If the income tax rate structure were revised upward (see Table 1, Tax Rate Structure), the present 4 percent rate could be retained for taxpayers with federal withholdings of \$50 or less a month and a 6 percent rate could be applied to those with withholdings of \$50 or more.<sup>20</sup></li> </ul>	<p><b><u>Not Adopted:</u></b> Effective July 1, 1959, every employer was required to withhold 6 percent of the total amount required to be deducted under the Internal Revenue Code of the United States.<sup>21</sup></p>
<p><b>Tax Table</b></p> <p>Taxpayers with adjusted gross incomes of less than \$5,000 had the option of using a prepared tax table, which incorporates exemptions or the standard and federal deductions to calculate taxes owed.</p>	<p><b>Simplify the preparation of tax returns and reduce the Department of Revenue's verification and auditing process.<sup>22</sup></b></p> <ul style="list-style-type: none"> <li>allow taxpayers with incomes up to \$10,000 the option of using tax tables to calculate the amount of taxes owed.</li> </ul>	<p><b><u>Adopted:</u></b> Effective January 1, 1960, taxpayers with adjusted gross incomes of less than \$10,000 could compute their taxes using the Department of Revenue's tax table.<sup>23</sup></p>

19. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 32.

20. *Ibid.*, p. 321.

21. Section 138-1-61 (3) (a), C.R.S., Source: L. 59: p. 788.

22. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 32.

23. Section 138-1-2 (4), C.R.S., Source: L. 59: p. 782.

**Table 2**  
**Recommendations Affecting Sales and Other Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Sales Tax Exemption for Food</b></p> <p>Sales taxes were paid on food purchased for home consumption.</p>	<p><b>Reduce the regressive impact of sales taxes on low-income groups.<sup>24</sup></b></p> <ul style="list-style-type: none"> <li>• exempt food purchased for home consumption from the state sales tax base.</li> </ul>	<p><b><u>Adopted in Part:</u></b> Effective June 1, 1965, a food sales tax credit (as a credit against income taxes) was adopted equal to \$7 multiplied by the number of personal exemptions claimed by a resident individual.<sup>25</sup> For the first full year, only 50 percent of the credit was allowed. The full amount of this credit was available after January 1, 1966, through tax year 1979. Beginning January 1, 1980, food for home consumption was exempted from the state sales tax.<sup>26</sup></p>
<p><b>Sales Tax Base</b></p> <p>Lodging services were not subject to the state sales tax.</p>	<p><b>Partially offset revenue losses from the recommended food exemption.<sup>27</sup></b></p> <ul style="list-style-type: none"> <li>• include lodging services in the sales tax base. The tax study group found that taxation of lodging services is not as regressive as a sales tax on food.</li> </ul>	<p><b><u>Adopted:</u></b> Effective July 1, 1959, lodging services were added to the sales tax base.<sup>28</sup></p>
<p><b>Vendor's Discount</b></p> <p>Sales taxes were levied upon the purchase price of retail sales for tangible personal property and collected and remitted by vendors to the state. For the collection of retail sales tax and the preparation of sales tax returns, vendors were given a discount of 5 percent of the taxes due to cover the collection expense. The study group's findings indicated that compliance costs in Colorado ranged from 2 to 3 percent.</p>	<p><b>Align the vendor's discount with other states and the cost of compliance.<sup>29</sup></b></p> <ul style="list-style-type: none"> <li>• reduce the vendors discount from 5 to 3 percent.</li> </ul>	<p><b><u>Adopted in Part:</u></b> Effective July 1, 1965, the vendor's discount was reduced from 5 percent to 3.33 percent.<sup>30</sup> Currently, the vendor's discount remains the same.</p>

24. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

25. Section 138-1-18 (1), C.R.S., Source: L. 65: p. 1126.

26. Section 39-26-102 (4.5) (x), C.R.S., Source: L. 79: p. 1428.

27. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

28. Section 138-6-2 (20), 138-6-4 (6), C.R.S., Source: L. 59: p. 800.

29. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

30. Section 138-5-5 (1), C.R.S., Source: L. 65: p. 1122.

**Table 2 (Continued)**  
**Recommendations Affecting Sales and Other Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Sales Tax Administration</b></p> <p>Administration of the sales and use tax was performed by the Revenue Department with assistance from the department's General Field Investigation Staff.</p>	<p><b>Make the administration of the state sales tax more fair for individual taxpayers and reduce state revenue loss.<sup>31</sup></b></p> <ul style="list-style-type: none"> <li>• strengthen enforcement procedures for field audits and expand staff.</li> </ul>	<p><b>Not Adopted:</b> The most recent sales tax audit was issued by the State Auditor in July 1999.<sup>32</sup> The report contains comprehensive recommendations to improve the management of sales taxes. The report recommends that the Department of Revenue prepare a strategic plan to streamline and update its processes for collecting and distributing sales taxes. According to the audit, many of the processes used to manage sales taxes have changed little over the past 20 years.<sup>33</sup></p>
<p><b>Tobacco Tax</b></p> <p>Colorado was one of six states that did not impose an excise tax on cigarettes or other tobacco products. At that time, roughly 30 municipalities levied a tax at the rate of 1 to 3 cents per pack, most commonly 2 cents per pack. The common rate for surrounding states was 4 cents per pack.</p>	<p><b>Impose a state tax on cigarettes.<sup>34</sup></b></p> <ul style="list-style-type: none"> <li>• enact a cigarette tax at a rate of 2 cents per pack. Considering the average municipal tax levy, the total tax burden would be 4 cents per pack or a rate common with adjoining states. The tax should be administered by the sale of stamps to the "first handler" usually the wholesaler, who would be required to affix the stamps to the cigarette pack.</li> </ul>	<p><b>Adopted in Part:</b> Effective July 1, 1964, cigarettes were subject to a state sales tax of 3 cents per package of 20 cigarettes. The tax was imposed on wholesalers, evidenced by stamps affixed to cigarette packages or by a metered imprint.<sup>35</sup> Rates have since been increased 5 times and are currently 20 cents per package.</p>

31. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

32. Report of the State Auditor, *Sales Tax Performance Audit*, July 1999.

33. *Ibid.*, p. 23.

34. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 33.

35. Section 138-9-1 et seq., C.R.S., Source: L. 64: p. 821.

**Table 2 (Continued)**  
**Recommendations Affecting Sales and Other Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Alcoholic Beverage Tax</b></p> <p>For alcoholic beverages, excise tax rates on a per gallon basis were: spirits, \$1.59; light wine, \$0.12; fortified wine, \$0.24; and beer, \$0.03.</p>	<p>Make the state's alcoholic beverage tax structure more commensurate with the 28 other states that license alcoholic sales.<sup>36</sup></p> <ul style="list-style-type: none"> <li>• no change is recommended on the levy of spirits.</li> <li>• increase the light wine rate from \$0.12 to \$0.20 per gallon.</li> <li>• increase the fortified wine rate from \$0.24 to \$0.30 per gallon.</li> <li>• increase the beer rate from \$0.03 to \$0.06 per gallon.</li> </ul>	<p><b>Adopted in Part:</b> Effective July 1, 1959, this recommendation was adopted, but the tax on spirits was increased from \$1.59 to \$1.80 per gallon.<sup>37</sup> Alcoholic beverage taxes have since been increased to the following per gallon rates: spirits, \$2.28; light and fortified wine, \$0.32; beer, \$0.08.</p>
<p><b>Motor Fuel Tax</b></p> <p>A uniform rate of 6 cents per gallon was imposed on all types of motor fuel.</p>	<p><b>A minimum differential rate of 2 cents per gallon should be imposed on diesel and other special fuel.</b><sup>38</sup></p> <ul style="list-style-type: none"> <li>• impose a minimum differential rate of 2 cents per gallon on diesel and other special fuel.</li> </ul>	<p><b>Not Adopted:</b> Tax rates on gasoline and special fuel (diesel) remained uniform through 1981. A differential rate of 2.5 cents did not become effective until 1986. The tax rate on gasoline was 18.0 cents and 20.5 cents per gallon on special fuels. The rationale in 1986 for a diesel differential was that trucks cause more damage to roads. The diesel differential has since been reversed, though trucks now pay substantially higher registration fees.</p>
<p><b>Ton-Mile Tax</b></p> <p>The ton-mile tax imposed a differential rate of 0.8 mill on empty vehicles and 2.0 mills on loaded vehicles.</p>	<p><b>Make the state's ton-mile tax fair for heavy and for-hire trucks and align rates with other western states.</b><sup>39</sup></p> <ul style="list-style-type: none"> <li>• narrow the existing mill rate differential between vehicle and load by slightly increasing the empty vehicle factor and reducing the load factor.</li> </ul>	<p><b>Not Adopted:</b> The 1959 rate was adopted in 1955 and remained the same until it was repealed in 1990.<sup>40</sup> On January 1, 1990, the ton-mile tax was replaced with higher registration fees.<sup>41</sup></p>

36. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

37. Section 138-6-14 (1), C.R.S., Source: L. 59: p. 801.

38. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 28.

