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COLONIAL MUNICIPAL INCOME TRUST
Form N-CSRS
August 05, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-4992

Colonial Municipal Income Trust

(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts 02111

(Address of principal executive offices) (Zip code)

Vincent Pietropaolo, Esq.
Columbia Management Group, Inc.
One Financial Center
Boston, MA 02111

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-617-772-3698

Date of fiscal year end: 11/30/2004

Date of reporting period: 05/31/2004

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

COLONIAL MUNICIPAL INCOME TRUST

SEMIANNUAL REPORT

MAY 31, 2004

[photo of domed building]

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

PRESIDENT'S MESSAGE

July 21, 2004

Dear Shareholder:

We are pleased to let you know that FleetBoston Financial Corporation and Bank of America Corporation have merged, effective April 1, 2004. As a result of the merger, Columbia Management Group and your Colonial Municipal Income Trust became part of the Bank of America family of companies. Looking ahead, we believe this merger will be a real benefit to our shareholders. Preserving and leveraging our strengths, the combined organization intends to deliver additional research and management capabilities, as well as new products. There are no immediate changes planned for fund names, product lines, or customer service contacts.

As you might know, on March 15, 2004, FleetBoston Financial announced an agreement in principle with the staff of the Securities and Exchange Commission ("SEC") and the New York Attorney General ("NYAG") to settle charges involving market timing in Columbia Management mutual funds. (You may also know that Bank of America came to a similar settlement in principle at the same time.) The agreement requires the final approval of the SEC and the NYAG. This settlement in principle reflects our strong wish to put this regrettable situation behind us. Columbia Management has taken and will continue to take steps to strengthen policies, procedures and oversight to curb frequent trading of Columbia open-end fund shares.

Both your fund's trustees and Columbia Management are committed to serving the interests of our shareholders, and we will continue to work hard to help you achieve your financial goals.

As always, thank you for choosing Colonial Municipal Income Trust, and for giving us the opportunity to help you build a strong financial future.

Sincerely,

/s/ Thomas C. Theobald

/s/ J. Kevin Connaughton

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Thomas C. Theobald
Chairman, Board of Trustees

J. Kevin Connaughton
President

J. Kevin Connaughton was named president of Colonial Municipal Income Trust on February 27, 2004.

Economic and market conditions change frequently. There is no assurance that the trends described in this report will continue or commence.

PORTFOLIO MANAGER'S REPORT

[SIDEBAR DATA]:

PRICE PER SHARE AS OF 05/31/04 (\$)

| | |
|-----------------|------|
| Net asset value | 5.54 |
| ----- | |
| Market price | 5.20 |
| ----- | |

SIX-MONTH (CUMULATIVE) TOTAL RETURN AS OF 05/31/04 (%)

| | |
|---|-------|
| Net asset value | -1.77 |
| ----- | |
| Market price | -4.48 |
| ----- | |
| Lipper High Yield Municipal Debt Funds Category average | 0.74 |
| ----- | |

All returns shown assume reinvestment of distributions.

DISTRIBUTIONS DECLARED PER COMMON SHARE 12/01/03 - 05/31/04 (\$)

0.21

A portion of the trust's income may be subject to the alternative minimum tax. The trust may at times purchase tax exempt securities at a discount from their original issue price. Some or all of this discount may be included in the trust's ordinary income, and any market discount is taxable when distributed.

TOP 5 SECTORS AS OF 05/31/04 (%)

| | |
|----------------------------|------|
| Hospitals | 10.8 |
| ----- | |
| Congregate care retirement | 6.8 |
| ----- | |
| Local general obligations | 6.4 |
| ----- | |

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| | |
|-------------------|-----|
| Water & sewer | 6.0 |
| ----- | |
| Refunded/escrowed | 5.7 |
| ----- | |

QUALITY BREAKDOWN
AS OF 05/31/04 (%)

| | |
|------------------|------|
| AAA | 35.7 |
| ----- | |
| AA | 0.6 |
| ----- | |
| A | 5.8 |
| ----- | |
| BBB | 19.7 |
| ----- | |
| BB | 5.8 |
| ----- | |
| B | 0.7 |
| ----- | |
| CCC | 0.3 |
| ----- | |
| C | 0.1 |
| ----- | |
| Non-rated | 29.9 |
| ----- | |
| Cash equivalents | 1.4 |
| ----- | |

Sector breakdown is calculated as a percentage of net assets (including auction preferred shares). Quality breakdown is calculated as a percentage of total investments. Ratings shown in the quality breakdown represent the highest rating assigned to a particular bond by one of the following nationally recognized rating agencies: Standard & Poor's Corporation, Moody's Investors Service, Inc. or Fitch Ratings Ltd.

Because the trust is actively managed, there is no guarantee that the trust will continue to invest in these sectors or maintain this quality breakdown in the future.

For the six-month period ended May 31, 2004, Colonial Municipal Income Trust returned negative 1.77%, based on investment at net asset value. The trust trailed its peer group, the Lipper High Yield Municipal Debt Funds Category, which averaged 0.74%.¹ It also fell short of its benchmark, the Lehman Brothers Municipal Bond Index, which returned negative 0.22% during the period.

CERTAIN BONDS DETRACTED FROM PERFORMANCE

The trust's investments in multi-family housing and airline bonds detracted from performance. Multi-family housing bond prices declined as low interest rates allowed more renters to become homeowners, resulting in high apartment vacancy rates. Delta Air Lines and US Airways (0.2% and 0.2% of total investments, respectively)² were among the airlines that turned in disappointing returns. The trust's above-average stake in zero coupon municipal bonds further hampered returns. Bought at a steep discount, zeros appreciate to face value at maturity. They pay no periodic interest payments. Zeros that have longer maturities tend to underperform when interest rates are rising, as they were during this six-month period.

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The trust's slightly short duration also hindered relative performance early on when stagnant job growth caused interest rates to decline. Duration is a measure, expressed in years, of a bond's sensitivity to changes in interest rates. As interest rates fell, bonds with shorter durations did not appreciate as much as bonds with longer durations. We made up some, but not all, of this relative underperformance in the spring when job growth picked up and interest rates moved higher.

For the six-month period ended May 31, 2004, the trust had an even lower return of negative 4.48%, based on its market price, as the discount to net asset value increased. Fears that short-term interest rates would rise and hurt the trust's high dividend yield put pressure on the stock's price.

LEVERAGE HELPED BOOST INCOME

During the period the trust derived added income from its leverage. The leverage comes from preferred shares, issued in 1999, which allowed the trust to borrow against its underlying investments. We invested the proceeds from these shares in longer maturity, higher-yielding bonds, while paying out a short-term rate that is influenced by the federal funds rate. The trust earns the difference between the rate paid to the preferred shareholders and the yield on the longer maturity securities. With the federal funds rate at 1.0% during this reporting period, the difference was significant and resulted in added income for the trust. However, going forward, if the trend is toward higher interest rates, the rate paid on the preferred shares could rise, lowering the income available to pay the dividend on the common shares.

- 1 Lipper, Inc., a widely respected data provider in the industry, calculates an average total return for mutual funds with similar investment objectives as those of the trust.
- 2 Holdings are disclosed as of May 31, 2004, and are subject to change.

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PORTFOLIO MANAGER'S REPORT (CONTINUED)

To bolster the trust's yield, we sold some higher quality bonds and replaced them with higher-yielding issues. We also replaced 30-year bonds with 20-year bonds with comparable yields but shorter durations, which should make them less volatile as interest rates rise. These shorter-maturity bonds did well.

The trust further benefited from its above-average stake in health care bonds, which were strong performers. Specific issues such as HealthEast, a Minnesota hospital (0.8% of total investments),² rallied amid credit improvement. In addition, we took advantage of attractive yields in the retirement housing sector, buying bonds issued by well-run companies that were expanding their facilities. We also purchased securities issued by Charter Mac, a multi-family housing loan pool (0.7% of total investments).²

LOOKING AHEAD TO RISING INTEREST RATES

We plan to maintain the trust's slightly short duration on the expectation that short-term interest rates will rise gradually as job gains fuel the economy while high oil prices keep growth somewhat in check. In this environment, we continue to believe that high-yield bonds will outpace higher quality issues.

/s/ Maureen G. Newman

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Maureen G. Newman has been the portfolio manager of Colonial Municipal Income Trust since August 1998. Ms. Newman has managed various other municipal funds for Columbia Management Advisors, Inc. or its predecessors since May 1996.

Past performance is no guarantee of future investment results. Current performance may be higher or lower than performance data shown.

Tax-exempt investing offers current tax-free income, but it also involves certain risks. The value of the trust shares will be affected by interest rate changes and the creditworthiness of issues held in the trust. Investing in high-yield securities offers the potential for high current income and attractive total return, but involves certain risks. Lower-rated bond risks include default of the issuer and rising interest rates. Interest income from certain tax-exempt bonds may be subject to the federal alternative minimum tax for individuals and corporations.

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INVESTMENT PORTFOLIO

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS - 96.9% | PAR (\$) | VALUE (\$) |
|---|-----------|------------|
| ----- | | |
| EDUCATION - 4.8% | | |
| CA Educational Facilities Authority, Loyola Marymount University, Series 2001, (a) 10/01/14 | 1,250,000 | 776,275 |
| CA Public Works Board Lease Revenue, UCLA, Series 2002 A, 5.375% 10/01/15 | 1,000,000 | 1,078,990 |
| CA Statewide Community Development Authority, Crossroads School for Arts & Sciences, Series 1998, 6.000% 08/01/28 (b) | 1,110,000 | 1,130,490 |
| MA Development Finance Agency, Western New England College, Series 2002, 6.125% 12/01/32 | 200,000 | 199,864 |
| MA Industrial Finance Agency, St. John's High School, Series 1998, 5.350% 06/01/28 | 300,000 | 292,326 |
| MI Southfield Economic Development Corp., Lawrence University, Series 1998 A, 5.400% 02/01/18 | 750,000 | 744,218 |
| NC Capital Facilities Finance Authority, Meredith College, Series 2001, 5.125% 06/01/15 | 1,000,000 | 1,052,150 |
| VT Educational & Health Buildings Finance Agency, Norwich University, Series 1998, 5.500% 07/01/21 | 1,000,000 | 1,007,660 |
| WA Higher Education Facilities Authority, University of Puget | | |

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| | | |
|---|-----------|------------|
| Sound, Series 1998, 5.375% 10/01/30 | 5,000,000 | 5,063,300 |
| WV University, Series 2000 A, (a) 04/01/25 | 750,000 | 235,687 |
| | | ----- |
| EDUCATION TOTAL | | 11,580,960 |
| | | ----- |

| | | |
|--|---------|---------|
| HEALTH CARE - 24.6% | | |
| CONGREGATE CARE RETIREMENT - 6.8% | | |
| CA La Verne Certificates of Participation, Brethren Hillcrest Homes, Series 2003 B, 6.625% 02/15/25 | | |
| | 525,000 | 527,730 |
| CA Statewide Community Development Authority, Eskaton Village - Grass Valley, Series 2000, 8.250% 11/15/31 (b) | | |
| | 750,000 | 817,140 |
| CT Development Authority, First Mortgage, The Elim Park Baptist, Inc. Project, Series 2003, 5.850% 12/01/33 | | |
| | 430,000 | 427,484 |

| | PAR (\$) | VALUE (\$) |
|--|-----------|------------|
| ----- | | |
| FL Capital Projects Finance Authority, Continuing Care Retirement, Glenridge on Palmer Ranch, Series 2002 A, 8.000% 06/01/32 | 500,000 | 491,610 |
| FL Lee County Industrial Development Authority, Shell Point Village Project, Series 1999 A, 5.500% 11/15/29 | 400,000 | 369,648 |
| GA Fulton County Residential Care Facilities, Canterbury Court Project, Series 2004 A, 6.125% 02/15/26 | 500,000 | 490,160 |
| GA Savannah Economic Development Authority, 1st Mortgage, Marshes of Skidaway, Series 2003 A, 7.400% 01/01/34 | 350,000 | 338,898 |
| HI Department of Budget & Finance, Kahala Nui Project, Series 2003 A, 8.000% 11/15/33 | 750,000 | 745,125 |
| IL Health Facilities Authority Revenue: Lutheran Senior Ministries, Series 2001, 7.375% 08/15/31 | 250,000 | 242,625 |
| Washington and Jane Smith Community, Series 2003 A, 7.000% 11/15/32 | 525,000 | 512,888 |
| KS Manhattan, Meadowlark Hills Retirement Home, Series 1999 A: 6.375% 05/15/20 | 250,000 | 251,245 |
| 6.500% 05/15/28 | 1,500,000 | 1,515,375 |

