

C. 1
COLORADO STATE PUBLICATIONS LIBRARY
REV 1.1
Colorado Dept. of Revenue/Annual report



DEC 4 - 1945

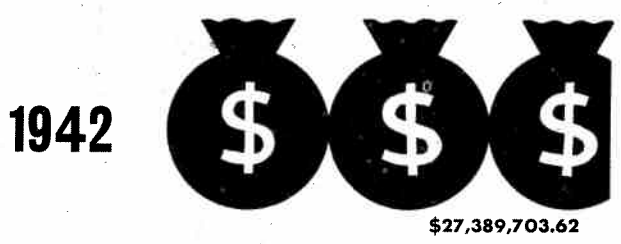
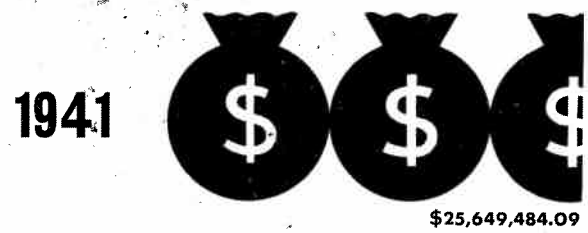
STATE OF COLORADO

DEPARTMENT OF REVENUE

FIRST ANNUAL REPORT - FISCAL YEAR ENDING JUNE 30, 1942

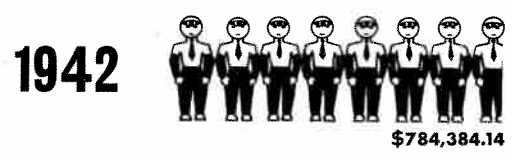
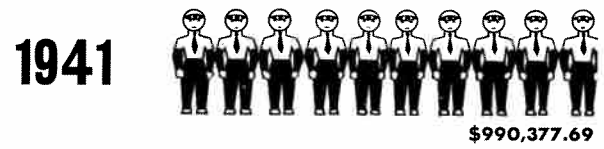
TAX RECEIPTS GO UP

EACH SYMBOL = \$10,000,000



ADMINISTRATIVE COSTS GO DOWN

EACH SYMBOL = \$100,000



NUMBER OF EMPLOYEES: 456 in June 1941 (Last Month of Fiscal Year)
349 Average for 12 Months of Fiscal Year Ending 1942

The tax receipts and administrative costs symbolized here are representative of taxes administered wholly by the Department of Revenue. See page 11 for explanation of chart.

STATE OF COLORADO
DEPARTMENT OF REVENUE

FIRST ANNUAL REPORT

FISCAL YEAR ENDING JUNE 30, 1942

PART ONE

F. R. CARPENTER
DIRECTOR OF REVENUE

DENVER, COLORADO DECEMBER 30, 1942

LETTER OF TRANSMITTAL

December 30, 1942

Honorable Ralph L. Carr,
Governor of Colorado,
State Capitol Building,
Denver, Colorado.

Dear Sir:

I transmit herewith the First Annual
Report of the Department of Revenue covering
the period from July 1, 1941, to June 30,
1942.

Respectfully,

J.R. Carpenter
Director of Revenue.

CONTENTS

	Page
Letter of Transmittal	ii
Introduction	1
State Revenues	1
Tax Administration	11
Tax Legislation and Judicial Interpretation	19
Summary and Conclusion	21

List of Text Tables

Table 1. Comparative State Tax Revenue by Source	3
2. Comparative Sales Tax Revenues by General Classes of Business, Fiscal Years Ending June 30, 1936 - 1942.....	6
3. Trend of Sales Tax Revenues by General Classes of Business, Fiscal Years Ending June 30, 1936 - 1942.....	6
4. State Department of Revenue Administrative Expense Fund: Budgetary Allotments and Expenditures, Fiscal Year Ending June 30, 1942	12
5. Administrative Expenses for Specific Taxes for the Fiscal Year Ended June 30, 1941	14
6. Administrative Expenses for Taxes Collected by Department of Revenue, Fiscal Year Ended June 30, 1942.....	14
7. Sales and Service Tax Delinquencies, Fiscal Years Ending June 30: 1939-1941.....	17

List of Charts

Chart 1. Comparative Revenues by Source for Fiscal Years Ending June 30, 1941-1942.....	2
2. Comparative Sales Tax Revenues by General Classes of Business, Fiscal Years Ending June 30, 1936-1942...	5
3. Income Tax Liability Established in the Years 1939 to 1942	8

INTRODUCTION

The Thirty-third General Assembly of Colorado provided in the Administrative Code of 1941 for a Revenue Department to take over and administer the collection of the majority of the State's taxes, imposts, fees, licenses and permits, which had theretofore been done by some fifty separate agencies.

