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MEMORANDUM

October 17, 2002

TO: Douglas Bruce and Jeffrey Wright

FROM: Legislative Council Staff and Office of Legislative Legal Services

SUBJECT: Proposed initiative measure 2003-2004 #2, concerning Tax Cuts - Amend TABOR

Section 1-40-105 (1), Colorado Revised Statutes, requires the directors of the Colorado Legislative Council and the Office of Legislative Legal Services to "review and comment" on initiative petitions for proposed laws and amendments to the Colorado Constitution. We hereby submit our comments to you regarding the appended proposed initiative.

The purpose of this statutory requirement of the Legislative Council and the Office of Legislative Legal Services is to provide comments intended to aid proponents in determining the language of their proposal and to avail the public of knowledge of the contents of the proposal. Our first objective is to be sure we understand your intent and your objective in proposing the amendment. We hope that the statements and questions contained in this memorandum will provide a basis for discussion and understanding of the proposal.

Purposes

The major purposes of the proposed amendment appear to be:

1. To amend section 20 of article X of the Colorado constitution by adding a new paragraph (d) to subsection (8).
2. To provide a tax cut of \$25 in 2005, that shall be increased by \$25 each year thereafter, for each of the following:
 - a. Utility and television account customer tax and franchise charge;

- b. Vehicle sales, use, and ownership tax, and real estate transfer tax, on each \$25,000 of taxable value, and fraction thereof;
 - c. Yearly income tax on each \$25,000 of state taxable income, and fraction thereof, up to \$100,000;
 - d. Occupation tax; and
 - e. Property tax total levied by each district.
3. To specify the following exceptions:
- a. In November of even-numbered years, district voters may lower or cancel one or more tax cuts for the next one or two years only. In November 2005, district voters may lower or cancel the 2005 income and property tax cuts.
 - b. If property tax would be a majority of their next year's cash revenue after excluding gifts, bond proceeds, and federal funds, districts may approve adding \$5 as the next year's real property tax cut.
 - c. Districts may approve a delay only in adding that part of their next year's tax cuts which would result in that year's cash revenue from district taxes and other districts growing less than current year inflation. However, a delayed amount shall never be reduced, and shall be added back each year to the extent such revenue growth exceeds prior year inflation.
 - d. Districts may offer a choice on each tax bill, to allow taxpayers to reject each tax cut.
4. To specify the following enforcement provisions:
- a. That lowering or canceling the tax cuts is a tax increase;
 - b. That districts with any petition process shall have exception (I) ballot issues by initiative petition only, adapting state signature requirements and filing deadlines;
 - c. That violation of revenue limits in any approved exception (II) or (III) shall void that approval, and districts shall refund to district taxpayers, within 120 days after the year ends, twice the tax cut amount withheld because of that approval;
 - d. That multiple-year tax cut totals shall use exception (I) and (II) reduced amounts for the years approved;
 - e. That exceptions shall be in whole dollars, are not gifts, and shall not reduce the tax cuts after the tax cuts take effect;
 - f. That the tax cuts shall apply to each tax on each tax bill, in addition to any other tax

cut or revenue reduction or refund;

- g. That the tax cuts shall not lower the minimum yearly revenue needed to pay bonds issued before 2005; and
- h. That the state shall audit itself and each local district yearly for full compliance, and enforce strictly the tax cuts and exceptions.

Comments and Questions

The form and substance of the proposed initiative raise the following comments and questions:

Technical questions:

1. To be consistent with standard drafting practices, would the proponents consider showing the text of the proposed measure, apart from any headings, in "ALL CAPS" to indicate new language?
2. It appears that proponents are seeking to add a new paragraph to subsection (8) of section 20 of article X of the state constitution. The standard format for an amending clause that proposes to add a paragraph to an existing subsection is: "Section 20 (8) of article X of the constitution of the state of Colorado is amended BY THE ADDITION OF A NEW PARAGRAPH to read:". Would the proponents consider revising the amending clause to so indicate and to follow standard drafting practices?
3. Pursuant to standard drafting practices, provisions of law are generally divided into numbered subsections, which can be subdivided into lowercase lettered paragraphs, which can be subdivided into subparagraphs that are numbered with capitalized Roman numerals, which can be further subdivided into uppercase lettered sub-subparagraphs (i.e., (8) (d) (I) (A)). The standard format is used to provide consistency in the law and to aid the reader. Would the proponents consider following this standard format throughout the proposed measure? For example, in the first portion of the measure which describes the specific tax cuts, would the proponents consider numbering that provision as subparagraph (I), and for each specific tax being cut, would the proponents consider identifying each provision as a sub-subparagraph (i.e., "(A) Utility and television account customer and franchise charge; (B) Vehicle sales, use, and ownership tax . . .; (C) Yearly income tax . . ."; etc.)? Would the proponents consider labeling the "Exceptions" provision as subparagraph (II), and renumbering the specific exceptions as sub-subparagraphs (A) through (D)? Would proponents consider labeling the "Enforcement" provision as subparagraph (III) and subdividing that provision, as needed, into sub-subparagraphs?
4. In the tax cuts portion of the proposed measure, if the proponents add sub-subparagraph letters to precede each specific tax cut, would the proponents consider following standard drafting practices by capitalizing the first letter of each new sub-subparagraph? For example, the first letter of "utility", "vehicle", "yearly", etc., would be capitalized if preceded by a

sub-subparagraph letter.

5. Standard drafting practice is to express numbers as words rather than numerals, unless reference is made to a date or constitutional or statutory citation. For example, \$25 would be expressed as "twenty-five dollars". Would the proponents consider expressing all numbers in the proposed measure, other than dates and citations, as words rather than in numeral form?
6. In the existing provisions of section 20 of article X of the state constitution, each subsection has a title in bold type. The paragraphs following the existing subsection do not have titles. For the sake of consistency, would the proponents consider removing the subparagraph title? As the initiative creates a new mechanism for decreasing taxes levied by a district, there is justification to add this language as a new subsection. Accordingly, in the alternative, would the proponents consider adding the proposed language as a new subsection to section 20 of article X of the state constitution?

Substantive questions:

1. Section 1 (5.5) of article V of the state constitution prohibits proposed initiated measures from containing more than a single subject. In interpreting this constitutional prohibition, the Colorado Supreme Court has held that an initiative violates the single subject requirement if it relates to more than one subject and has at least two distinct and separate purposes which are not dependent upon or connected with each other. *In re "Public Rights in Waters II"*, 898 P.2d 1076, 1078. Further, the Court has held that an initiative that addresses subjects that have no necessary or proper connection to one another contains more than one subject. *Id.* at 1078-1079. Do the proponents intend for the proposed measure to contain only one subject? If so, what do the proponents believe is the single subject of the proposed measure?
2. What does the phrase "tax cut" mean? A reduction in the amount of tax owed by a taxpayer? Does a tax cut have the same effect as a tax credit?
3. With regard to the phrase "a \$25 tax cut, increased \$25 yearly (to \$50, 75 . . .), shall lower each 2005 and later":
 - a. While the proponents describe the tax cut as "a \$25 tax cut", it appears that, in the absence of any exceptions, the tax cut will only be \$25 in 2005. Accordingly, for the sake of clarification, would the proponents considering describing the tax cut as an "initial \$25 tax cut"?
 - b. With regard to taxes that occur annually, would this tax cut have the twofold effect of increasing the tax cut made each year while also lowering the base to which such tax is applied? For example, how would the tax cut be applied in the following scenario? If a person owes \$1,000 of income tax to a district in 2005, then the tax cut for the first year would be \$25, which would reduce the tax owed by the taxpayer to \$975. The tax cut in the second year would be increased by \$25 for a total of \$50. Assuming that the person's income and the rate of taxation remain constant, would

the second year tax cut be applied to \$975 or \$1,000? In the absence of prior voter approval, would the district be required to apply the tax cut to the \$975?