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| | | |
|---|-----------|---------|
| MA Boston Industrial Development Finance Authority, Springhouse, Inc., Series 1988, 5.875% 07/01/20 | 235,000 | 226,695 |
| MA Development Finance Agency, Loomis Communities: Series 1999 A, 5.625% 07/01/15 | 250,000 | 238,735 |
| Series 2002 A, 6.900% 03/01/32 | 125,000 | 127,064 |
| MD Westminster Economic Development, Carroll Lutheran Village, Series 2004 A, 6.250% 05/01/34 | 500,000 | 494,700 |
| NH Higher Educational & Health Facilities Authority, Rivermead at Peterborough, Series 1998, 5.750% 07/01/28 | 1,100,000 | 962,456 |
| NJ Economic Development Authority, Seabrook Village, Inc., Series 2000 A, 8.250% 11/15/30 | 500,000 | 530,190 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|---|-----------|------------|
| ----- | | |
| HEALTH CARE (CONTINUED) | | |
| CONGREGATE CARE RETIREMENT (CONTINUED) | | |
| PA Chartiers Valley Industrial & Commercial Development Authority, Asbury Health Center, Series 1999, 6.375% 12/01/24 | 1,000,000 | 960,480 |
| PA County Authority, Dunwoody Village, Series 2003 A, 5.375% 04/01/17 | 400,000 | 408,864 |
| PA Lancaster Industrial Development Authority, Garden Spot Village, Series 2000 A, 7.625% 05/01/31 | 325,000 | 338,751 |
| PA Philadelphia Authority for Industrial Development, Baptist Home of Philadelphia, Series 1998 A, 5.500% 11/15/18 | 360,000 | 321,019 |
| TN Metropolitan Government, Nashville & Davidson Counties, Blakeford at Green Hills, Series 1998, | | |

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| | | | |
|----|---|-----------|------------|
| | 5.650% 07/01/24 | 575,000 | 512,647 |
| TN | Shelby County Health, Educational & Housing Facilities Board, Germantown Village, Series 2003 A, 7.250% 12/01/34 | 600,000 | 581,310 |
| TX | Abilene Health Facilities Development Corp., Sears Methodist Retirement Obligated Group: Series 1998 A, 5.900% 11/15/25 | 750,000 | 688,305 |
| | Series 2003 A, 7.000% 11/15/33 | 200,000 | 201,702 |
| TX | Houston Health Facilities Development Corp., Retirement Facilities Revenue, Buckingham Senior Living Community, Inc., Series 2004 A, 7.000% 02/15/26 | 500,000 | 486,070 |
| WI | Health & Educational Facilities Authority: Attic Angel Obligated Group, Series 1998, 5.750% 11/15/27 | 875,000 | 765,826 |
| | Clement Manor, Series 1998, 5.750% 08/15/24 | 1,000,000 | 881,970 |
| | Three Pillars Senior Living Communities, Series 2003, 5.750% 08/15/26 | 500,000 | 482,935 |
| | United Lutheran Program for Aging, Inc., Series 1998, 5.700% 03/01/28 | 750,000 | 657,893 |
| | | | ----- |
| | Congregate Care Retirement Total | | 16,597,540 |
| | | | ----- |

| | | PAR (\$) | VALUE (\$) |
|-------|---|----------|------------|
| ----- | | | |
| | HEALTH SERVICES - 0.7% | | |
| MA | Development Finance Agency, Boston Biomedical Research Institute, Series 1999, 5.650% 02/01/19 | 620,000 | 583,972 |
| MA | Health & Educational Facilities Authority, Civic Investments, Inc., Series 2002 A, 9.000% 12/15/15 | 750,000 | 842,797 |
| MN | Minneapolis & St. Paul Housing & Redevelopment Authority, Healthpartners Project, Series 2003, 5.625% 12/01/22 | 200,000 | 200,218 |
| | | | ----- |
| | Health Services Total | | 1,626,987 |
| | | | ----- |

HOSPITALS - 10.8%

AR Conway Health Facilities Board,
Conway Regional Medical Center:
Series 1999 A,

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| | | |
|--|-----------|-----------|
| 6.400% 08/01/29 Series 1999 B, | 350,000 | 362,603 |
| 6.400% 08/01/29 | 850,000 | 879,597 |
| AZ Yavapai County Industrial Development Authority, Yavapai Regional Medical Center, Series 2003 A, | | |
| 6.000% 08/01/33 | 150,000 | 150,405 |
| CA Health Facilities Financing Authority, Cedars-Sinai Medical Center, Series 1999 A, | | |
| 6.125% 12/01/30 | 650,000 | 685,769 |
| CA Rancho Mirage Joint Powers Finance Authority, Eisenhower Medical Center, Series 2004, | | |
| 5.625% 07/01/29 | 750,000 | 744,473 |
| CO Health Care Facilities Authority, National Jewish Medical & Research Center, Series 1998: | | |
| 5.375% 01/01/16 | 1,500,000 | 1,478,955 |
| 5.375% 01/01/23 | 340,000 | 316,363 |
| FL Orange County Health Facilities Authority, Orlando Regional Healthcare, Series 2002, | | |
| 5.750% 12/01/32 | 150,000 | 152,012 |
| FL South Lake County Hospital District, South Lake Hospital, Inc., Series 2003, | | |
| 6.375% 10/01/34 | 250,000 | 249,407 |
| FL West Orange Healthcare District, Series 2001 A, | | |
| 5.650% 02/01/22 | 400,000 | 400,456 |
| IL Health Facilities Authority: Swedish American Hospital, Series 2000, | | |
| 6.875% 11/15/30 | 500,000 | 543,865 |
| Thorek Hospital & Medical Center, Series 1998, | | |
| 5.375% 08/15/28 | 500,000 | 435,630 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|--|----------|------------|
| ----- | | |
| HEALTH CARE (CONTINUED) | | |
| HOSPITALS (CONTINUED) | | |
| IL Southwestern Development Authority, Anderson Hospital, Series 1999: | | |
| 5.375% 08/15/15 | 500,000 | 500,995 |
| 5.500% 08/15/20 | 550,000 | 533,319 |
| IN Health Facility Authority, | | |

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| | | |
|--|--|--|
| Community Foundation, Northwest Indiana, Inc., Series 2004 A, 6.000% 03/01/34 | 425,000 | 405,114 |
| LA Public Facilities Authority, Touro Infirmary, Series 1999: 5.500% 08/15/19 5.625% 08/15/29 | 250,000 525,000 | 253,123 516,269 |
| MA Health & Educational Facilities Authority: Jordan Hospital, Series 2003 E, 6.750% 10/01/33 Milford-Whitinsville Regional Hospital: Series 1998 C, 5.250% 07/15/18 Series 2002 D, 6.350% 07/15/32 | 250,000 500,000 250,000 | 254,333 465,925 250,628 |
| MD Health & Higher Educational Facilities Authority, Adventist Healthcare, Series 2003 A: 5.000% 01/01/16 5.750% 01/01/25 | 365,000 400,000 | 356,824 396,168 |
| MI Dickinson County Healthcare System, Series 1999, 5.700% 11/01/18 | 770,000 | 738,553 |
| MI Flint Hospital Building Authority, Hurley Medical Center, Series 1998 A, 5.375% 07/01/20 | 460,000 | 422,027 |
| MN St. Paul Housing & Redevelopment Authority, HealthEast Project, Series 2001 A, 5.700% 11/01/15 | 2,000,000 | 1,912,360 |
| NH Higher Educational & Health Facilities Authority: Catholic Medical Center, Series 2002, 6.125% 07/01/32 Littleton Hospital Association, Inc., Series 1998 A: 5.900% 05/01/18 6.000% 05/01/28 Series 1998 B, 5.900% 05/01/28 | 200,000 500,000 625,000 675,000 | 200,060 450,315 546,113 582,073 |
| | PAR (\$) | VALUE (\$) |
| NJ Health Care Facilities Financing Authority Revenue, Capital Health Systems Obligated Group, Inc., Series 2003 A, 5.750% 07/01/23 | 500,000 | 508,465 |
| NV Henderson Healthcare Facility Revenue, Catholic Healthcare West, Series 1998, 5.375% 07/01/26 | 500,000 | 461,420 |
| NY State Dormitory Authority Revenue: North Shore - Long Island Jewish | | |

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| | | |
|--|-----------|-----------|
| Medical Center, Series 2003, 5.500% 05/01/33 | 200,000 | 199,702 |
| South Nassau Communities Hospital, Series 2003, 5.500% 07/01/23 | 400,000 | 404,252 |
| OH Belmont County, East Ohio Regional Hospital, Series 1998, 5.700% 01/01/13 | 700,000 | 621,166 |
| OH Highland County Joint Township Hospital District, Series 1999, 6.750% 12/01/29 | 715,000 | 661,025 |
| OH Lakewood Hospital Improvement Revenue, Lakewood Hospital Association, Series 2003, 5.500% 02/15/14 | 400,000 | 422,312 |
| OH Miami County, Upper Valley Medical Center, Inc., Series 1996 A, 6.250% 05/15/16 | 665,000 | 688,501 |
| OH Sandusky County, County Memorial Hospital, Series 1998, 5.150% 01/01/08 | 270,000 | 275,389 |
| PA Allegheny County Hospital Development, Ohio Valley General Hospital, Series 1998 A, 5.450% 01/01/28 | 1,050,000 | 943,425 |
| PA Pottsville Hospital Authority, Pottsville Hospital & Warne Clinic, Series 1998, 5.625% 07/01/24 | 605,000 | 528,952 |
| SC Jobs Economic Development Authority, Bon Secours Health Care Systems, Inc., Series 2002 A, 5.250% 11/15/23 | 1,250,000 | 1,209,387 |
| SC Lexington County Health Services District, Inc. Hospital Improvement, Series 2003, 5.500% 11/01/23 | 750,000 | 753,248 |
| TX Richardson Hospital Authority, Baylor Richardson Medical Center, Series 1998, 5.625% 12/01/28 | 300,000 | 280,551 |
| TX Tyler Health Facilities Development Corp., Mother Frances Hospital, Series 2001, 6.000% 07/01/31 | 750,000 | 755,198 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