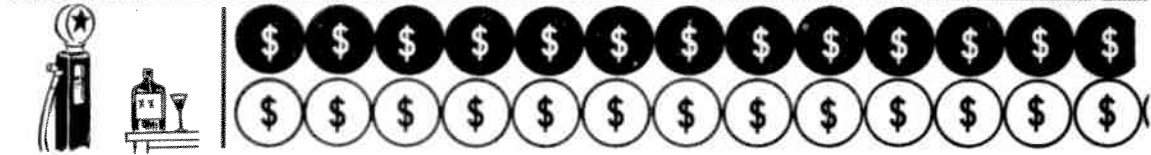
The resulting economy and added efficiency of this move is here presented in this First Annual Report of the Department of Revenue.

STATE REVENUES

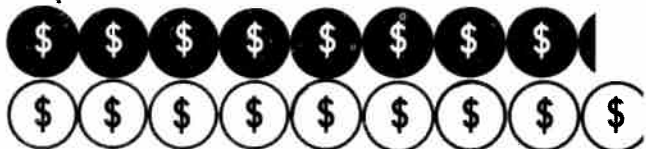
Total state tax collections for which the Department of Revenue is responsible increased from \$32,596,125.32 to \$34,319,980.13 in the fiscal year ending June 30, 1942, over the preceding fiscal year. In dollars and cents the increase amounted to \$1,723,854.81, and expressed in percentages the increase was 5.3 per cent. The comparative importance of the various classes of state revenue is shown in Chart I, and set out in detail in Table 1 following this Chart.

COMPARATIVE REVENUES BY SOURCE

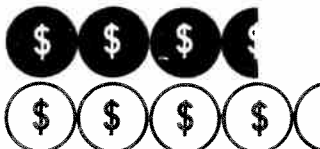
\$ 1941
\$ 1942



Gasoline and Liquor Taxes

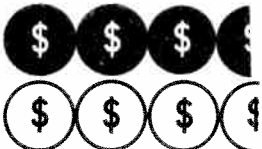


General Sales and Use Taxes

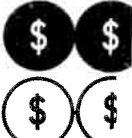


Income Taxes

Actual amounts
are shown in
following table



Motor Vehicle Taxes



Taxes on Specific Business and Occupations



General Service Taxes



Inheritance and Gift Taxes



Other Taxes

Each Symbol = One Million Dollars

For Fiscal Years Ending June 30

TABLE 1
COMPARATIVE STATE TAX REVENUE BY SOURCE
FISCAL YEARS ENDING JUNE 30, 1941 AND 1942

SOURCE	1941	1942	DIFFERENCE IN COLLECTIONS 1942 VS. 1941	PER CENT INCREASE OR DECREASE
SELECTIVE SALES TAXES:				
GASOLINE	\$ 9,853,887.21	\$ 9,915,015.61	\$ 61,128.40	.6
LIQUOR, BEVERAGES AND LICENSES..	3,133,979.41	3,102,993.91	- 30,985.50	- 1.0
SUBTOTAL	12,987,866.62	13,018,009.52	30,142.90	.2
GENERAL SALES.....	7,744,254.30	8,545,078.16	800,823.86	10.3
GENERAL USE.....	446,998.46	411,482.23	- 35,516.23	- 7.9
SUBTOTAL	8,191,252.76	8,956,560.39	765,307.63	9.3
INCOME TAXES.....	3,559,239.19	4,327,795.30	768,556.11	21.6
MOTOR VEHICLE TAXES:				
MOTOR VEHICLE LICENSES.....	2,534,196.84	2,524,969.88	9,226.96	.4
OPERATORS AND CHAUFFEURS LICENSES	91,585.00	113,264.75	21,679.75	23.7
PUBLIC UTILITY CARRIERS:				
PRIVATE.....	108,276.70	119,225.56	10,948.86	10.1
COMMERCIAL.....	438,069.10	453,047.25	14,978.15	3.4
COMMON.....	275,168.70	367,254.45	92,085.75	33.5
P. U. C. FEES, GENERAL REVENUE..	8,087.45	8,725.14	637.69	7.9
SUBTOTAL	3,455,383.79	3,586,487.03	131,103.24	3.8
TAXES ON SPECIFIC BUSINESSES AND OCCUPATIONS:				
INSURANCE.....	1,157,777.21	942,448.61	- 215,328.60	- 18.6
STORE LICENSES.....	162,394.50	145,574.35	- 16,820.15	- 10.3
CORPORATION TAX, FOREIGN AND DOMESTIC.....				
DOMESTIC.....	104,654.84	103,530.44	- 1,124.40	- 1.1
BANK COMMISSIONER FEES	41,941.84	44,969.95	3,028.11	7.2
ALL OTHER.....	349,721.22	356,460.53	7,739.31	2.2
SUBTOTAL	1,816,489.61	1,593,933.68	- 222,555.93	- 12.2
GENERAL SERVICE TAX.....	1,233,456.59	1,384,052.23	150,595.64	12.2
INHERITANCE AND GIFT TAXES.....	1,117,958.13	1,199,521.26	81,563.13	7.3
OTHER REVENUE	234,478.63	253,570.52	19,091.89	8.1
TOTAL	\$32,596,125.32	\$ 34,319,980.13	\$ 1,723,854.81	5.3

Sales, Service and Use Taxes

Sales and service tax revenues reached all time highs during the fiscal year just ended, showing per cent increases of 10.3 and 12.2, respectively. The tax revenues from these sources, in order, were \$8,545,078.16 and \$1,384,052.23. The comparative sales tax revenues by general classes of business are shown graphically in Chart II. The specific amounts represented in the Chart are found in Tables 2 and 3.