- c. Is it the proponents' intention that the tax cut increase on an annual basis? If so, would the tax cut be on a calendar year basis? Tax year basis? District fiscal year basis? Would the proponents consider adding language to clarify this intention?
 - d. As the amount of a tax cut increases annually, is the intent of the proponents that the tax against which the tax cut applies could eventually be eliminated as a result of this measure?
 - e. What happens if the tax cut is greater than the amount of a particular tax owed? Does the taxpayer simply not owe any money for that particular tax? Is the taxpayer entitled to a refund equal to the amount that the tax cut exceeds the tax owed? If a taxpayer is entitled to a refund, could the General Assembly determine the method for providing such refund? Can the amount of an unused tax cut be carried forward to reduce a taxpayer's tax liability in future tax years? If a taxpayer has other credits, how is it determined which is applied first? Would the proponents consider adding language to clarify this intention?
 - f. Is it the intention of the proponents to have the tax cut apply to each of the taxes enumerated in the five lines immediately following the phrase? If so, would the proponents consider adding the phrase "to each of the following taxes or charges" after the word "later"?
 - g. If a district is first formed or a tax is first levied after this measure takes effect, does the amount of the cut start out at \$25 at such time. For example, if a district is formed and levies a tax for the first time in 2010, would the tax cut in that year be \$25 or \$150?
4. With regard to the tax cut for "utility and television account customer tax and franchise charge":
- a. What does this phrase mean? Are the proponents intending to apply the tax cut to a single type of tax and charge related to utility and television accounts? Or is this phrase describing two different types of taxes, a utility customer tax and franchise charge and a television account customer tax and franchise charge? If there are two separate taxes being addressed in this phrase, would the proponents consider listing each tax in a separate subparagraph?
 - b. What is a "utility"? What services do the proponents intend to be included in the term "utility"? Would the proponents consider defining the term "utility" in section 20 (2) of article X of the state constitution?
 - c. What is a "television account"? What services do the proponents intend to be included in the term "television account"? Would the proponents consider including

these types of services expressly in this section, or in the alternative, defining the term "television account" in section 20 (2) of article X of the state constitution?

- d. A franchise charge can be defined as a charge levied by a governmental entity upon a private entity for the privilege of operating within the boundaries of the governmental entity. This tax or charge may then be passed on to customers by the private entity and appear on their individual bills. Is the tax cut meant to apply to the charge levied by the governmental entity on the private entity or is it meant to apply to the amount that a private entity passes on to customers? Both? In any case, is it to be applied to the aggregate amount of the charge for each year? Or if the charge is levied and collected in separate installments throughout each year, should it be applied to each installment?
 - e. What is a "customer tax"? How is it distinguished from a franchise charge?
 - f. Who would be responsible for applying the tax cut to the taxes and charges on utility and television accounts? If it is the companies that provide the utility or television account, to whom would the companies report this information? Would the companies bear the costs of administering this tax cut? If the companies are not responsible for administering the tax cut, who would be responsible and in what manner would the cut be administered?
5. With regard to the tax cut for "vehicle sales, use, and ownership tax, and real estate transfer tax, on each \$25,000 of taxable value, and fraction thereof":
- a. This phrase appears to create two separate tax cuts, one tax cut to be applied to "vehicle sales, use, and ownership" and the other to be applied to "real estate transfer tax". Would the proponents consider treating each one as a separate subparagraph?
 - b. What particular ownership tax is being referred to in this phrase? Does the ownership tax refer only to ownership tax related to a vehicle? Does it mean that the tax cut is granted against each item of classified personal property subject to specific ownership tax, such as motor vehicles, trailers, and mobile machinery? If it is the latter scenario, is the tax cut against each item of this type of personal property that the taxpayer owns? Or is a taxpayer entitled to one tax cut against the aggregate amount of specific ownership taxes paid on all items of such personal property owned by the taxpayer?
 - c. Ownership tax is collected when a vehicle is registered. The tax revenue is then distributed to local property tax jurisdictions in proportion to their property taxes on real and other personal property relative to the total within the county. Would the tax cut apply to the total of the specific ownership tax, or to each share of specific ownership tax allocated to the property tax jurisdictions?
 - d. What is a "real estate transfer tax"? Are the proponents aware of any districts that currently charge a real estate transfer tax?