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| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|---|-----------|------------|
| ----- | | |
| HEALTH CARE (CONTINUED) | | |
| HOSPITALS (CONTINUED) | | |
| VA Prince William County Industrial Development Authority Revenue, Potomac Hospital Corp., Series 2003, 5.200% 10/01/30 | 350,000 | 333,120 |
| VT Educational & Health Buildings Finance Agency, Brattleboro Memorial Hospital, Series 1998, 5.375% 03/01/28 | 500,000 | 453,615 |
| WI Health & Educational Facilities Authority: Aurora Health Care, Inc., Series 2003, 6.400% 04/15/33 | 350,000 | 360,521 |
| Fort Health Care, Inc. Project, Series 2004, 6.100% 05/01/34 | 750,000 | 759,255 |
| Wheaton Franciscan Services, Series 2002, 5.750% 08/15/30 | 450,000 | 461,736 |
| | | ----- |
| Hospitals Total | | 26,264,974 |
| | | ----- |
| INTERMEDIATE CARE FACILITIES - 1.0% | | |
| IN Health Facilities Financing Authority, Hoosier Care, Inc., Series 1999 A, 7.125% 06/01/34 | 1,060,000 | 860,529 |
| PA Economic Development Financing Authority, Northwestern Human Services, Inc., Series 1998 A, 5.250% 06/01/14 | 2,150,000 | 1,711,292 |
| | | ----- |
| Intermediate Care Facilities Total | | 2,571,821 |
| | | ----- |
| NURSING HOMES - 5.3% | | |
| AK Juneau, St. Ann's Care Center, Series 1999, 6.875% 12/01/25 | 1,000,000 | 1,005,740 |
| CO Health Facilities Authority: American Housing Foundation I, Inc. Project, Series 1990 A, 8.500% 12/01/31 | 545,000 | 513,940 |
| Volunteers of America: Series 1998 A: 5.450% 07/01/08 | 250,000 | 243,222 |
| 5.750% 07/01/20 | 700,000 | 617,638 |
| Series 1999 A, 6.000% 07/01/29 | 350,000 | 305,036 |
| IA Finance Authority, Care Initiatives Project: Series 1996, 9.250% 07/01/25 | 985,000 | 1,147,436 |
| Series 1998 B: 5.750% 07/01/18 | 550,000 | 494,489 |
| 5.750% 07/01/28 | 1,475,000 | 1,231,197 |

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| | PAR (\$) | VALUE (\$) |
|---|-----------|------------|
| IN Gary Industrial Economic Development, West Side Health Care Center, Series 1987 A, 11.500% 10/01/17 (c) | 2,230,000 | 1,115,000 |
| IN Michigan City Health Facilities, Metro Health Foundation, Inc. Project, Series 1993, 11.000% 11/01/22 (d) | 4,500,000 | 585,000 |
| KY Economic Development Finance Authority, Health Facilities Revenue, Series 2003, 6.500% 01/01/29 | 925,000 | 828,633 |
| MA Development Finance Agency: Alliance Health Care Facilities, Series 1999, 7.100% 07/01/32 | 1,150,000 | 1,081,954 |
| American Health Woodlawn Manor, Inc.: Series 2000 A, 7.750% 12/01/27 | 370,000 | 309,594 |
| Series 2000 B, 10.250% 06/01/27 (c) | 113,186 | 77,852 |
| GF/Massachusetts Inc., Series 1994, 8.300% 07/01/23 | 895,000 | 904,210 |
| MI Cheboygan County Economic Development Corp., Metro Health Foundation Project, Series 1993, 11.000% 11/01/22 (d) | 2,440,000 | 317,200 |
| MN Carlton Inter-Faith Social Services, Inc., Series 2000, 7.500% 04/01/19 | 250,000 | 256,170 |
| MN Sartell, Foundation for Healthcare, Series 1999 A, 6.625% 09/01/29 | 1,025,000 | 968,943 |
| TX Kirbyville Health Facilities Development Corp., Heartway III Project, Series 1997 A, 10.000% 03/20/18 (c) | 539,215 | 188,725 |
| WA Kitsap County Housing Authority, Martha & Mary Nursing Home, Series 1996, 7.100% 02/20/36 | 643,000 | 749,352 |
| | | ----- |
| Nursing Homes Total | | 12,941,331 |
| | | ----- |
| HEALTH CARE TOTAL | | 60,002,653 |
| | | ----- |
| ----- | | |
| HOUSING - 6.8% | | |
| ASSISTED LIVING/SENIOR - 2.9% | | |
| DE Kent County, Heritage at Dover, Series 1999, AMT, 7.625% 01/01/30 | 1,210,000 | 999,157 |
| GA Columbus Housing Authority, The Gardens at Calvary, | | |

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Series 1999,
7.000% 11/15/19 495,000 417,404

See notes to investment portfolio.

6

INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|--|-----------|------------|
| ----- | | |
| HOUSING (CONTINUED) | | |
| ASSISTED LIVING/SENIOR (CONTINUED) | | |
| IL Development Finance Authority, Care Institute, Inc., Series 1995, 8.250% 06/01/25 | 1,435,000 | 1,364,570 |
| MN Roseville, Care Institute, Inc., Series 1993, 7.750% 11/01/23 (c) | 1,630,000 | 1,059,500 |
| NC Medical Care Commission, DePaul Community Facilities Project, Series 1999, 7.625% 11/01/29 | 985,000 | 1,003,331 |
| NY Huntington Housing Authority, Gurwin Jewish Senior Center, Series 1999: 5.875% 05/01/19 | 420,000 | 391,814 |
| 6.000% 05/01/29 | 650,000 | 590,648 |
| TX Bell County Health Facilities Development Corp., Care Institutes, Inc., Series 1994, 9.000% 11/01/24 | 1,415,000 | 1,275,736 |
| | | ----- |
| Assisted Living/Senior Total | | 7,102,160 |
| | | ----- |
| MULTI-FAMILY - 3.9% | | |
| DE Wilmington, Electra Arms Senior Association Project, Series 1998, AMT, 6.250% 06/01/28 | 945,000 | 743,942 |
| FL Broward County Housing Finance Authority, Chaves Lake Apartment Project, Series 2000, AMT, 7.500% 07/01/40 | 500,000 | 490,150 |
| FL Clay County Housing Finance Authority, Madison Commons Apartments, Series 2000 A, AMT, 7.450% 07/01/40 | 500,000 | 493,170 |
| MN Washington County Housing & Redevelopment Authority, Cottages of Aspen, Series 1992, AMT, 9.250% 06/01/22 | 990,000 | 1,012,117 |
| MN White Bear Lake, Birch Lake Townhome Project: Series 1989 A, AMT, 10.250% 07/15/19 | 1,770,000 | 1,771,239 |
| Series 1989 B, AMT, (a) 07/15/19 | 625,000 | 304,619 |

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| | | |
|--|-----------|-----------|
| Resolution Trust Corp., Pass-Through Certificates, Series 1993 A, 8.750% 12/01/16 (e) | 455,481 | 436,606 |
| SC Housing Finance & Development, Multi-Family Housing Finance Revenue, Westbridge Apartments, Series 1990 A, AMT, 9.500% 09/01/20 | 1,921,000 | 1,871,054 |
| TN Franklin Industrial Development Board, Landings Apartment Project, Series 1996 B, 8.750% 04/01/27 | 710,000 | 726,692 |

| | PAR (\$) | VALUE (\$) |
|--|-----------|------------|
| ----- | | |
| TX Affordable Housing Corp., NHT/GTEX Project, Series 2001 C, 10.000% 10/01/31 (c) | 685,000 | 171,250 |
| TX El Paso County Housing Finance Corp., American Village Communities: Series 2000 C, 8.000% 12/01/32 | 300,000 | 303,492 |
| Series 2000 D, 10.000% 12/01/32 | 300,000 | 304,779 |
| VA Alexandria Redevelopment & Housing Authority, Courthouse Commons Apartments, Series 1990 A, AMT, 10.000% 01/01/21 | 1,000,000 | 858,130 |
| | | ----- |
| Multi-Family Total | | 9,487,240 |
| | | ----- |
| SINGLE FAMILY - 0.0% | | |
| KY Kentucky County Single Family Mortgage Revenue, Series 1987 A, AMT, 9.000% 09/01/16 | 25,000 | 25,048 |
| | | ----- |
| Single Family Total | | 25,048 |
| | | ----- |
| HOUSING TOTAL | | 16,614,448 |
| | | ----- |

| | | |
|---|-----------|-----------|
| ----- | | |
| INDUSTRIAL - 5.4% | | |
| FOOD PRODUCTS - 1.5% | | |
| GA Cartersville Development Authority, Anheuser Busch Project, Inc., Series 2002, AMT, 5.950% 02/01/32 | 1,000,000 | 1,024,570 |
| IN Hammond, American Maize Products Co., Series 1994, AMT, 8.000% 12/01/24 | 260,000 | 273,039 |
| LA Port of New Orleans Industrial Development, Continental Grain Co., Series 1993, 7.500% 07/01/13 | 1,000,000 | 1,026,150 |
| LA Southern Louisiana Port Commission, Cargill, Inc. Project, | | |

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| | | |
|-------------------------------------|-----------|-----------|
| Series 1997, | | |
| 5.850% 04/01/17 | 500,000 | 523,910 |
| MI Strategic Fund, Michigan Sugar | | |
| Co., Sebewaing Project, | | |
| Series 1998 A, | | |
| 6.250% 11/01/15 | 1,000,000 | 933,930 |
| | | ----- |
| Food Products Total | | 3,781,599 |
| | | ----- |
| FOREST PRODUCTS - 1.8% | | |
| AL Camden Industrial Development | | |
| Board, Weyerhaeuser Co., | | |
| Series 2003 B, AMT, | | |
| 6.375% 12/01/24 | 400,000 | 416,924 |
| AL Courtland Industrial Development | | |
| Board, Champion International | | |
| Corp., Series 1999, | | |
| 6.000% 08/01/29 | 1,000,000 | 996,040 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|-------------------------------------|-----------|------------|
| ----- | | |
| INDUSTRIAL (CONTINUED) | | |
| FOREST PRODUCTS (CONTINUED) | | |
| AL Phenix City Industrial | | |
| Development Board Environmental | | |
| Improvement Revenue, | | |
| Meadwestvaco Corp., | | |
| Series 2001 A, AMT, | | |
| 6.350% 05/15/35 | 400,000 | 412,576 |
| GA Rockdale County Development | | |
| Authority, Solid Waste Disposal, | | |
| Visy Paper, Inc., Series 1993, AMT, | | |
| 7.500% 01/01/26 | 800,000 | 819,736 |
| LA Beauregard Parish, Boise Cascade | | |
| Corp. Project, Series 2002, | | |
| 6.800% 02/01/27 | 1,000,000 | 1,005,830 |
| MI Delta County Economic | | |
| Development Corp., Mead | | |
| Westvaco-Escanaba, | | |
| Series 2002 B, AMT, | | |
| 6.450% 04/15/23 | 300,000 | 309,492 |
| VA Bedford County Industrial | | |
| Development Authority, Nekoosa | | |
| Packaging Corp., | | |
| Series 1998, AMT, | | |
| 5.600% 12/01/25 | 400,000 | 357,192 |
| | | ----- |
| Forest Products Total | | 4,317,790 |
| | | ----- |

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| | | |
|--|-----------|------------|
| MANUFACTURING - 0.7% | | |
| IL Will-Kankakee Regional Development Authority, Flanders Corp. Precisionaire Project, Series 1997, AMT, 6.500% 12/15/17 | 825,000 | 804,796 |
| TX Trinity River Authority, Texas Instruments Project, Series 1996, AMT, 6.200% 03/01/20 | 750,000 | 779,062 |
| | | ----- |
| Manufacturing Total | | 1,583,858 |
| | | ----- |
| METALS & MINING - 0.2% | | |
| NV Department of Business & Industry, Wheeling-Pittsburgh Steel Corp., Series 1999 A, AMT, 8.000% 09/01/14 (e) | 237,097 | 180,630 |
| VA Greensville County Industrial Development Authority, Wheeling-Pittsburgh Steel Corp., Series 1999 A, AMT, 7.000% 04/01/14 | 375,000 | 289,916 |
| | | ----- |
| Metals & Mining Total | | 470,546 |
| | | ----- |
| OIL & GAS - 1.2% | | |
| TX Gulf Coast Industrial Development Authority, Solid Waste Disposal, Citgo Petroleum, Series 1998, AMT, 8.000% 04/01/28 | 375,000 | 391,264 |
| | | |
| | PAR (\$) | VALUE (\$) |
| | ----- | |
| VI Government Refinery Facilities, Hovensa Coker Project, Series 2002, AMT, 6.500% 07/01/21 | 250,000 | 264,203 |
| VI Public Finance Authority, Refinery Facilities Revenue, Hovensa Refinery: Series 2003, AMT, 6.125% 07/01/22 | 425,000 | 437,546 |
| Series 2004, AMT, 5.875% 07/01/22 | 400,000 | 404,832 |
| WA Pierce County Economic Development Corp., Occidental Petroleum Co., Series 1993, AMT, 5.800% 09/01/29 | 1,500,000 | 1,484,550 |
| | | ----- |
| Oil & Gas Total | | 2,982,395 |
| | | ----- |
| INDUSTRIAL TOTAL | | 13,136,188 |
| | | ----- |
| ----- | | |
| OTHER - 7.7% | | |
| OTHER - 0.4% | | |
| NY Convention Center Operating | | |