Sales, Service and Use Tax Outlook

Unavailability of goods, rationing, anticipated enforced savings and other governmental controls may be expected to reduce collections of sales, service and use tax during the continuance of the war. The drop in collections from the automotive business group serves as an illustration. Another fact which cannot be disregarded is that on June 30, 1942, there were on the records of the Department 2,256 fewer sales and service tax licenses than there were on June 30, 1941. This is a decrease of 6.1 per cent in the number of businesses rendering taxable services or making taxable sales in Colorado for the period, July 1, 1941, to June 30, 1942. A detailed comparison of the gains and losses by quarters for the fiscal years, 1940, 1941* and 1942 are demonstrated in Chart VII of the "Statistical Supplement."

COMPARATIVE SALES TAX REVENUES BY GENERAL CLASSES OF BUSINESS 1936-1942 Fiscal Years Ending June 30

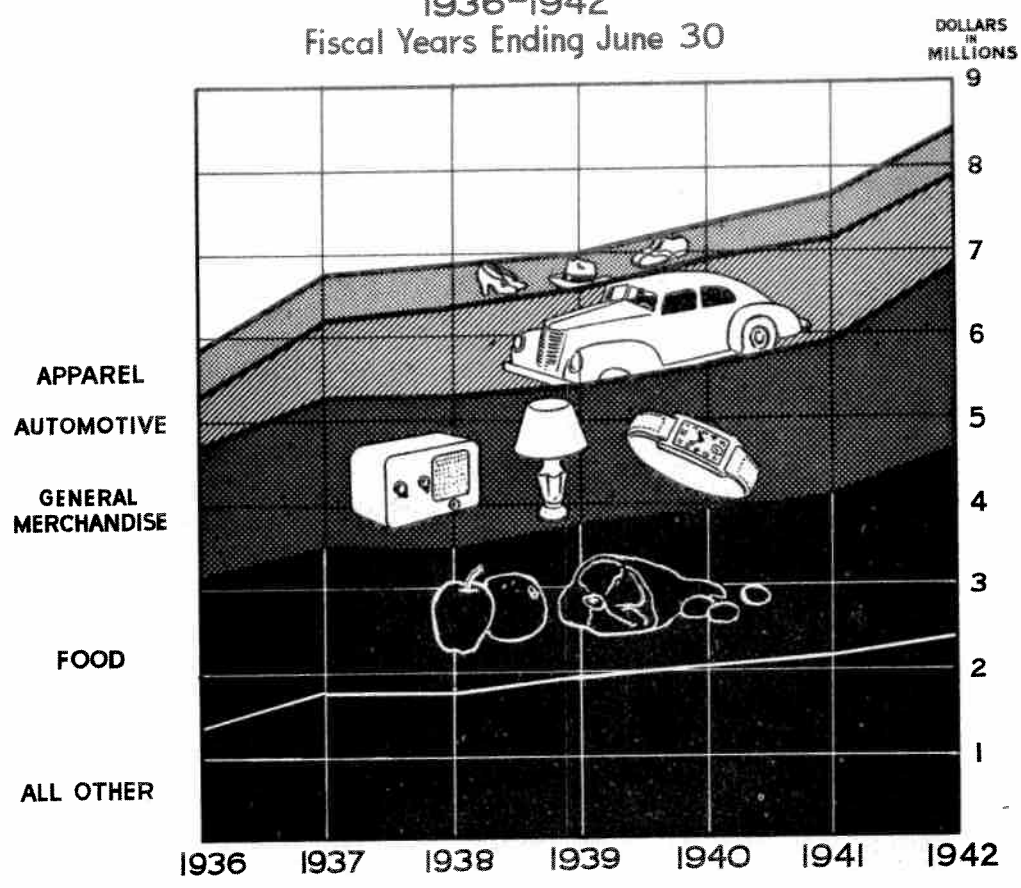


CHART II

TABLE 2
 COMPARATIVE SALES TAX REVENUES BY GENERAL CLASSES OF BUSINESS
 FISCAL YEARS ENDING JUNE 30, 1936 - 1942

YEAR	BUSINESS CLASS					ANNUAL TOTAL
	FOOD	GENERAL MERCHANDISE 1	AUTOMOTIVE	APPAREL	ALL OTHER 2	
1936	\$1,666,681.61	\$1,573,238.09	\$ 754,046.67	\$470,439.65	\$1,373,595.41	\$5,838,001.43
1937	1,806,048.89	1,801,801.76	924,059.25	522,641.19	1,642,616.22	6,697,167.31
1938	1,835,226.39	1,789,801.72	975,111.59	508,806.36	1,671,975.79	6,780,921.85
1939	1,799,151.54	1,745,327.15	989,006.66	476,277.23	1,847,327.52	6,857,090.10
1940	1,862,162.63	1,815,053.79	1,182,714.68	489,021.31	1,967,680.16	7,316,632.57
1941	1,907,021.46	1,887,905.86	1,378,087.19	500,593.90	2,070,474.05	7,744,082.46
1942	2,245,689.79	2,220,183.18	1,101,693.09	603,604.95	2,372,916.37	8,544,087.38