39. *Ibid.*, p. 29.

40. Section 42-4-203 (1) (c), C.R.S., Source: L. 89: p. 1600.

41. Section 42-3-123 (13) (b) (II), C.R.S., Source: L. 90: p. 1796.



**Table 2 (Continued)**  
**Recommendations Affecting Sales and Other Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Severance Tax</b></p> <p>Severance taxes were assessed on the production of oil and gas. Corporations and individuals were allowed a property tax credit to offset severance taxes paid. This credit had the effect of reducing corporate tax liability by nearly 50 percent and individual taxes by 85 percent. The elimination of this credit would make the tax burden more fair between corporations and individuals.</p>	<p><b>The present tax on oil and gas is limited because it does not extend to other untaxed minerals. The property tax credit increases the inequality of the tax burden paid by corporations and individuals.</b><sup>42</sup></p> <ul style="list-style-type: none"> <li>• extend the severance tax to include molybdenum, vanadium, and uranium and eliminate the property tax credit.</li> <li>• eliminate the property tax credit under existing law.</li> </ul>	<p><b>Adopted in Part:</b> Effective January 1, 1978, the severance tax was extended to the severance of molybdenum ore.<sup>43</sup> The current tax rate for metallic minerals exempts the first \$19 million of gross income and taxes gross income over this amount at 2.25 percent. Currently, a credit of up to 50 percent of the tax liability is allowed for payment of property taxes.</p>
<p><b>Insurance Tax</b></p> <p>Colorado imposed a 2 percent tax on premiums paid on business written in the state by insurance companies operating in Colorado. Certain insurance underwriters were exempt from the premiums tax, such as benevolent or fraternal societies. Domestic companies with at least 50 percent of their assets invested in Colorado were also exempt.</p>	<p><b>Prevent financial harm to Colorado insurance companies operating in other states and retain industry investments in Colorado.</b><sup>44</sup></p> <ul style="list-style-type: none"> <li>• retain the 2 percent rate.</li> <li>• repeal the law exempting companies that at least 50 percent of their assets invested in Colorado.</li> </ul>	<p><b>Adopted in Part:</b> Effective January 1, 1960, the insurance premium tax rate was increased to 2.25 percent. The exemption for domestic companies with 50 percent or more of their assets in Colorado was repealed to require these companies to pay a half percent tax rather than be fully exempted and all other companies were required to pay a rate equal to 1 percent.<sup>45</sup></p>

42. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 32-33.

43. Section 39-29-104, C.R.S., Source: L. 77: p. 1846.

44. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 29.

45. Section 72-1-14 (1) (a), (b) C.R.S., Source: L. 59: p. 505.

**Table 2 (Continued)**  
**Recommendations Affecting Sales and Other Taxes**

1959 Law	Recommendation	Statutory Change
<p><b>Pari-Mutuel Tax (Breakage)</b></p> <p>Under the pari-mutuel tax, "breakage" moneys were fully retained by the racing associations. Breakage is the term used in parimutuel betting to define the downward rounding of the odds on the toteboard. For instance, if the odds on a specific horse were 6.73/1, they would be rounded down to 6.7/1 before calculating payoffs.</p>	<p><b>Allow low volume racing associations to remain profitable.</b><sup>46</sup></p> <ul style="list-style-type: none"> <li>• continue to allow racing associations to retain "breakage."</li> </ul>	<p><b>Adopted:</b> This recommendation remained in place through 1991 as "breakage" moneys were paid to associations. Since July 1, 1991, only dog racing associations were allowed to retain breakage; horse racing associations retain 50 percent of the breakage and the other 50 percent goes to owners through purse moneys.<sup>47</sup></p>
<p><b>Distribution of the Highway User Fund</b></p> <p>Funds from the Highway User Tax Fund were distributed as follows: 65 percent to the State Department of Highways; 30 percent to counties; and 5 percent to cities and towns.</p>	<p><b>Provide a fairer distribution of transportation funds to counties and cities.</b><sup>48</sup></p> <ul style="list-style-type: none"> <li>• change the present allocation for counties and cities to allow for an increasing share of motor vehicle tax funds to be shifted to cities and towns.</li> </ul>	<p><b>Adopted:</b> After January 1, 1963, counties received 26 percent and towns and municipalities were to receive 9 percent.<sup>49</sup> The state share of the distribution (65 percent) remained unchanged.</p>

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46. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 33.