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| | | |
|--|------------|-----------|
| Corp., Yale Building Project, Series 2003, (a) 06/01/08 | 1,000,000 | 830,310 |
| | | ----- |
| Other Total | | 830,310 |
| | | ----- |
| POOL/BOND BANK - 0.3% | | |
| MI Municipal Bond Authority, Local Government Loan Project, Series 2001 A, 5.375% 11/01/17 | 550,000 | 589,391 |
| | | ----- |
| Pool/Bond Bank Total | | 589,391 |
| | | ----- |
| REFUNDED/ESCROWED (f) - 5.7% | | |
| CA San Joaquin Hills Transportation Corridor Agency, Series 1993, AMT, (a) 01/01/25 | 10,000,000 | 3,284,900 |
| CT Development Authority, Sewer Sludge Disposal Facilities, Series 1996, AMT, 8.250% 12/01/06 | 570,000 | 623,819 |
| GA Forsyth County Hospital Authority, Georgia Baptist Healthcare System, Series 1998, 6.000% 10/01/08 | 755,000 | 812,810 |
| ID Health Facilities Authority, IHC Hospitals, Inc., Series 1992, 6.650% 02/15/21 | 2,750,000 | 3,374,497 |
| IL Metropolitan Pier & Exposition Authority, McCormick Project, Series 1993 A, (a) 06/15/14 | 1,010,000 | 638,926 |
| IL University of Illinois, Series 2001 A, 5.500% 08/15/17 | 600,000 | 671,784 |
| NC Lincoln County, Lincoln County Hospital, Series 1991, 9.000% 05/01/07 | 200,000 | 223,710 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|--|----------|------------|
| ----- | | |
| OTHER (CONTINUED) | | |
| REFUNDED/ESCROWED (f) (CONTINUED) | | |
| PA Delaware County Authority, Mercy Health Corp., Southeastern Pennsylvania Obligated, Series 1996: | | |

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| | | |
|--|-----------|------------|
| 6.000% 12/15/16 | 1,400,000 | 1,541,316 |
| 6.000% 12/15/26 | 500,000 | 547,210 |
| TN Shelby County, Health, Education & Housing Facilities Board, Open Arms Development Center: Series 1992 A, 9.750% 08/01/19 | 465,000 | 570,639 |
| Series 1992 C, 9.750% 08/01/19 | 470,000 | 575,261 |
| TX Board of Regents University of Texas, Series 2001 B, 5.375% 08/15/18 | 350,000 | 388,178 |
| WV Hospital Finance Authority, Charleston Area Medical Center, Series 2000 A, 6.750% 09/01/30 | 605,000 | 721,590 |
| | | ----- |
| Refunded/Escrowed Total | | 13,974,640 |
| | | ----- |
| TOBACCO - 1.3% | | |
| CA Golden State Tobacco Securitization Authority, Asset Backed: Series 2002 A-1: 6.250% 06/01/33 | 1,600,000 | 1,439,136 |
| 6.750% 06/01/39 | 1,000,000 | 885,370 |
| Series 2003 B, 5.500% 06/01/43 | 500,000 | 484,410 |
| WA Tobacco Settlement Authority, Series 2002, 6.625% 06/01/32 | 500,000 | 436,045 |
| | | ----- |
| Tobacco Total | | 3,244,961 |
| | | ----- |
| OTHER TOTAL | | 18,639,302 |
| | | ----- |
| ----- | | |
| OTHER REVENUE - 2.8% | | |
| HOTELS - 0.8% | | |
| PA Philadelphia Authority for Industrial Development, Doubletree Project, Series 1997 A, 6.500% 10/01/27 | 2,000,000 | 2,011,520 |
| | | ----- |
| Hotels Total | | 2,011,520 |
| | | ----- |
| RECREATION - 1.3% | | |
| CA Agua Caliente, Band of Cahuilla Indians Revenue, Series 2003, 5.600% 07/01/13 | 775,000 | 768,219 |
| CT Gaming Authority Mohegan Tribe, Series 2001, 6.250% 01/01/31 (e) | 200,000 | 207,064 |
| CT Mashantucket Western Pequot Revenue, Series B, (a) 09/01/18 (e) | 1,100,000 | 477,708 |
| | | |
| | PAR (\$) | VALUE (\$) |
| ----- | | |

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| | | |
|---|-----------|-----------|
| FL Capital Trust Agency, Seminole Tribe Convention Center, Series 2002 A, 10.000% 10/01/33 (e) | 900,000 | 1,082,646 |
| NM Red River Sports Facility, Red River Ski Area Project, Series 1998, 6.450% 06/01/07 | 665,000 | 669,475 |
| | | ----- |
| Recreation Total | | 3,205,112 |
| | | ----- |
| RETAIL - 0.7% | | |
| NJ Economic Development Authority, Glimcher Properties LP Project, Series 1998, AMT, 6.000% 11/01/28 | 1,000,000 | 1,006,960 |
| OH Lake County, North Madison Properties, Series 1993, 8.819% 09/01/11 | 630,000 | 618,181 |
| | | ----- |
| Retail Total | | 1,625,141 |
| | | ----- |
| OTHER REVENUE TOTAL | | 6,841,773 |
| | | ----- |
| ----- | | |
| RESOURCE RECOVERY - 1.3% | | |
| DISPOSAL - 0.5% | | |
| MA Industrial Finance Agency, Peabody Monofill Associates, Inc., Series 1995, 9.000% 09/01/05 | 395,000 | 404,804 |
| UT Carbon County, Laidlaw Environmental, Series 1997 A, AMT: 7.500% 02/01/10 | 250,000 | 253,615 |
| 7.450% 07/01/17 | 500,000 | 505,425 |
| | | ----- |
| Disposal Total | | 1,163,844 |
| | | ----- |
| RESOURCE RECOVERY - 0.8% | | |
| MA Industrial Finance Agency, Ogden Haverhill Project, Series 1998 A, AMT, 5.500% 12/01/13 | 1,000,000 | 979,400 |
| PA Delaware County Industrial Development Authority, BFI Project, Series 1988 A, 6.200% 07/01/19 | 1,000,000 | 1,024,260 |
| | | ----- |
| Resource Recovery Total | | 2,003,660 |
| | | ----- |
| RESOURCE RECOVERY TOTAL | | 3,167,504 |
| | | ----- |
| ----- | | |
| TAX-BACKED - 17.2% | | |
| LOCAL APPROPRIATED - 0.6% | | |
| CA Compton Certificates of Participation, Civic Center & Capital Improvements, Series 1997 A, 5.500% 09/01/15 | 1,000,000 | 1,019,080 |
| SC Dorchester County School District | | |

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| | | |
|--|---------|-----------|
| No. 2 Installment Purchase Revenue, Series 2004, 5.250% 12/01/29 | 500,000 | 481,640 |
| | | ----- |
| Local Appropriated Total | | 1,500,720 |
| | | ----- |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|--|-----------|------------|
| ----- | | |
| TAX-BACKED (CONTINUED) | | |
| LOCAL GENERAL OBLIGATIONS - 6.4% | | |
| CA East Side Union High School District, Series 2003 B, 5.100% 02/01/20 | 750,000 | 795,652 |
| CA Fresno Unified School District: Series 2002, 5.750% 07/01/16 | 600,000 | 681,342 |
| Series 2002 A, 6.000% 02/01/18 | 1,245,000 | 1,443,789 |
| CA Vallejo Unified School District, Series 2002 A, 5.900% 08/01/25 | 1,000,000 | 1,132,210 |
| LA New Orleans, Series 1991, (a) 09/01/15 | 4,000,000 | 2,327,000 |
| NY New York City, Series 1998 H, 5.125% 08/01/25 | 5,000,000 | 5,037,800 |
| TX Dallas County Flood Control, District No. 1, Series 2002, 7.250% 04/01/32 | 750,000 | 759,225 |
| TX Irving Independent School District, Series 1997: (a) 02/15/15 | 1,500,000 | 894,855 |
| (a) 02/15/16 | 1,000,000 | 561,380 |
| WA Clark County School District No. 37, Series 2001 C, (a) 12/01/18 | 4,000,000 | 1,910,120 |
| | | ----- |
| Local General Obligations Total | | 15,543,373 |
| | | ----- |
| SPECIAL NON-PROPERTY TAX - 4.4% | | |
| CA San Diego Redevelopment Agency, Series 2001, (a) 09/01/18 | 1,015,000 | 488,185 |
| FL Northern Palm Beach County Improvement District, Series 1999, 5.900% 08/01/19 | 500,000 | 545,525 |
| IL Metropolitan Pier & Exposition Authority, McCormick Place Expansion Project: | | |

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| | | |
|---|-----------|------------|
| Series 1993 A, (a) 06/15/14 | 3,990,000 | 2,499,416 |
| Series 1994 A, (a) 06/15/15 | 3,000,000 | 1,766,880 |
| Series 1996 A, (a) 12/15/13 | 5,000,000 | 3,245,250 |
| PR Commonwealth Highway & Transportation Authority, Series 2003 AA: 5.500% 07/01/18 | 375,000 | 419,640 |
| 5.500% 07/01/20 | 1,500,000 | 1,668,555 |
| | | ----- |
| Special Non-Property Tax Total | | 10,633,451 |
| | | ----- |
| SPECIAL PROPERTY TAX - 4.1% | | |
| CA Huntington Beach Community Facilities District, Grand Coast Resort, Series 2001, 6.450% 09/01/31 | 500,000 | 509,340 |
| | | |
| | PAR (\$) | VALUE (\$) |
| | ----- | ----- |
| CA Oakdale Public Finance Authority, Tax Allocation Revenue, Central City Redevelopment Project, Series 2004, 5.375% 06/01/33 | 1,125,000 | 1,061,257 |
| CA Orange County Community Facilities District, Ladera Ranch, Series 1999 A, 6.500% 08/15/21 | 1,000,000 | 1,037,040 |
| CA Orange County Improvement Bond Act 1915, Phase IV, No. 01-1-B, Series 2003, 5.750% 09/02/33 | 500,000 | 498,545 |
| CA Redwood City Community Facilities District No. 1 Redwood, Series 2003 B, 6.000% 09/01/33 | 300,000 | 303,573 |
| CA Temecula Valley Unified School District No. 02-1, Series 2003, 6.125% 09/01/33 | 355,000 | 354,957 |
| CA Yorba Linda Redevelopment Agency, Series 1998 A, (a) 09/01/24 | 1,325,000 | 431,102 |
| FL Celebration Community Development District, Special Assessment, Series 2003 A, 6.400% 05/01/34 | 750,000 | 760,110 |
| FL Colonial Country Club Community Development District, Capital Improvement, Series 2003, 6.400% 05/01/33 | 495,000 | 505,390 |
| FL Double Branch Community Development District, Special Assessment, Series 2002 A, 6.700% 05/01/34 | 500,000 | 523,815 |
| FL Heritage Palms Community | | |