1 INCLUDES THE FURNITURE CLASS.

2 INCLUDES THE FOLLOWING BUSINESS CLASSES: JOBBERS; LUMBER AND BUILDING; PROFESSIONAL AND PERSONAL SERVICES; PUBLIC UTILITY; UNCLASSIFIED RETAIL; FARM AND GARDEN PRODUCE; AND MANUFACTURING, TRADING, OR JOBBING

TABLE 3
 TREND OF SALES TAX REVENUES BY GENERAL CLASSES OF BUSINESS
 FISCAL YEARS ENDING JUNE 30, 1936 - 1942
 EXPRESSED IN PERCENTAGES THAT EACH YEAR IS OF 1936

YEAR	BUSINESS CLASS					ANNUAL TOTAL
	FOOD	GENERAL MERCHANDISE	AUTOMOTIVE	APPAREL	ALL OTHER	
1936	100	100	100	100	100	100
1937	108	115	122	111	120	115
1938	110	114	129	108	122	116
1939	108	111	131	101	134	117
1940	112	115	157	104	149	125
1941	114	120	183	106	151	133
1942	134	141	147	128	173	146

Motor Fuel Tax

Gross receipts from the motor fuel tax totaled \$9,915,015.61 in the fiscal year ending June 30, 1942, compared with \$9,853,887.21 for the previous fiscal year.

Refunds paid farmers, contractors, and others were \$1,311,206.52 for the fiscal year ending June 30, 1942, as against \$1,351,080.92 for the prior year, leaving the comparative net motor fuel tax receipts of \$8,603,809.09 and \$8,502,806.29 respectively. It is interesting to note that gasoline tax revenues for the fiscal year just ended showed a small increase of .6 per cent over the previous year even in face of automobile and tire rationing.

The decline in refunds paid is largely a result of the revision of the rules and regulations tightening procedures for granting refunds. A declining trend in the use of motor fuel as reflected in gross tax receipts appeared in February 1942. This decline stabilized at the March level and has remained nearly constant since that time due almost entirely to tire and automobile rationing.

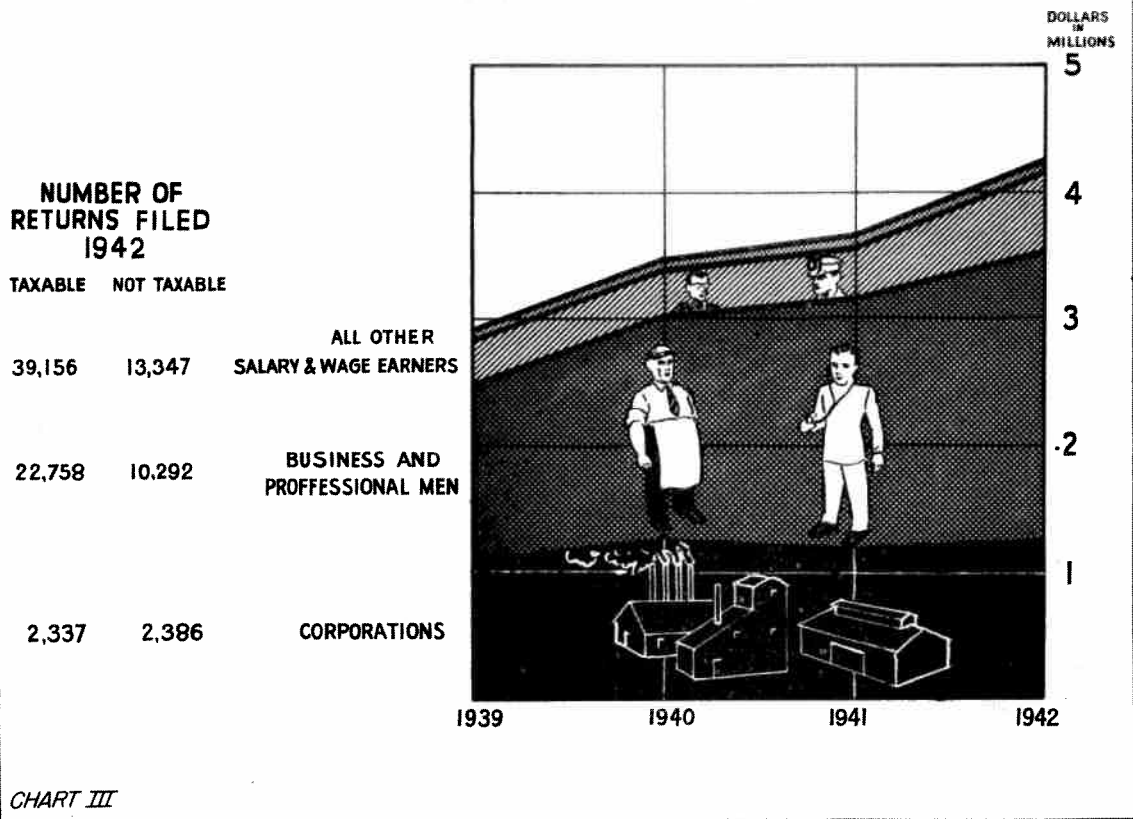
With gasoline rationing now an accomplished fact in Colorado the experience of the seventeen states which were first rationed is enlightening. For the first five months they had a loss in motor fuel tax collections averaging 30.2 per cent.

