Colorado Tax Breaks to Fossil Fuels
Greatly Exceed New Revenues from Marijuana Sales

CO Expend. ID, *Statute Citation*	Year Enacted	Tax Expenditure Description	2009 Revenue Impact	2011 Revenue Impact	Comments
Fuel Excise Taxes					
3.01 *§39-27-102(1)(b)*	1933	Two percent allowance	$11,324,000	$11,521,000	Covers administrative costs of the taxes and losses during transfers. Both should be lower today than when provision was first implemented 81 years ago, offering space for reform.
3.02 *§39-27-102.5*	1979	Dyed diesel fuel	$41,001,000	$42,233,000	Primarily associated with exemptions for home heating oil.
3.03 *§39-27-103(2)*	1933	Government agencies fuel tax exemption	$6,974,000	$6,821,000	Motor fuel excise taxes around the US mostly support road construction and maintenance. Government vehicles are using these systems, but not paying into them. This is common in many states.
3.04 *§39-27-103(3)(a)*	1933	Gasoline and special fuel tax exemptions	$7,683,000	$10,948,000	While exempt uses are often off-road (waterways, ag use, rails, or aviation), many of these uses also require government oversight or infrastructure. At the federal levels, water and aviation fuels do pay fuel taxes, though proceeds go to related infrastructure rather than highways.
Sales and Use Tax Exemptions 1/					
6.08 *§39-26-102(21)*	1937	Energy used for industrial, manufacturing, and similar purposes	$14,985,000	N/A	Temporary repeal in effect for 2011. Tax exemption reduces incentives to invest in efficiency and conservation.
6.09 *§39-26-102(21)*	1982	Gas and electric services when deemed a wholesale sale	2/	2/	Distortionary effect should be small if fuels are taxed at point of final consumption. However, exemption includes fuels used in power sector, so disadvantages renewables for which there is no fuel cost (e.g., wind, solar). CO should be able to generate a revenue impact estimate next time.
6.42 *§39-26-715(1)(a)(I)*	1935	Gasoline and special fuel	$181,780,000	$276,632,000	Although most CO fuels pay excise taxes, many states have both excise and sales taxes on road fuels and the sales tax exemption shouldn't be ignored on these grounds. Including both types of taxes serves two purposes. First, sales tax rates are a percent of market value, so adjust automatically as fuel prices rise or fall. In contrast, excise taxes are usually flat rate; increases are politically difficult and the purchasing power of the taxes can decline dramatically over time just from inflation. Second, most or all fuel excise taxes around the country are

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					entirely absorbed to fund related activities supportive of fossil fuel demand (primarily roads). Having both taxes on fuels ensures some portion of the levy funds general revenues.
6.43 *§39-26-715(1)(a)(II)*	1979	Fuel for residential heat, light, and power	$91,214,000	$99,717,000	Most things people buy incur sales taxes. This exemption places conservation and efficiency at a disadvantage to polluting fuels in meeting consumer demand for energy services. The exemption supports some non-fossil energy as well.
1/ All expenditures in this category are estimates. 2/ Not available. 3/ Only available as a refund of sales tax paid if the total general fund for a particular fiscal year will be sufficient to increase the total general fund appropriations by 6% over such appropriations for the previous fiscal year. 4/ Amount combined with another exemption. 5/ Non-disclosable.					
Severance Tax Exemptions, Credits, and Deductions					
7.01 *39-29-102(3)(a)*	1985	Deduction for oil and gas transportation costs	1/	1/	CO ought to be able to estimate tax losses here. All extraction should incur severance taxes, regardless of whether producers use it onsite or sell it.
7.02 *39-29-102(3)(a)*	1985	Deduction for oil and gas processing and manufac- turing costs	1/	1/	Same as above.
7.03 *39-29-102(4)(a)*	1977	Oil shale equipment and machinery deduction	$0	$0	No activity. Subsidies support development of kerogen deposits (not currently economic), not the frequently exploited shale oil deposits extracted via fracking.
7.04 *39-29-102(4)(b)*	1977	Oil shale fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining, and transporting deductions	$0	$0	No activity. See above.
7.05 *39-29-102(4)(c)*	1977	Oil shale royalty payment deduction	$0	$0	No activity. See above.
7.09 *39-29-105(1)(b)*	1977	Deduction for oil and gas stripper well production	1/	1/	Small gas and oil wells are entirely exempt from severance taxes. Surprising that CO has no data on this.
7.10 *39-29-105(2)(a)*	1977	Oil and gas ad valorem credit	$191,073,000	$101,764,000	Most of property taxes paid to county and local governments can be credited against state severance taxes. This eliminates most of the state ad valorem liability, resulting in resources effectively being given away.
7.11 *39-29-106(2)(b)*	1977	Tax exempt coal tonnage	$6,756,000	$7,375,000	First 300,000 tons of any type of coal produced each quarter pays no severance tax, regardless of overall size of the mine.

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7.12 *39-29-106(3)*	1977	Underground coal production credit	$5,705,000	$6,293,000	Goal is to support higher cost coal sites. Given the carbon footprint and environmental damage, CO ought to be able to find better job creation venues.
7.13 *39-29-106(4)*	1977	Lignitic coal production credit	$0	$0	50% reduction in severance taxes. Zero value suggests no current activity.
7.14 *39-29-107(3)*	1977	Oil shale tonnage/ barrels exemption	$0	$0	No activity. Subsidies support development of kerogen deposits (currently uneconomic), not the frequently exploited shale oil deposits extracted via fracking.
7.15 *39-29-107.5*	1979	Impact assistance credit	$0	$0	When companies ramp up natural resource production, it often creates extra costs for local governments. The governments, in turn, often assess impact fees to ensure regular citizens don't bear the financial hit. This provision allows oil and gas companies to make contributions to local governments to deal with the costs, but then to reduce their state severance tax liability by an equal amount. Provision may show zero due to no activity; or it may be because there is no severance tax left to offset after other tax breaks.
		Total	**$558,495,000**	**$563,304,000**	

1/ Not available
2/ Not disclosable

Sources:

Colorado Department of Revenue, Colorado Tax Profile and Expenditure Report 2012, January 2013.

Doug Koplow and Cynthia Lin, A Review of Fossil Fuel Subsidies in Colorado, Kentucky, Louisiana, Oklahoma, and Wyoming, (Cambridge, MA: Earth Track, Inc.), December 2012. Prepared for the Organisation for Economic Cooperation and Development.