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| | | |
|---|---------|---------|
| Development District, Series 1999 A, 6.250% 11/01/04 | 370,000 | 371,454 |
| FL Islands at Doral Southwest Community Development District, Series 2003, 6.375% 05/01/35 | 250,000 | 255,348 |
| FL Lexington Oaks Community Development District, Series 1998 A, 6.125% 05/01/19 | 685,000 | 691,206 |
| FL Orlando, Conroy Road Interchange Project, Series 1998 A: 5.500% 05/01/10 | 125,000 | 127,014 |
| 5.800% 05/01/26 | 300,000 | 299,676 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|--|-----------|------------|
| ----- | | |
| TAX-BACKED (CONTINUED) | | |
| SPECIAL PROPERTY TAX (CONTINUED) | | |
| FL Stoneybrook Community Development District: Series 1998 A, 6.100% 05/01/19 | 245,000 | 247,318 |
| Series 1998 B, 5.700% 05/01/08 | 35,000 | 35,192 |
| FL Westchester Community Development District No. 1, Special Assessment, Series 2003, 6.125% 05/01/35 | 275,000 | 273,347 |
| MI Pontiac Finance Authority, Development Area No. 3, Series 2002, 6.375% 06/01/31 | 450,000 | 445,149 |
| MI Taylor Tax Increment Finance Authority, Series 2001, 5.375% 05/01/17 | 1,000,000 | 1,067,460 |
| | | ----- |
| Special Property Tax Total | | 9,798,293 |
| | | ----- |
| STATE APPROPRIATED - 0.8% | | |
| MI Building Authority, Series 2001 I, 5.000% 10/15/24 | 1,000,000 | 1,004,230 |
| PR Commonwealth of Puerto Rico, Public Finance Corp., Series 2002 E, 6.000% 08/01/26 | 900,000 | 999,090 |
| | | ----- |
| State Appropriated Total | | 2,003,320 |

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| | | |
|----------------------------------|------------------|------------|
| ----- | | |
| STATE GENERAL OBLIGATIONS - 0.9% | | |
| CA State, Series 2003, | | |
| 5.250% 02/01/23 | 380,000 | 380,418 |
| PR Commonwealth, Public | | |
| Improvement, Series 2001 A, | | |
| 5.500% 07/01/21 | 1,750,000 | 1,937,127 |
| | | ----- |
| State General Obligations Total | | 2,317,545 |
| | | ----- |
| | TAX-BACKED TOTAL | 41,796,702 |
| | | ----- |

| | | |
|------------------------------------|-----------|-----------|
| ----- | | |
| TRANSPORTATION - 8.0% | | |
| AIR TRANSPORTATION - 2.7% | | |
| CA Los Angeles Regional Airport | | |
| Improvement, American Airlines, | | |
| Series 2002 C, AMT, | | |
| 7.500% 12/01/24 | 500,000 | 428,385 |
| Laxfuel Corp., Series 2001, AMT, | | |
| 5.250% 01/01/23 | 500,000 | 495,875 |
| FL Capital Trust Agency Revenue, | | |
| Air Cargo - Orlando Project, | | |
| Series 2003, AMT, | | |
| 6.750% 01/01/32 | 350,000 | 323,655 |
| IN Indianapolis Airport Authority: | | |
| FedEx Corp., Series 1994, AMT, | | |
| 7.100% 01/15/17 | 1,000,000 | 1,025,650 |
| United Airlines Project, | | |
| Series 1995 A, AMT, | | |
| 6.500% 11/15/31 (d) | 391,911 | 80,734 |

| | | |
|--|-----------|------------|
| | PAR (\$) | VALUE (\$) |
| ----- | | |
| KY Kenton County Airport Board, | | |
| Delta Air Lines, Inc., | | |
| Series 1992 A, AMT, | | |
| 7.500% 02/01/20 | 500,000 | 385,500 |
| MN Minneapolis & St. Paul | | |
| Metropolitan Airport Commission, | | |
| Northwest Airlines, Inc.: | | |
| Series 2001 A, AMT, | | |
| 7.000% 04/01/25 | 325,000 | 286,965 |
| Series 2001 B, AMT, | | |
| 6.500% 04/01/25 | 250,000 | 239,055 |
| NC Charlotte Special Facilities Revenue, | | |
| Douglas International Airport, | | |
| US Airways, Inc.: | | |
| Series 1998, AMT, | | |
| 5.600% 07/01/27 | 250,000 | 133,750 |
| Series 2000, AMT, | | |
| 7.750% 02/01/28 | 500,000 | 357,365 |
| NJ Economic Development Authority, | | |
| Continental Airlines, Inc. | | |
| Project, Series 2003, AMT, | | |
| 9.000% 06/01/33 | 1,250,000 | 1,292,750 |
| NY New York City Industrial | | |

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| | | |
|--|-----------|-----------|
| Development, JFK International Airport Project, American Airlines, Inc., Series 2002 B, AMT, 8.500% 08/01/28 | 500,000 | 379,025 |
| PA Philadelphia Authority for Industrial Development, Aero Philadelphia LLC, Series 1999, AMT, 5.250% 01/01/09 | 350,000 | 327,415 |
| TX Houston Industrial Development, Air Cargo, Perot Development, Series 2002, AMT, 6.000% 03/01/23 | 541,150 | 539,131 |
| WA Seattle, Northwest Airlines, Inc., Series 2000, AMT, 7.250% 04/01/30 | 425,000 | 377,914 |
| | | ----- |
| Air Transportation Total | | 6,673,169 |
| | | ----- |
| AIRPORTS - 2.7% | | |
| PA Philadelphia Airport Authority for Industrial Development, Series 1998 A, AMT, 5.125% 07/01/28 | 6,750,000 | 6,606,157 |
| | | ----- |
| Airports Total | | 6,606,157 |
| | | ----- |
| TOLL FACILITIES - 2.3% | | |
| CA San Joaquin Hills Transportation Corridor Agency, Series 1993 A, (a) 01/15/15 | 3,000,000 | 1,808,130 |
| CO Northwest Parkway Public Highway Authority, Series 2001 D, 7.125% 06/15/41 | 1,000,000 | 1,036,210 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|---|-----------|------------|
| ----- | | |
| TRANSPORTATION (CONTINUED) | | |
| TOLL FACILITIES (CONTINUED) | | |
| CO Public Highway Authority, Arapahoe County, E-470, Series 2000 B: | | |
| (a) 09/01/18 | 3,000,000 | 1,453,170 |
| (a) 09/01/35 | 8,750,000 | 854,787 |
| NY Triborough Bridge & Tunnel Authority, Series 2002, 5.500% 11/15/20 | 375,000 | 416,884 |
| | | ----- |
| Toll Facilities Total | | 5,569,181 |
| | | ----- |

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| | | |
|---|----------------------|------------|
| TRANSPORTATION - 0.3% | | |
| NV Department of Business & Industry, Las Vegas Monorail Project, Series 2000, 7.375% 01/01/40 | | |
| | 750,000 | 733,733 |
| | | ----- |
| | Transportation Total | 733,733 |
| | | ----- |
| | TRANSPORTATION TOTAL | 19,582,240 |
| | | ----- |

| | | |
|--|-----------------------------------|-----------|
| ----- | | |
| UTILITY - 18.3% | | |
| INDEPENDENT POWER PRODUCERS - 2.6% | | |
| MI Midland County Economic Development Corp., Series 2000, AMT, 6.875% 07/23/09 | | |
| | 1,000,000 | 1,031,750 |
| NY Port Authority of New York & New Jersey, KIAC Partners, Series 1996 IV, AMT, 6.750% 10/01/11 | | |
| | 2,000,000 | 2,057,540 |
| PA Carbon City Industrial Development, Panther Creek Partners Project, Series 2000, AMT, 6.650% 05/01/10 | | |
| | 140,000 | 149,848 |
| PA Economic Development Finance Authority, Colver Project, Series 1994 D, AMT, 7.150% 12/01/18 | | |
| | 1,500,000 | 1,546,965 |
| PR Commonwealth of Puerto Rico Industrial, Educational, Medical & Environmental Cogeneration Facilities, AES Project, Series 2000, AMT, 6.625% 06/01/26 | | |
| | 320,000 | 331,581 |
| VA Pittsylvania County Industrial Development Authority, Multi-trade of Pittsylvania, Series 1994 A, AMT: 7.450% 01/01/09 | | |
| | 1,000,000 | 939,170 |
| | 7.550% 01/01/19 | 250,000 |
| | | 225,167 |
| | | ----- |
| | Independent Power Producers Total | 6,282,021 |
| | | ----- |

| | | |
|---|---------|---------|
| INVESTOR OWNED - 4.7% | | |
| AZ Maricopa County Pollution Control, El Paso Electric Co., Series 2002 A, 6.250% 05/01/37 | | |
| | 500,000 | 517,745 |

| | | |
|---|----------|------------|
| | PAR (\$) | VALUE (\$) |
| ----- | | |
| AZ Pima Industrial Development Authority, Tucson Electric Power Co., Series 1997 A, AMT, 6.100% 09/01/25 | 750,000 | 704,700 |
| CA Chula Vista Industrial | | |

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| | | |
|---|-----------|------------|
| Development Revenue, San Diego Gas & Electric Co., Series 1996 B, AMT, 5.500% 12/01/21 (g) | 475,000 | 481,669 |
| CT Development Authority, Connecticut Light & Power Co., Series 1993 B, AMT, 5.950% 09/01/28 | 100,000 | 103,800 |
| FL Polk County Industrial Development Authority, Tampa Electric Co. Project, Series 1996, AMT, 5.850% 12/01/30 | 800,000 | 778,896 |
| IL Bryant Pollution Control Revenue, Central Illinois Light Co., Series 1993, 5.900% 08/01/23 | 1,000,000 | 1,001,140 |
| IN Petersburg Pollution Control Revenue, Indianapolis Power & Light Project, Series 1995, 6.625% 12/01/24 | 750,000 | 766,793 |
| LA Calcasieu Parish Industrial Development Board, Entergy Gulf States, Inc., Series 1999, 5.450% 07/01/10 | 500,000 | 510,955 |
| LA West Feliciana Parish, Entergy Gulf States, Inc., Series 1999 B, 6.600% 09/01/28 | 500,000 | 511,165 |
| MS Business Finance Corp., Systems Energy Resources Project, Series 1998, 5.875% 04/01/22 | 1,500,000 | 1,504,500 |
| MT Forsyth Pollution Control, Portland General, Series 1998, 5.200% 05/01/33 | 225,000 | 233,804 |
| NV Clark County, Industrial Development Revenue, Nevada Power Co., Series 1997 A, AMT, 5.900% 11/01/32 | 3,000,000 | 2,584,320 |
| OH Air Quality Development Authority, Pollution Control Revenue, Cleveland Electric, Series 2002 A, 6.000% 12/01/13 | 650,000 | 665,633 |
| TX Brazos River Authority Pollution Control Revenue, TXU Electric Co.: Series 2001 C, AMT, 5.750% 05/01/36 | 275,000 | 288,049 |
| Series 2003 C, AMT, 6.750% 10/01/38 | 775,000 | 813,200 |
| | | ----- |
| Investor Owned Total | | 11,466,369 |
| | | ----- |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