Income Tax

State income tax collections for the fiscal year just closed were the highest in the history of the tax, \$4,327,795.30 as against \$3,559,239.19 during the year ending June 30, 1941, a rise of 21.6 per cent.

See Chart III for comparative distribution of tax payments by the various classes of taxpayers since 1939. The number of income tax returns filed

INCOME TAX LIABILITY ESTABLISHED IN THE YEARS 1939 TO 1942



(tax and non-tax) increased from 82,812 in 1941 to 95,629 in the first six months of 1942. Corporation income tax returns filed decreased from 4,863 to 4,723 in the same year.

Accurate estimates of income tax revenues cannot be made. Higher salaries and wages would seem to indicate both more taxable income for those individuals whose incomes will be great enough to be subjected to the tax. However, the impact of the federal income tax in the form of deductions of federal income tax payments will certainly offset much of the anticipated increase from the salary and wage earners. Furthermore, a number of individuals formerly paying a state income tax on wages or salaries will also have been removed from the tax-paying category by the armed services. A systematic audit of returns and an audit of corporations keeping their books and records out of the State would be productive of an income, according to the experience of other states.

Motor Vehicle Revenues

Motor vehicle revenues increased slightly in the fiscal year just ended over the prior fiscal year, the respective amounts being \$3,586,487.03 and \$3,455,383.79. The component parts of these totals are set out in Table 1.

Motor vehicle revenues are expected to be hit hard in the ensuing fiscal year, with motor vehicle registrations already showing a slight drop during the last fiscal year. Losses in registration fees are estimated to run to 20 per cent in the fiscal year 1942-43.

Liquor Excise Taxes and License Fees

Excise taxes and license fees arising from the sale of liquor totaled \$3,102,993.91 in the fiscal year ending in 1942, a shrinkage of 1 per cent from the previous fiscal year. Revenues from these sources are very dependent upon Federal regulations, and can be expected to be considerably curtailed.

Other Revenues

The most important revenue sources, other than those discussed above, are the inheritance and gift tax and the insurance tax. Collections of these taxes will be found in Table 1. For detailed information regarding all the major taxes and the numerous fees and licenses collected by the Department of Revenue in minor amounts, reference should be made to Part Two of this report, published separately and entitled "Statistical Supplement".

TAX ADMINISTRATION

The Revenue Department has two main divisions responsive to the central direction and control of the director. One is in charge of tax administration which includes office and field audits and other technical tax work. The other main division is in charge of all administrative services and is divided into sections for handling mail, cash, accounts, collections, field investigations, proving, files, and miscellaneous services.

Separate from these divisions are the general staff services, legal services, and the general fiscal agency under the direct supervision of the Director. The staff service unit is responsible for procedural studies, statistical and general research work, punch card control systems, and publicity. The legal staff makes and clarifies rules and regulations for the different taxes and performs other staff work. The general fiscal agency is in charge of the Department's budget, costs, personnel, payroll, purchasing and property control.

Field representatives serve all divisions and are stationed in the district headquarters located throughout the State. They are responsible to one supervisor of the central Denver office through which all field assignments are made.

Cost of Tax Administration

What reorganization has achieved in one year, from July 1, 1941, to June 30, 1942, in reducing administrative expenditures as compared with the prior year under the decentralized tax administering system is graphed on the cover of this report. Some significant facts are as follows:

The number of State employees collecting revenue has been reduced from 456 to 318, a net of 138 persons.

The cost of collecting the State's taxes, which the Department of Revenue directly and completely administers, has been reduced from \$990,377.69 to \$784,384.14, a net reduction of \$205,993.55, or 20.8 per cent.

The ratio of costs to collections has been reduced from \$3.86 per \$100 collected to \$2.86, a net reduction of 25.9 per cent.

Collection of revenues, which the Department of Revenue directly administers, has been increased from \$25,649,484.09 to \$27,389,703.62, a net increase of \$1,740,219.53, or 6.8 per cent.