47. Section 12-60-111 (1), C.R.S., Source: L. 91: p. 1514.

48. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 33.

49. Sections 120-12-7 (1) and 120-12-8 (1), C.R.S., Source: L. 59: p. 646-648.

**Table 3**  
**Recommendations Affecting Property Taxes**

1959 Law	Recommendation	Statutory or Constitutional Change
<p><b>State Property Tax</b></p> <p>The state levied a 2.4 mill property tax for financing certain capital and operating requirements for educational and other state institutions. The 2.4 mill property tax in 1959 generated about \$8.2 million in revenue.<sup>50</sup> State records dating from 1912 through 1964 indicated the mill levy for state property taxes varied from 4.53 mills to 1.3 mills.<sup>51</sup></p>	<p><b>The state should relinquish the property tax source to local governments.</b><sup>52</sup></p> <ul style="list-style-type: none"> <li>• gradually reduce and phase out the state property tax.</li> </ul>	<p><b>Adopted:</b> The state property tax mill levy was gradually reduced from 2.4 mills in 1959 to 1.3 mills in 1964. Effective August 1, 1964, the state property tax was repealed (applied to property taxes paid in 1965).<sup>53</sup></p>
<p><b>General Property Tax</b></p> <p>The property tax assessment process was based on full cash value of the market value and other factors.</p>	<p><b>Provide a more realistic and fair standard for assessing property taxes.</b><sup>54</sup></p> <ul style="list-style-type: none"> <li>• change the assessment standard from full cash value to a percentage of present value based on the market value or cost of the property.</li> </ul>	<p><b>Adopted:</b> On November 6, 1962, voters approved a referendum that deleted the requirement that all taxable property be assessed at full cash value.<sup>55</sup> The measure gave the State Board of Equalization the authority to raise and lower the assessment of taxes to make the process more fair. Effective March 24, 1964, the valuation for assessment of all taxable property was based on 30 percent of actual value determined by the assessor.<sup>56</sup> The percentage has since been reduced from 30 to 9.15 percent.</p>

50. *Historical Perspective*, Division of Property Taxation, 2001.

51. *Historical Perspective*, Division of Property Taxation, 2001.

52. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 27.

53. Section 137-1-1, C.R.S., Source: L. 64: p. 674.

54. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 26.

55. Article X, Section 15, C.R.S., Source: L. 63: p. 1059.

56. Section 137-1-4, C.R.S., Source: L. 64: p. 676.

**Table 3 (Continued)**  
**Recommendations Affecting Property Taxes**

1959 Law	Recommendation	Statutory or Constitutional Change
<p><b>Specific Bases of Assessment</b></p> <p>The basis for assessing property taxes on farm land, improvements, and urban land sites was full cash value.</p>	<p><b>Assess property taxes for farm land, improvements, and urban site land more uniformly</b><sup>57</sup></p> <ul style="list-style-type: none"> <li>tie the basis for assessment to present market value or costs value.</li> </ul>	<p><b>Adopted:</b> Effective March 24, 1964, the valuation for assessment of all real property including farm lands, and urban land sites was based on appraised and actual value determined by the county assessor. Other factors for valuation included: location, functional use, current replacement cost, comparison properties, market value in the ordinary course of trade, and the earning or productive capacity.<sup>58</sup></p>
<p><b>Assessment Process for Mineral Properties</b></p> <p>The basis for assessing property taxes on producing oil and gas properties and other producing and non-producing mineral properties was based on full cash value.</p>	<p><b>Assess more uniform property taxes on producing and non-producing mineral properties.</b><sup>59</sup></p> <ul style="list-style-type: none"> <li>for producing mineral properties, tie the basis for assessment to current value using a capitalization of net income factor.</li> <li>for non-producing properties, other factors may apply, but the assessment process should be tied to a uniform process.</li> </ul>	<p><b>Adopted:</b> Effective March 24, 1964, the valuation for assessment of oil and gas leaseholds was based on 87.5 percent of the gross value of the selling price of the oil and gas produced, saved, and sold during the preceding calendar year.<sup>60</sup> For the valuation of mines, assessment was based on 25 percent of the gross proceeds during the preceding calendar year. Non-producing mines were assessed using the same method as other real property.<sup>61</sup></p>
<p><b>Tax Commission</b></p> <p>The role of the State Tax Commission was limited to reviewing and checking valuation statements.<sup>62</sup></p>	<p><b>Permit effective control over the local property tax assessment process.</b><sup>63</sup></p> <ul style="list-style-type: none"> <li>expand the State Tax Commission's function to allow it to exercise control over local assessment practices.</li> </ul>	<p><b>Adopted:</b> Effective March 24, 1964, the Colorado Tax Commission was given the authority and control over the local property tax assessment process.<sup>64</sup></p>

57. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 26.

58. Section 137-1-3, C.R.S., Source: L. 64: p. 676.

59. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 26.

60. Section 137-7-2, C.R.S., Source: L. 64: p. 711.

61. Sections 137-6-5 (1) (2) and 137-6-10 (1) (2), C.R.S., Source: L. 64: p. 707-709.

62. Section 137-3-1 (1), C.R.S., Source: L. 53 p. 97.

63. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 27.

64. Section 137-3-1, C.R.S., Source: L. 64: p. 683.

**Table 3 (Continued)**  
**Recommendations Affecting Property Taxes**

1959 Law	Recommendation	Statutory or Constitutional Change
<p><b>Frequency of Assessment</b></p> <p>There was no requirement to re-assess real property, but by law, personal property was required to be re-assessed every year.</p>	<p><b>Provide a more uniform assessment process.<sup>65</sup></b></p> <ul style="list-style-type: none"> <li>real property should be re-assessed every three years, but it was recommended that annual assessments for personal property be retained.</li> </ul>	<p><b><u>Adopted in Part:</u></b> Effective for property tax years 1977 through 1982, county assessors were required to re-assess properties every four years.<sup>66</sup> Real property was not required to be assessed on a biennial basis (odd-numbered years) until property tax year beginning January 1, 1989.<sup>67</sup></p>
<p><b>Sales Ratio Study</b></p> <p>The Sales Ratio Study was conducted by Legislative Council to provide a basis for equalization efforts.</p>	<p><b>Continue the Sales Ratio Study for at least a three-year period.<sup>68</sup></b></p> <ul style="list-style-type: none"> <li>continue the Sales Ratio Study to compile additional county data that is needed to implement a statewide equalization program.</li> </ul>	<p><b><u>Adopted:</u></b> The first Sales Ratio Study was published by Legislative Council under director Mr. Lyle C. Kyle in December of 1958.<sup>69</sup> The study was continued each year through 1963.<sup>70</sup> Under this legislation, the Legislative Council was required to perform a study on the methods and procedures used by county assessors to assess property taxes. The study's purpose was aimed at determining how uniform the property tax assessment process was. An appropriation of up to \$50,000 (\$305,980 in 2000-year moneys) was made for the study.<sup>71</sup> Legislative Council was required to deliver its first report to the General Assembly and Governor by December 31, 1958.<sup>72</sup> After 1963 and prior to 1983, the Division of Property Taxation prepared informal Sales Ratio Studies. Beginning in 1983, Legislative Council was required to contract with a private party to conduct a valuation for an assessment study similar to the Sales Ratio Study.<sup>73</sup></p>

65. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 27.

66. Section 39-1-104, C.R.S., Source: L. 77: p. 1732.

67. Section 39-1-104 (10.2) (a), C.R.S.

68. Governor's Tax Study Group, *Financing Government in Colorado*, 1959, p. 27.

69. House Joint Resolution 57-1031, and Senate Bill 62-030.

70. *Colorado Property Assessment Methods*, Research Publication No. 28, Legislative Council, December 1958;  
*Sales Ratio Study*, Research Publication No. 79, Legislative Council, October 1963.

71. Senate Bill 57-005

72. House Joint Resolution 31, Source: L. 57: p. 932.

73. Section 39-1-104 (16) (a), C.R.S.

**Table 3 (Cont.)**  
**Recommendations Affecting Property Taxes**