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| MUNICIPAL BONDS (CONTINUED) | PAR (\$) | VALUE (\$) |
|---|---------------|-------------|
| ----- | | |
| UTILITY (CONTINUED) | | |
| JOINT POWER AUTHORITY - 0.2% | | |
| NC Eastern Municipal Power Agency, Series 2003 F, 5.500% 01/01/16 | 430,000 | 449,427 |
| | | ----- |
| Joint Power Authority Total | | 449,427 |
| | | ----- |
| MUNICIPAL ELECTRIC - 4.8% | | |
| CA Department of Water Resources, Power Supply Revenue Bonds, Series 2002 A, 5.500% 05/01/14 | | |
| | 2,000,000 | 2,202,260 |
| NY Long Island Power Authority, Series 2003, 5.000% 04/01/10 | 1,000,000 | 1,081,600 |
| TX Austin Utilities System, Series 1994: (a) 05/15/17 | 6,600,000 | 3,461,766 |
| (a) 05/15/18 | 5,000,000 | 2,468,200 |
| WA Seattle Light & Power, Series 2001, 5.500% 03/01/17 | 2,250,000 | 2,405,385 |
| | | ----- |
| Municipal Electric Total | | 11,619,211 |
| | | ----- |
| WATER & SEWER - 6.0% | | |
| CA Castaic Lake Water Agency, Series 1999 A: (a) 08/01/25 | | |
| | 10,445,000 | 3,170,789 |
| (a) 08/01/26 | 10,445,000 | 2,958,651 |
| MA Water Resource Authority, Series 1997 D, 5.000% 08/01/24 (h) | 6,000,000 | 6,024,900 |
| MS V Lakes Utility District, Series 1994, 8.250% 07/15/24 | 500,000 | 477,470 |
| TX Houston Water & Sewer System, Series 1991 C, (a) 12/01/12 | 3,000,000 | 2,068,800 |
| | | ----- |
| Water & Sewer Total | | 14,700,610 |
| | | ----- |
| | UTILITY TOTAL | 44,517,638 |
| | | ----- |
| TOTAL MUNICIPAL BONDS | | |
| (cost of \$242,352,747) | | 235,879,408 |
| | | ----- |
| MUNICIPAL PREFERRED STOCKS - 0.6% SHARES | | |
| ----- | | |
| HOUSING - 0.6% | | |
| MULTI-FAMILY - 0.6% | | |
| Charter Mac Equity Issuer Trust: Series A-4, AMT, 6.000% 04/30/19 (e) | | |
| | 1,000,000 | 1,006,880 |

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| | | |
|--|-----------|-------------|
| AMT, 7.600% 11/30/10 (e) | 500,000 | 567,055 |
| | | ----- |
| TOTAL MUNICIPAL PREFERRED STOCKS (cost of \$1,500,000) | | 1,573,935 |
| | | ----- |
| SHORT-TERM OBLIGATIONS - 1.4% | | |
| | PAR (\$) | VALUE (\$) |
| | ----- | ----- |
| VARIABLE RATE DEMAND NOTES (i) - 1.4% | | |
| CO Denver Healthcare & Hospital Authority, Healthcare Revenue, Series 2001 B, 1.140% 12/01/31 | 100,000 | 100,000 |
| IL Health Care Facilities Authority, OSF Healthcare System, Series 2002, 1.100% 11/15/27 | 1,100,000 | 1,100,000 |
| IN Health Facility Financing Authority, Golden Years Homestead, Inc., Series 2002 A, 1.090% 06/01/25 | 200,000 | 200,000 |
| MN Brooklyn Center, Brookdale Corp II Project, Series 2001, 1.140% 12/01/14 | 100,000 | 100,000 |
| MN State Higher Educational Facility Authority, Olaf College, Series 5-M1, 1.090% 10/01/32 | 200,000 | 200,000 |
| MO State Development Finance Board, Lease Revenue, Series 2003, 1.140% 06/01/33 | 400,000 | 400,000 |
| MO State Health & Educational Facilities Authority, Washington University, Series 1996 C, 1.090% 09/01/30 | 100,000 | 100,000 |
| NY New York, Series A-7, 1.070% 08/01/21 | 900,000 | 900,000 |
| WY Uinta County Pollution Control Revenue, Chevron U.S.A. Inc. Project: Series 1992, 1.080% 12/01/22 | 100,000 | 100,000 |
| Series 1993, 1.080% 08/15/20 | 200,000 | 200,000 |
| | | ----- |
| TOTAL SHORT-TERM OBLIGATIONS (cost of \$3,400,000) | | 3,400,000 |
| | | ----- |
| TOTAL INVESTMENTS - 98.9% (cost of \$247,252,747) (j) | | 240,853,343 |
| | | ----- |

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| | |
|--|-------------|
| OTHER ASSETS & LIABILITIES, NET - 1.1% | 2,575,620 |
| | |
| NET ASSETS* - 100.0% | 243,428,963 |
| | |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

NOTES TO INVESTMENT PORTFOLIO:

-
- * Net assets represent both Common Shares and Auction Preferred Shares.
- (a) Zero coupon bond.
- (b) Denotes a restricted security, which is subject to restrictions on resale under federal securities laws. At May 31, 2004, these securities amounted to \$1,947,630, which represents 0.8% of net assets.

| SECURITY | ACQUISITION DATE | ACQUISITION COST |
|---|---------------------|---------------------|
| CA Statewide Community Development Authority: | | |
| Crossroads School for Arts & Sciences, Series 1998: | | |
| 6.000% 08/01/28 | 08/21/98 | \$ 410,000 |
| 6.000% 08/01/28 | 08/31/98 | 700,000 |
| Eskaton Village - Grass Valley, Series 2000, | | |
| 8.250% 11/15/31 | 09/08/00 | 750,000 |
| | | \$1,860,000 |
| | | ----- |

- (c) The issuer is in default of certain debt covenants. Income is not being fully accrued. As of May 31, 2004, the value of these securities amounted to \$2,612,327, which represents 1.1% of net assets.
- (d) The issuer has filed for bankruptcy protection under Chapter 11. Income is not being accrued. As of May 31, 2004, the value of these securities amounted to \$982,934, which represents 0.4% of net assets.
- (e) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At May 31, 2004, these securities amounted \$3,958,589, which represents 1.6% of net assets.
- (f) The Trust has been informed that each issuer has placed direct obligations of the U.S. Government in an irrevocable trust, solely for the payment of principal and interest.
- (g) Security purchased on a delayed delivery basis.
- (h) A portion of the security with a market value of \$2,171,976 pledged as collateral for open futures contracts.
- (i) Variable rate demand note. These securities are payable upon demand and are secured by letters of credit or other credit support agreements from banks. The interest rates change periodically and the interest rates shown reflect

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the rates as of May 31, 2004.

(j) Cost for federal income tax purposes is \$247,089,705.

At May 31, 2004, the Trust held the following open short futures contracts:

| TYPE | VALUE | AGGREGATE FACE VALUE | EXPIRATION DATE | UNREALIZED APPRECIATION (DEPRECIATION) |
|----------------|--------------|-------------------------|--------------------|--|
| ----- | | | | |
| 10-Year U.S. | | | | |
| Treasury Note | \$29,145,594 | \$29,126,758 | Sept-2004 | \$ (18,836) |
| U.S. Long Bond | 26,919,375 | 28,242,160 | Jun-2004 | 1,322,785 |
| | | | | ----- |
| | | | | \$1,303,949 |
| | | | | ----- |

| ACRONYM | NAME |
|---------|-------------------------|
| ----- | |
| AMT | Alternative Minimum Tax |

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

May 31, 2004 (Unaudited)

ASSETS:

| | |
|--------------------------------------|---------------|
| Investments, at cost | \$247,252,747 |
| | ----- |
| Investments, at value | \$240,853,343 |
| Cash | 91,290 |
| Receivable for: | |
| Investments sold | 32,971 |
| Interest | 3,796,306 |
| Futures variation margin | 287,750 |
| Deferred Trustees' compensation plan | 11,389 |
| Other assets | 36,232 |
| | ----- |
| Total Assets | 245,109,281 |
| | ----- |

LIABILITIES:

Payable for:

| | |
|--|---------|
| Investments purchased on | |
| a delayed delivery basis | 475,000 |
| Distributions--common shares | 969,516 |
| Distributions--preferred shares | 27,418 |
| Preferred shares remarketing commissions | 5,559 |
| Investment advisory fee | 133,264 |
| Pricing and bookkeeping fees | 16,063 |
| Custody fee | 2,943 |
| Audit fee | 27,555 |
| Transfer agent fee | 11,611 |
| Deferred Trustees' fees | 11,389 |
| | ----- |

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| | |
|-------------------|-----------|
| Total Liabilities | 1,680,318 |
| | ----- |

| | |
|---|---------------|
| Auction Preferred Shares (3,600 shares issued and outstanding at \$25,000 per share) | \$ 90,000,000 |
| | ----- |

COMPOSITION OF NET ASSETS
APPLICABLE TO COMMON SHARES:

| | |
|--|---------------|
| Paid-in capital--common shares | \$207,841,868 |
| Undistributed net investment income | 630,117 |
| Accumulated net realized loss | (49,947,567) |
| Net unrealized appreciation (depreciation) on: | |
| Investments | (6,399,404) |
| Futures contracts | 1,303,949 |
| | ----- |

| | |
|---|---------------|
| Net assets at value applicable to 27,719,719 common shares of beneficial interest outstanding | \$153,428,963 |
| | ===== |

| | |
|----------------------------------|---------|
| Net asset value per common share | \$ 5.54 |
| | ===== |

STATEMENT OF OPERATIONS

For the Six Months Ended May 31, 2004 (Unaudited)

INVESTMENT INCOME:

| | |
|-------------------------|--------------|
| Interest | \$ 7,231,669 |
| Dividends | 21,727 |
| | ----- |
| Total Investment Income | 7,253,396 |
| | ----- |

EXPENSES:

| | |
|--|-----------|
| Investment advisory fee | 812,564 |
| Transfer agent fee | 34,511 |
| Pricing and bookkeeping fees | 62,788 |
| Trustees' fees | 5,041 |
| Preferred shares remarketing commissions | 112,937 |
| Custody fee | 8,617 |
| Other expenses | 83,721 |
| | ----- |
| Total Expenses | 1,120,179 |
| Custody earnings credit | (280) |
| | ----- |
| Net Expenses | 1,119,899 |
| | ----- |
| Net Investment Income | 6,133,497 |
| | ----- |

NET REALIZED AND UNREALIZED GAIN (LOSS) ON
INVESTMENTS AND FUTURES CONTRACTS:
Net realized loss on:

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| | |
|---|----------------|
| Investments | (1,081,708) |
| Futures contracts | (2,173,718) |
| | ----- |
| Net realized loss | (3,255,426) |
| | ----- |
| Net change in unrealized appreciation/ depreciation on: | |
| Investments | (6,567,728) |
| Futures contracts | 1,211,341 |
| | ----- |
| Net change in unrealized appreciation/depreciation | (5,356,387) |
| | ----- |
| Net Loss | (8,611,813) |
| | ----- |
| Net Decrease in Net Assets from Operations | (2,478,316) |
| | ----- |
| LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS: | |
| From net investment income | (448,647) |
| | ----- |
| Net Decrease in Net Assets from Operations Applicable to Common Shares | \$ (2,926,963) |
| | ----- |

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

INCREASE (DECREASE) IN NET ASSETS:

OPERATIONS:

| | |
|---|-----|
| Net investment income | \$ |
| Net realized loss on investments and futures contracts | (|
| Net change in unrealized appreciation/depreciation on investments and futures contracts | (|
| | --- |
| Net Increase (Decrease) from Operations | (|
| | --- |

LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:

From net investment income

Increase (Decrease) in Net Assets from Operations Applicable to Common Shares

LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS:

From net investment income

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SHARE TRANSACTIONS:

Distributions reinvested

Total Increase (Decrease) in Net Assets Applicable to Common Shares

NET ASSETS APPLICABLE TO COMMON SHARES:

Beginning of period

End of period (including undistributed net investment income
of \$630,117 and \$764,260, respectively)

NUMBER OF TRUST SHARES:

Common Shares:

Issued for distributions reinvested

Outstanding at:

Beginning of period

End of period

Preferred Shares:

Outstanding at end of period

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

May 31, 2004 (Unaudited)

NOTE 1. ORGANIZATION

Colonial Municipal Income Trust (the "Trust") is a Massachusetts business trust registered under the Investment Company Act of 1940 (the "Act"), as amended, as a non-diversified, closed-end management investment company.

INVESTMENT GOAL

The Trust seeks to provide high current income, generally exempt from federal income taxes, by investing primarily in medium and lower quality bonds and notes issued by or on behalf of state and local government units whose interest is exempt from ordinary federal income tax, other than the possible incidence of any alternative minimum tax. The Trust's secondary goal is to seek total return.