An unexpended balance of \$88,539.16 remains out of a budgetary allotment of \$942,899.48 for this first fiscal year, or a saving of 9.39 per cent. A grand total expenditure of \$854,360.32 was made for administering all taxes, fees, licenses and all other non-revenue functions. The distribution and expenditures of the different funds are given in Table 4.

TABLE 4

STATE DEPARTMENT OF REVENUE ADMINISTRATIVE EXPENSE FUND: BUDGETARY ALLOTMENTS AND EXPENDITURES, FISCAL YEAR ENDING JUNE 30, 1942

Account Number	Class of Expenditure	Budgetary Allotments	Expenditures	Unexpended Balance
2301-A	Salaries	\$575,425.00	\$558,125.81	\$17,299.19
2301-B	Maintenance and Operation	150,019.00		
	Transferred from Contingent Fund	46,700.00		
		<u>196,719.00</u>	189,671.29	7,047.71
2301-C	Capital Outlay	28,800.00	25,940.10	2,859.90
2301-D	State's Share of Retirement ..	18,655.48	15,964.39	2,691.09
2301-X	County Clerks' Fees	70,000.00	61,665.45	8,334.55
	(Continuing Appropriation)			
2301-Y	Contingent Fund	100,000.00		
	Less Transfers to 2301-B	46,700.00		
		<u>53,300.00</u>	2,993.28	50,306.72
Total	.....	\$942,899.48	\$854,360.32	\$88,539.16
Per Cent Unexpended Balance				9.39

Comparative Costs for Various Taxes

All administrative costs of each tax directly handled by the Department were materially reduced in the fiscal year as compared with those of 1941 as observed in the following tables. The taxes completely administered are sales, service and use taxes, income tax, motor fuel tax, motor vehicle registration, operators and chauffeurs licenses, and store licenses. The gasoline tax cost of collection was the lowest in relation to the revenue produced because its large tax receipts per taxpaying unit lower the dollar unit cost. This cost ratio was lowered from \$1.15 for each \$100 collected for the year 1941 to 64 cents for 1942, or a decrease of 43.8 per cent. The cost ratio of the combined sales, service and use taxes was reduced from \$4.69 to \$3.69; income tax from \$2.93 to \$2.22; and motor vehicle registration from \$4.70 to \$3.98. The greatest decline in costs of all the taxes was 59.8 per cent for the store license tax. The elements of the Department costs were distributed to the various taxes by a scientific cost accounting system. The component and total costs for the various taxes are exhibited in Tables 5 and 6.

New Procedure in the Field

Shortly after the Department was organized in 1941 the State was divided into 11 collection districts with district offices now located in the following cities outside of Denver:

Alamosa	Grand Junction
Boulder	Greeley
Colorado Springs	Lamar
Durango	Pueblo
Fort Collins	Salida
Fort Morgan	Trinidad

Full time clerks were assigned to the district offices to give district collectors more time for important field work by relieving them of clerical duties.

TABLE 5
ADMINISTRATIVE EXPENSES FOR SPECIFIC TAXES
FISCAL YEAR ENDED JUNE 30, 1941

TAX	PERSONAL SERVICES	MAINTENANCE & OPERATION	STATE SHARE OF RETIREMENT	TOTAL OPERATING EXPENSE	CAPITAL OUTLAY	TOTAL EXPENSE
SALES, SERVICE AND USE	\$330,000.70	\$105,739.90	.....	\$435,740.60	\$6,183.10	\$441,923.70
INCOME.....	71,125.94	25,916.28	.....	97,042.22	7,263.38	104,305.60
MOTOR FUEL ¹	66,258.17	30,536.02	.....	96,794.19	16,742.97	113,537.16
MOTOR VEHICLE:						
REGISTRATION ²	102,738.12	8,716.01	.....	111,454.13	3,186.95	114,641.08
AUTO TITLE.....	24,244.91	15,382.21	.....	39,627.12	1,991.66	41,618.78
MISCELLANEOUS.....	17,889.92	12,556.28	.....	30,446.20	1,610.07	32,056.27
OPERATORS & CHAUFFEURS DRIVERS LICENSES...	49,870.27	23,143.76	.....	73,014.03	18,356.33	91,370.36
STORE LICENSE.....	37,613.78	13,149.12	.....	50,762.90	161.84	50,924.74
TOTAL	699,741.81	235,139.38		934,881.39	55,496.30	990,377.69
PER CENT OF TOTAL EXPENSE	70.3	23.7		94.0	6.0	100.0

1 - EXCLUDES OIL INSPECTION SALARIES AND EXPENSES.

2 - EXCLUDES PURCHASE OF TAGS IN AMOUNT OF \$78,145.39 BUT INCLUDES COUNTY CLERK HIRE.

TABLE 6
ADMINISTRATIVE EXPENSES FOR TAXES COLLECTED BY DEPARTMENT OF REVENUE
FISCAL YEAR ENDED JUNE 30, 1942

	PERSONAL SERVICES	MAINTENANCE & OPERATION	STATE SHARE OF RETIREMENT	TOTAL OPERATING EXPENSE	CAPITAL OUTLAY	TOTAL EXPENSE
SALES, SERVICE AND USE	\$269,167.98	\$91,206.79	\$7,707.54	\$368,082.31	\$13,400.13	\$381,482.44
INCOME.....	66,049.34	22,532.66	1,863.69	90,445.69	5,797.66	96,243.35
MOTOR FUEL ¹	46,965.41	14,354.39	1,344.53	62,664.33	1,091.72	63,756.05
MOTOR VEHICLE:						
REGISTRATION ²	89,559.31	6,464.77	796.38	96,820.46	517.41	97,337.87
AUTO TITLE.....	19,701.32	5,745.54	564.80	26,011.66	14.32	26,025.98
MISCELLANEOUS.....	12,738.23	5,571.49	362.78	18,672.50	123.39	18,795.89
OPERATORS & CHAUFFEURS DRIVERS LICENSES.	50,726.05	27,961.13	1,422.56	80,109.74	168.76	80,278.50
STORE LICENSE.....	16,283.35	3,395.85	466.67	20,145.87	318.19	20,464.06
TOTAL	\$571,190.99	\$177,232.62	\$14,528.95	\$762,952.56	\$21,431.58	\$784,384.14
PER CENT OF TOTAL EXP.	72.8	22.6	1.9	97.3	2.7	100.0
PUBLIC UTILITIES:						
HIGHWAY COMPENSATION TAXES	33,111.53	8,011.28	953.84	42,076.65	3,234.50	45,311.15
ALL OTHER TAXES, FEES & LICENSES.....	17,588.74	5,320.61	481.71	23,391.06	1,273.97	24,665.03
GRAND TOTAL	\$621,891.26	\$190,564.51	\$15,964.50	\$828,420.27	\$25,940.05	\$854,360.32

* STATE'S SHARE OF EMPLOYEES' RETIREMENT DEDUCTION BECAME EFFECTIVE BY LAW JULY 1, 1941.

1 - EXCLUDES OIL INSPECTION SALARIES AND EXPENSES.

2 - EXCLUDES PURCHASE OF TAGS IN AMOUNT OF \$71,394.00, BUT DOES INCLUDE COUNTY CLERK HIRE.

One auditor has been stationed at each of the following district offices, Pueblo, Colorado Springs, Greeley, and Grand Junction, for district work. The other auditors work out of the Denver office.

Centralized Accounting

Since reorganization, the accounting system of the State's many independent tax collection agencies have been consolidated into a centralized and standardized system in line with accepted business practices.

Personal Property Tax

Under the Administrative Code of 1941 (Reorganization Act) the Director of Revenue was empowered to assist the County Treasurers in the collection of delinquent personal and real property taxes. As early as February 1941, the new Department, working in cooperation with the County Treasurers, launched the most extensive advertising campaign for the collection of taxes in the history of the State. The 1941 Legislature had amended the personal property tax law, H. B. 1412, by making personal property tax delinquent on August 1st each year and requiring treasurers to publish names of delinquent taxpayers on September 1st. The taxpayers had to be informed at once of this sudden change in date and of the teeth in the law. Five-inch advertisements in each of the 171 local newspaper in various parts of the State were run and "spot" announcements were made on 14 radio stations in the State. The cost of this campaign was \$900.00, of which amount the counties outside of Denver contributed \$10.00 apiece and Denver \$100.00, or a total of \$720.00, and the Department paid the difference.

The results of this first campaign were so gratifying to the County Treasurers that their association appointed a committee from their membership to outline the details of tax advertisement to be conducted in 1942. They devised a plan whereby some of the larger counties would bear a larger pro-

portion of the expenses than the smaller counties. In collaboration the Revenue Department handled the details of collecting the amounts assessed the various counties and worked out the advertising program for 1942. All but five of the counties in the State contributed to the 1942 advertising fund. This enlarged scope of advertising cost the counties around \$1,000. Both newspapers and the radio were quite generous with free announcements of the tax news items.

The direct results of these various factors were reflected in a rise in the property tax collections of the 63 County Treasurers of the State which amounted to an increase of \$1,480,171.66 more than in the previous year, although both the valuation and levies averaged lower than the previous year. This amounted to a rise of 3.84 per cent, and brought the average collection of property taxes throughout the State up to 95.98 per cent as compared with 91.31 per cent of the previous year.

Colorado Revenue News

A monthly bulletin entitled, "Colorado Revenue News", has been published since August 1941 containing changes in the rules and regulations, and important information with respect to the different taxes, and departmental policies. It carries, also, monthly and accumulative tabulations of the tax revenues received by the Department. The bulletin has a wide circulation among the taxpayers, public officials, and other interested people and agencies. It is mimeographed in the Department.

Sales and Service Tax Delinquency

Sales and service tax delinquency has been reduced from a yearly average of 26 per cent for the fiscal year ending June 30, 1941, to an average of 9 per cent for the following fiscal year of 1942, and by the end of the

calendar year 1942 to 4 per cent. The yearly trends of these delinquencies are observed in Table 7.