TRUST SHARES

The Trust may issue an unlimited number of common shares. On July 20, 1999, the Trust issued 3,600 Auction Preferred Shares ("APS").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of

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the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements.

SECURITY VALUATION

Debt securities generally are valued by a pricing service approved by the Trust's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Restricted securities and investments for which market quotations are not readily available, or quotations which management believes are not appropriate, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees.

SECURITY TRANSACTIONS

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

FUTURES CONTRACTS

The Trust may invest in municipal and U.S. Treasury futures contracts. The Trust may invest in these instruments to hedge against the effects of changes in the value of portfolio securities due to anticipated changes in interest rates and/or market conditions, for duration management, or when the transactions are economically appropriate to the reduction of risk inherent in the management of the Trust and not for trading purposes. The use of futures contracts involves certain risks, which include: (1) imperfect correlation between the price movement of the instruments and the underlying securities, (2) inability to close out positions due to differing trading hours, or the temporary absence of a liquid market, for either the instrument or the underlying securities, or (3) an inaccurate prediction by Columbia Management Advisors, Inc. of the future direction of interest rates. Any of these risks may involve amounts exceeding the variation margin recorded on the Trust's Statement of Assets and Liabilities at any given time.

Upon entering into a futures contract, the Trust deposits cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments are made or received by the Trust equal to the daily change in the contract value and are recorded as variation margin payable or receivable and offset in unrealized gains or losses. The Trust also identifies portfolio securities as segregated with the custodian in a separate account in an amount equal to the futures contract. The Trust recognizes a realized gain or loss when the contract is closed or expires.

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OPTIONS

The Trust may write call and put options on futures it owns or in which it may invest. Writing put options tends to increase the Trust's exposure to the underlying instrument. Writing call options tends to decrease the Trust's exposure to the underlying instrument. When the Trust writes a call or put option, an amount equal to the premium received is recorded as a liability and subsequently marked-to-market to reflect the current value of the option written. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or closed are added to the proceeds or offset against the amounts paid on the underlying future transaction to determine the realized gain or

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

loss. The Trust as a writer of an option has no control over whether the underlying future may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the future underlying the written option. There is the risk the Trust may not be able to enter into a closing transaction because of an illiquid market.

The Trust may also purchase put and call options. Purchasing call options tends to increase the Trust's exposure to the underlying instrument. Purchasing put options tends to decrease the Trust's exposure to the underlying instrument. The Trust pays a premium, which is included in the Trust's Statement of Assets and Liabilities as an investment and subsequently marked-to-market to reflect the current value of the option. The risk associated with purchasing put and call options is limited to the premium paid. Premiums paid for purchasing options which expire are treated as realized losses. Premiums paid for purchasing options which are exercised or closed are added to the amounts paid or offset against the proceeds on the underlying future transaction to determine the realized gain or loss. The Trust's custodian will set aside cash or liquid portfolio securities equal to the amount of the written options contract commitment in a separate account.

RESTRICTED SECURITIES

Restricted securities are securities that may only be resold upon registration under federal securities laws or in transactions exempt from registration. In some cases, the issuer of restricted securities has agreed to register such securities for resale at the issuer's expense either upon demand by the Trust or in connection with another registered offering of the securities. Many restricted securities may be resold in the secondary market in transactions exempt from registration. Such restricted securities may be determined to be liquid under criteria established by the Board of Trustees. The Trust will not incur any registration costs upon such resale.

DELAYED DELIVERY SECURITIES

The Trust may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Trust to subsequently invest at less advantageous prices. The Trust identifies cash or liquid portfolio securities as segregated with the custodian in an amount equal to the delayed delivery commitment.

INCOME RECOGNITION

Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities.

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FEDERAL INCOME TAX STATUS

The Trust intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable or tax-exempt income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Trust intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Trust should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions to common shareholders are recorded on ex-date. Distributions to Auction Preferred shareholders are recorded daily and payable at the end of each dividend period. Each dividend payment period for the APS is generally seven days. The applicable dividend rate for the APS on May 31, 2004 was 1.07%. For the six months ended May 31, 2004, the Trust declared dividends to Auction Preferred shareholders amounting to \$448,647, representing an average APS dividend rate of 0.99%.

NOTE 3. FEDERAL TAX INFORMATION

The tax character of distributions paid during the year ended November 30, 2003 was as follows:

Distributions paid from:

| | |
|-------------------------|--------------|
| Tax-Exempt Income | \$12,778,538 |
| Ordinary Income* | 5,971 |
| Long-Term Capital Gains | -- |

* For tax purposes short-term capital gains distributions, if any, are considered ordinary income distributions.

Unrealized appreciation and depreciation at May 31, 2004, based on cost of investments for federal income tax purposes was:

| | |
|-----------------------------|----------------|
| Unrealized appreciation | \$ 10,329,357 |
| Unrealized depreciation | (16,565,719) |
| | ----- |
| Net unrealized depreciation | \$ (6,236,362) |
| | ----- |

The following capital loss carryforwards, determined as of November 30, 2003, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

| YEAR OF EXPIRATION | CAPITAL LOSS CARRYFORWARD |
|-----------------------|------------------------------|
| ----- | ----- |
| 2004 | \$ 4,074 |
| 2005 | 7,196,783 |
| 2007 | 3,490,821 |
| 2008 | 13,036,764 |
| 2009 | 3,114,307 |
| 2010 | 7,684,792 |
| 2011 | 4,393,912 |
| | ----- |
| | \$38,921,453 |
| | ----- |

Expired capital loss carryforwards are recorded as a reduction of paid-in capital.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

Columbia Management Advisors, Inc. ("Columbia") is the investment advisor to the Trust. Prior to April 1, 2004, Columbia was an indirect, wholly owned subsidiary of FleetBoston Financial Corporation ("FleetBoston"). Effective April 1, 2004, FleetBoston, including the Trust's investment advisor, was acquired by Bank of America Corporation ("BOA"). The acquisition did not change the way the Trust is managed, the investment personnel assigned to manage the Trust or the fees paid by the Trust.

INVESTMENT ADVISORY FEE

Columbia provides administrative and other services to the Trust in addition to investment advisory services. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Trust's average weekly net assets, including assets applicable to the APS.

PRICING AND BOOKKEEPING FEES

Columbia is responsible for providing pricing and bookkeeping services to the Trust under a pricing and bookkeeping agreement. Under a separate agreement (the "Outsourcing Agreement"), Columbia has delegated those functions to State Street Corporation ("State Street"). As a result, Columbia pays the total fees received to State Street under the Outsourcing Agreement.

Under its pricing and bookkeeping agreement with the Trust, Columbia receives from the Trust an annual flat fee of \$10,000 paid monthly, and in any month that the Trust's average weekly net assets, including assets applicable to APS, exceed \$50 million, an additional monthly fee. The additional fee rate is calculated by taking into account the fees payable to State Street under the Outsourcing Agreement. This rate is applied to the average weekly net assets, including assets applicable to APS, of the Trust for that month. The Trust also pays additional fees for pricing services based on the number of securities held by the Trust. For the six months ended May 31, 2004, the Trust's annualized effective pricing and bookkeeping fee rate was 0.05%.

CUSTODY CREDITS

The Trust has an agreement with its custodian bank under which custody fees may be reduced by balance credits. The Trust could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

FEES PAID TO OFFICERS AND TRUSTEES

The Trust pays no compensation to its officers, all of whom are employees of Columbia or its affiliates.

The Trust's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Trust's assets.

OTHER

Columbia provides certain services to the Trust related to Sarbanes-Oxley compliance. For the six months ended May 31, 2004, the Trust paid \$769 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operations.

NOTE 5. PORTFOLIO INFORMATION

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For the six months ended May 31, 2004, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$14,850,998 and \$17,839,823, respectively.

NOTE 6. PREFERRED SHARES

The Trust currently has outstanding 3,600 APS. The APS are redeemable at the option of the Trust on any dividend payment date at the redemption price of \$25,000 per share, plus an amount equal to any dividends accumulated on a daily basis unpaid through the redemption date (whether or not such dividends have been declared).

Under the Act, the Trust is required to maintain asset coverage of at least 200% with respect to the APS as of the last business day of each month in which any APS are outstanding. Additionally, the Trust is required to meet more stringent asset coverage requirements under the terms of the APS Agreement and in accordance with the guidelines prescribed by the APS' rating agencies. Should these requirements not be met, or should dividends accrued on the APS not be paid, the Trust may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain APS. At May 31, 2004, there were no such restrictions on the Trust.

NOTE 7. DISCLOSURE OF SIGNIFICANT RISKS AND CONTINGENCIES

GEOGRAPHIC CONCENTRATION

The Trust has greater than 5% of its total investments at May 31, 2004 invested in debt obligations issued by the states of California, Illinois, Massachusetts, New York, Pennsylvania, Texas and Washington and their respective political subdivisions, agencies and public authorities. The Trust is more susceptible to economic and political factors adversely affecting issuers of the specific state's municipal securities than are municipal bond funds that are not concentrated to the same extent in these issuers.

HIGH-YIELD SECURITIES

Investing in high-yield securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

obligations. Moreover, high-yield securities may be less liquid to the extent there is no established secondary market.

INDUSTRY FOCUS

The Trust may focus its investments in certain industries, subjecting it to greater risk than a fund that is more diversified.

ISSUER FOCUS

As a non-diversified fund, the Trust may invest a greater percentage of its total assets in the securities of fewer issuers than a diversified fund. The Trust may, therefore, have a greater risk of loss from a few issuers than a

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similar fund that invests more broadly.

LEGAL PROCEEDINGS

Columbia and Columbia Funds Distributor, Inc. ("CFDI"), and certain of their affiliates (collectively, "the Columbia Group") have received information requests and subpoenas from various regulatory and law enforcement authorities in connection with their investigations of late trading and market timing in mutual funds, as well as other industry wide issues. The Columbia Group has not uncovered any instances where Columbia or CFDI were knowingly involved in late trading of mutual fund shares.

On February 24, 2004, the Securities and Exchange Commission ("SEC") filed a civil complaint in the United States District Court for the District of Massachusetts against Columbia and CFDI, alleging that they had violated certain provisions of the federal securities laws in connection with trading activity in mutual fund shares. Also on February 24, 2004, the New York Attorney General ("NYAG") filed a civil complaint in New York Supreme Court, County of New York against Columbia and CFDI alleging that Columbia and CFDI had violated certain New York anti-fraud statutes. If either Columbia or CFDI is unsuccessful in its defense of these proceedings, it could be barred from serving as an investment advisor or distributor for any investment company registered under the Investment Company Act of 1940, as amended (a "registered investment company"). Such results could prevent Columbia, CFDI or any company that is an affiliated person of Columbia and CFDI from serving as an investment advisor or distributor for any registered investment company, including your fund. Your fund has been informed by Columbia and CFDI that, if these results occur, they will seek exemptive relief from the SEC to permit them to continue to serve as your fund's investment advisor and distributor. There is no assurance that such exemptive relief will be granted. On March 15, 2004, Columbia and CFDI entered into agreements in principle with the SEC Division of Enforcement and NYAG in settlement of the charges. Under the agreements, Columbia and CFDI agreed, among other things, to the following conditions: payment of \$70 million in disgorgement; payment of \$70 million in civil penalties; an order requiring Columbia and CFDI to cease and desist from violations of the antifraud provisions and other provisions of the federal securities laws; governance changes designed to maintain the independence of the mutual fund boards of trustees and ensure compliance with securities laws and their fiduciary duties; and retention of an independent consultant to review Columbia's and CFDI's compliance policies and procedures. The agreement requires the final approval of the SEC. In a separate agreement with the NYAG, the Columbia Group has agreed to reduce mutual fund fees by \$80 million over a five-year period.

As a result of these matters or any adverse publicity or other developments resulting from them, there may be increased redemptions or reduced sales of fund shares, which could increase transaction costs or operating expenses, or have other adverse consequences for the funds.

In connection with the events described in detail above, various parties have filed suit against certain funds, their Boards and/or FleetBoston (and affiliated entities). These suits and certain regulatory investigations are ongoing. Accordingly, an estimate of the financial impact of this litigation on any fund, if any, cannot currently be made.

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FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout each period is as follows (common shares unless otherwise noted):

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| | (UNAUDITED) | | | |
|---|--------------|---------------------|--------------|------------|
| | SIX MONTHS | | | |
| | ENDED | YEAR ENDED NOVEMBER | | |
| | MAY 31, | | | |
| | 2004 | 2003 | 2002 | 2001 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 5.85 | \$ 5.82 | \$ 6.12 | \$ 6.12 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | |
| Net investment income | 0.22 (a) | 0.47 (a) | 0.50 (a) (b) | 0.50 |
| Net realized and unrealized gain (loss) on investments and futures contracts | (0.30) | 0.02 | (0.33) (b) | 0.00 |
| Total from Investment Operations | (0.08) | 0.49 | 0.17 | 0.50 |
| LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS: | | | | |
| From net investment income | (0.02) | (0.03) | (0.05) | (0.00) |
| Total from Investment Operations Applicable to Common Shareholders | (0.10) | 0.46 | 0.12 | 0.50 |
| LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS: | | | | |
| From net investment income | (0.21) | (0.43) | (0.42) | (0.00) |
| In excess of net investment income | -- | -- | -- | -- |
| Total Distributions Declared to Common Shareholders | (0.21) | (0.43) | (0.42) | (0.00) |
| LESS SHARE TRANSACTIONS: | | | | |
| Commission and offering costs-- preferred shares | -- | -- | -- | -- |
| NET ASSET VALUE, END OF PERIOD | \$ 5.54 | \$ 5.85 | \$ 5.82 | \$ 6.12 |
| Market price per share-- common shares | \$ 5.20 | \$ 5.65 | \$ 5.67 | \$ 5.67 |
| Total return-- based on market value -- common shares (e) | (4.48) % (f) | 7.35% | 7.87% | 12.00% |
| RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA: | | | | |
| Expenses (g) (h) | 1.40% (i) | 1.39% | 1.37% | 1.37% |
| Net investment income before preferred stock dividend (g) (h) | 7.65% (i) | 8.17% | 8.28% (b) | 8.28% |
| Net investment income after preferred stock dividend (g) (h) | 7.09% (i) | 7.61% | 7.47% (b) | 6.91% |
| Portfolio turnover rate | 6% (f) | 15% | 27% | 27% |
| Net assets, end of period (000's)-- common shares | \$ 153,429 | \$ 161,994 | \$ 161,044 | \$ 169,000 |

(a) Per share data was calculated using average shares outstanding during the period.

(b) Effective December 1, 2001, the Trust adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discount on all debt securities. The effect of this change, for the year ended November 30, 2002 was to increase the ratio of net investment

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income to average net assets from 8.24% to 8.28% and increase the ratio of net investment income (adjusted for dividend payments to preferred shareholders) from 7.43% to 7.47%. The impact to net investment income and net realized and unrealized loss per share was less than \$0.01. Per share data and ratios for periods prior to November 30, 2002 have not been restated to reflect this change in presentation.

- (c) The per share net investment income amount does not reflect the period's reclassification of differences between book and tax basis net investment income.
- (d) Rounds to less than \$0.01 per share.
- (e) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.
- (f) Not annualized.
- (g) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.
- (h) Ratios reflect average net assets available to common shares only.
- (i) Annualized.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Selected data for a share outstanding throughout each period is as follows (common shares unless otherwise noted):

| | YEAR ENDED NOVEMBER 30 | | |
|--|------------------------|------------|------------|
| | 1998 | 1997 | 1996 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 7.41 | \$ 7.41 | \$ 7.41 |
| INCOME FROM INVESTMENT OPERATIONS: | | | |
| Net investment income | 0.47 | 0.51 | 0.51 |
| Net realized and unrealized gain (loss) on investments and futures contracts | 0.18 | -- (a) | (0.01) |
| Total Income from Investment Operations | 0.65 | 0.51 | 0.51 |
| LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS: | | | |
| From net investment income | (0.48) | (0.51) | (0.51) |
| In excess of net investment income | (0.01) | -- | -- |
| Total Distributions Declared to Common Shareholders | (0.49) | (0.51) | (0.51) |
| NET ASSET VALUE, END OF PERIOD | \$ 7.57 | \$ 7.41 | \$ 7.41 |
| Market price per share-- common shares | \$ 8.13 | \$ 7.56 | \$ 7.56 |
| Total return-- based on market value-- common shares (b) | 14.57% | 11.67% | 15.57% |
| RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA: | | | |
| Expenses (c) | 0.82% | 0.86% | 0.86% |
| Net investment income (c) | 6.20% | 6.83% | 6.83% |
| Portfolio turnover rate | 34% | 15% | 15% |
| Net assets, end of period (000's)--common shares | \$ 208,931 | \$ 203,533 | \$ 202,931 |

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- (a)Rounds to less than \$0.01 per share.
 (b)Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.
 (c)The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.

ASSET COVERAGE REQUIREMENTS

| | TOTAL AMOUNT OUTSTANDING | ASSET COVERAGE PER SHARE | INVOLUNTARY LIQUIDATION PREFERENCE PER SHARE |
|-------------|-----------------------------|--------------------------------|---|
| 05/31/04 * | \$90,000,000 | \$67,619 | \$25,000 |
| 11/30/03 | 90,000,000 | 69,998 | 25,000 |
| 11/30/02 | 90,000,000 | 69,734 | 25,000 |
| 11/30/01 | 90,000,000 | 71,967 | 25,000 |
| 11/30/00 | 90,000,000 | 71,462 | 25,000 |
| 11/30/99 ** | 90,000,000 | 50,023 | 25,000 |

* Unaudited.

** On July 20, 1999, the Trust began offering Auction Preferred Shares.

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SHAREHOLDER MEETING RESULTS

RESULTS OF THE ANNUAL MEETING OF SHAREHOLDERS

On May 26, 2004, the Annual Meeting of Shareholders of the Trust was held to conduct a vote for or against the approval of the following Items listed on the Trust's Proxy Statement for said Meeting. On March 10, 2004, the record date for the Meeting, the Trust had 27,698,885 common shares outstanding. The votes cast were as follows:

| PROPOSAL 1: ELECTION OF TRUSTEES: | FOR | WITHHELD |
|--------------------------------------|------------|----------|
| Richard W. Lowry | 22,183,860 | 558,812 |
| John J. Neuhauser | 22,211,431 | 531,241 |
| Patrick J. Simpson | 22,213,447 | 529,225 |
| Thomas C. Theobald | 22,202,745 | 539,927 |
| Richard L. Woolworth | 22,219,066 | 523,606 |

On March 10, 2004, the record date for the Meeting, the Trust had 3,600 preferred shares outstanding. The votes cast were as follows:

| PROPOSAL 2: ELECTION OF TRUSTEES: | FOR | WITHHELD |
|--------------------------------------|-------|----------|
| Douglas A. Hacker | 3,146 | 23 |
| Richard W. Lowry | 3,146 | 23 |
| John J. Neuhauser | 3,146 | 23 |
| Patrick J. Simpson | 3,146 | 23 |
| Thomas E. Stitzel | 3,146 | 23 |

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| | | |
|----------------------|-------|----|
| Thomas C. Theobald | 3,146 | 23 |
| Richard L. Woolworth | 3,146 | 23 |

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DIVIDEND REINVESTMENT PLAN

COLONIAL MUNICIPAL INCOME TRUST

Shareholders may elect to have all distributions of dividends and capital gains automatically reinvested by EquiServe Trust Company, N.A. (the "Plan Agent"), as agent under the Trust's Dividend Reinvestment and Cash Purchase Plan (the "Plan"). Pursuant to the Plan, the provisions of which are described below, shareholders not making such an election will receive all such amounts in cash paid by check mailed directly to the shareholder by the Plan Agent, as the dividend paying agent.

If the Trustees of the Trust declare a dividend or determine to make a capital gain distribution payable either in shares of the Trust or in cash, as shareholders may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of the Trust. If the market price of the shares on the payment date for the dividend or distribution is equal to or exceeds their net asset value, participants will be issued shares of the Trust at the higher of net asset value of 95% of the market price. If the net asset value exceeds the market price of Trust shares at such time, or if the Trust declares a dividend or other distribution payable only in cash, the Plan Agent will, as agent for Plan participants, buy Trust shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the Trust's shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Trust's shares, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Trust.

Participants in the Plan may withdraw from the Plan upon written notice to the Plan Agent. When a participant withdraws from the Plan or upon termination of the Plan as provided below, certificates for whole shares credited to the participant's account under the Plan will be issued and a cash payment will be made for any fraction of a share credited to such account.

Participants in the Plan have the option of making additional cash payments to the Plan Agent semi-annually, for investment in the Trust's shares. Such payments may be made in any amount from \$100 to \$500. State Street will use all funds received from participants (as well as any dividends and distributions received in cash) to purchase Trust shares in the open market semiannually. Interest will not be paid on any uninvested cash payments.

In the case of shareholders such as banks, brokers or nominees holding shares for others who are the beneficial owners of those shares, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholder of record as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

There is no charge to Plan participants for reinvesting dividends or distributions. The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by the Trust. There will be no brokerage charges with respect to shares issued directly by the Trust as a result of dividends or distributions payable either in stock or in cash.

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However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or distributions as well as from voluntary cash payments. Brokerage charges for purchasing small amounts of stock for individual accounts under the voluntary cash purchase provisions of the Plan are expected to be less than the usual brokerage charges for individual transactions of comparable size, because the Plan Agent will be purchasing shares for all participants in blocks and charging to cash purchase Plan participants a pro rated portion of the lower commissions usually obtainable on such block purchases.

The automatic reinvestment of dividends and distributions will not relieve participants of any income tax that may be payable on such dividends or distributions.

The Plan may be amended or terminated on 30 days' written notice to the Plan participants. All correspondence concerning the Plan should be directed to EquiServe by mail at P.O. Box 403011, Providence, RI 02940-3011, or by phone at 1-800-426-5523.

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TRANSFER AGENT

IMPORTANT INFORMATION ABOUT THIS REPORT

The Transfer Agent for Colonial Municipal Income Trust is:

EquiServe
P.O. Box 43010
Providence, RI 02940-3010

The trust mails one shareholder report to each shareholder address. Shareholders can order additional reports by calling 800-730-6001. In addition, representatives at that number can provide shareholders information about the trust.

Financial advisors who want additional information about the trust may speak to a representative at 800-426-3750.

A description of the policies and procedures that the trust uses to determine how to vote proxies relating to its portfolio securities is available (i) without charge, upon request, by calling 800-730-6001 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

This report has been prepared for shareholders of Colonial Municipal Income Trust.

COLONIAL MUNICIPAL INCOME TRUST

SEMIANNUAL REPORT

101-03/056S-0504 (07/04) 04/1532

ITEM 2. CODE OF ETHICS.

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Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable at this time.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable at this time.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable at this time.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees/Directors since those procedures were last disclosed in response to Item 7(d)(2)(ii)(G) of Schedule 14A.

ITEM 10. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer, based on his evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, has concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.
- (b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

(a)(1) Code of ethics required to be disclosed under Item 2 of Form N-CSR: Not applicable at this time.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act

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of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a) (3) Not applicable at this time.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) Colonial Municipal Income Trust

By (Signature and Title) /s/ J. Kevin Connaughton

J. Kevin Connaughton, President and Treasurer

Date August 3, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ J. Kevin Connaughton

J. Kevin Connaughton, President and Treasurer

Date August 3, 2004