TABLE 7

SALES AND SERVICE TAX DELINQUENCIES
FISCAL YEARS ENDING JUNE 30: 1939-1941

Tax and Year	No. of Days for Filing	Monthly Ave. Number of Returns Mailed to Taxpayers	Monthly Ave. Number of Returns Filed before Delinquent Date	Per Cent of Returns Delinquent
Sales Tax				
1939	45	23,402	15,095	36
1940	30	22,765	16,641	27
1941	30	21,738	16,021	26
Service Tax				
1939	45	16,284	10,594	35
1940	30	14,465	10,444	28
1941	30	13,657	9,983	27

Use of Distrainments

Use of distraint, as required by law, has served to close or liquidate the delinquent sales and service tax accounts long overdue as of July 1, 1941.

County Auditing

The Department has conducted audits of the records of several counties with a view of determining the amount of revenue due the State from collections by the counties of such items as the ad valorem property tax, operators and chauffeurs licenses, motor vehicle specific ownership tax, and sales tax collected on automobiles. These audits have been mutually beneficial to both the State and the particular county audited. It is hoped that this type of service may be extended in the future.

Personal Property Tax Collections

Under the Reorganization Act, the Director of Revenue was empowered to assist the County Treasurers in the collection of delinquent personal and real property taxes. Since the County Treasurers have the delinquent records, a plan was worked out whereby the Department of Revenue should act in certain cases. In accordance with this plan, carried out with the entire cooperation of the County Treasurers, the Department's assistance has been reduced in approximately 1,000 cases involving the collection of the past due property taxes. As a result the County Treasurers have collected many of these accounts.

During the year the Field Supervisors of the Department have established friendly contacts with all County Treasurers in their respective districts, and have cooperated with and assisted them when requested. Besides, the Department upon the request of County Treasurers has sent a member of its administrative staff into specified counties to make personal demand upon delinquent taxpayers. This procedure produced many thousands of delinquent tax dollars for the counties.

In the case of certain car line taxes, delinquent for years because none of their property was located in the State from which payment could be forced, the Department accepted the County Treasurers' requests to make the collections. During the fiscal year, 36 of the out-of-state companies paid about \$15,000 to the County Treasurers. These settlements resulted in getting the accounts current, which probably will remain so in the future.

In summarizing, wholly apart from the delinquent tax dollars actually collected through the combined efforts of the County Treasurers and the Department of Revenue, a splendid spirit of cooperation and mutual understanding of common problems has been developed.

TAX LEGISLATION AND JUDICIAL INTERPRETATION

Important Cases and Decisions

During the fiscal year 1941-42 several opinions on important cases were rendered by the Supreme Court and by the District Court interpreting the State's tax laws. Several of these cases are now pending in the Supreme Court. The important cases and decisions are:

Store License Tax

In the case of Armstrong v. Ford Motor Company, 123 Pac. (2nd) 1018, the Supreme Court held that automobile dealers are not liable to the chain store tax.

Retail Sales Tax

In the case of The Craftsman Painters and Decorators, Inc. a corporation, and David D. Sturgeon v. Farrington R. Carpenter, the District Court held that the sales tax could be imposed upon sales of materials to contractors. The case has now been decided by the Supreme Court sustaining the Department's rules

The case of the Carman Distributing Company v. Charles M. Armstrong is now pending in the Supreme Court. It involves the right of the State to collect sales tax on sales of supplies to persons who use the supplies in rendering services.

The case of Bennetts, Inc. v. Carpenter is now pending in the Supreme Court and involves the right of the State to collect sales tax on meals at the Denver Ordnance Plant.

Problems for the Legislature

Experience in the enforcement of the various Colorado tax laws since the organization of the Department of Revenue under the Administrative Code of 1941 on July 1, 1941, has demonstrated that there are some defects in the

procedures provided by law for enforcement of the collection of these taxes as well as certain ambiguities and loop-holes in the substantive law. The Department plans to bring these matters to the attention of the Legislature which will meet in 1943 so that it may make such corrections as it deems necessary.

SUMMARY AND CONCLUSION

The outstanding results accomplished by the Department of Revenue as compared with the preexisting decentralized system of the State tax agencies of the prior fiscal year ended June 30, 1941, are:

1. The number of employees was reduced on an average by 23 per cent.
2. The administrative cost of taxes directly administered by the Department went down 20.8 per cent, while the tax revenues went up 6.8 per cent.
3. An unspent balance of \$88,539.16 of the 1942 fiscal budgetary allotment, or a saving of 9.39 per cent, remained.
4. Sales and service tax delinquency, which constituted the largest amount of all the taxes administered, receded to a very low level, from the yearly average of 26 per cent for the prior year to less than 5 per cent for the current year.

It is perhaps needless to say in conclusion that the results indicated above could not have been obtained without the cooperation of taxpayers, other State Departments and officials, the press, the radio, and the employees of the Revenue Department itself.