- e. Does the phrase "on each \$25,000 of taxable value" refer to tax cuts applied to the vehicle sales, use and ownership tax or tax cuts applied to the real estate transfer tax, or both?
 - f. What does the phrase "and fraction thereof" mean? By fraction, do the proponents mean "amount less than \$25,000"? If a vehicle was sold for \$25,001, would a tax payer be entitled to two tax cuts, one on the \$25,000 and one on the \$1? Would the tax cut related to the \$1 be prorated or would it be identical to the tax cut on the \$25,000?
6. With regard to the tax cut on "yearly income tax on each \$25,000 of state taxable income, and fraction thereof, up to \$100,000":
- a. Is a tax cut granted for each state income tax return filed for personal income tax as well as for corporate income tax?
 - b. Since the income tax year of many corporations is based upon the corporation's fiscal year, which may or may not correspond to the calendar year, to what type of year does the language "yearly income tax" refer? A calendar year? A fiscal year? On what tax will the \$25 tax cut be applied to in 2005?
 - c. For personal taxes, would the tax cut apply to income tax withheld by employers on income earned during 2005? Would it apply to the 2005 tax return filed in 2006? Would it apply to the 2004 return filed in 2005?
 - d. If the amount of the tax cut exceeds the amount of income tax owed by a taxpayer, would the taxpayer still be required to file an income tax return? If the amount of the tax cut exceeds the amount of income tax owed, would the taxpayer be entitled to a refund of the difference?
 - e. What does the phrase "and fraction thereof" mean?
 - f. State income tax is generally withheld by an employer throughout the year and then in the following year an individual is required to file an income tax return for the previous year. Is it the intention of the proponents that the income tax cut shall be calculated by an employer throughout the year in the withholdings or can it be calculated at the end of the year through an adjustment of the income tax return?
7. What is an "occupation tax"? Who pays an "occupation tax"? How will the tax cut be applied to the "occupation tax"?
8. With regard to the tax cut for "property tax total levied by each district":
- a. What is meant by "property tax total"?
 - b. If a taxpayer has a property tax bill with levies from several districts, does the

taxpayer receive a tax cut on each of the levies?

- c. If a single district imposes more than one levy, and each is shown separately on a property tax bill, would there be a separate cut for each levy shown? If the district combines the levies into one amount on the tax bill, would there be one tax cut for the total amount of all levies or one tax cut for each levy?
 - d. Property tax is usually collected in the following year. Thus, in 2005, a district would collect the 2004 property tax. Is it the intention of the proponents that the tax cut should first apply in 2005 to the 2004 property tax bill, or should it apply in 2006 to the 2005 property tax bill? Would the proponents consider clarifying their intentions?
9. May a district utilize more than one exception in any given year?
10. Must the exceptions be uniformly applied throughout any given year? If the appropriate prerequisites for an exception were met, could a district reduce or eliminate one or more of the tax cut increases for part of the year rather than for an entire year?
11. Would anything in this measure prevent a district from seeking voter approval for a tax rate increase or tax policy change that would have the effect of offsetting the tax cuts?
12. With regard to exception (I):
- a. On what day in November of odd-numbered years may such an election be held? Can the General Assembly specify what day in November such an election can be held? Is it the proponents' intention that these elections be held at a regularly scheduled November election; i.e., the first Tuesday in November?
 - b. Is the fact that voters can only approve the reduction or elimination of tax cuts in even-numbered years intended to be a limitation on section 20 (3) (a) of article X of the state constitution, which states that ballot issues shall be decided in a state general election, biennial local election, or on the first Tuesday in November of odd-numbered years?
 - c. Does this exception allow voters in even-numbered years to approve the reduction or cancellation of one or more tax cuts, regardless of the applicability of the other exceptions?
 - d. In the phrase, "may lower or cancel one or more future tax cuts for the next one or two years only", there could be an ambiguity created by first describing the exception as being applicable in "one or more" instances, and then limiting that phrase to "the next one or two years only". Would the proponents consider eliminating this potential ambiguity by deleting the phrase "one or more", so that the phrase in question would read "may lower or cancel future tax cuts for the next one or two years only"?
 - e. What does the phrase "2005 income and property tax cuts" mean? What is the

property tax on which the 2005 tax cut is applied? What is the income tax on which the 2005 tax cut is applied?

- f. Who would be allowed to vote in an election to lower a district's tax cuts?
 - g. If district voters lower the scheduled tax cut from \$75 to \$60 in the third year, what would the scheduled tax cut be in the fourth year? \$100? \$85 (\$60 + \$25)?
13. With regard to exception (II):
- a. What is meant by the term "majority"? Greater than fifty percent?
 - b. What is meant by the term "cash revenue"?
 - c. What is meant by the term "gifts"? Gifts received by a district or gifts made by the district?
 - d. What is meant by the term "federal funds"? Monies received by a district from the federal government?
 - e. What does "adding \$5" mean? Does it mean that instead of increasing the next year's tax cut by \$25, such tax cut will be increased by \$5? Does it mean that the amount of the entire tax cut for the next year will be \$5?
 - f. If this exception is approved by a district for the next year, what would happen in the year after the next year? How much would the property tax cut be increased?
 - g. Is a district responsible for projecting what percent of its cash revenue is going to be derived from property tax? Is there any criteria that a district must use in determining its "next year's cash revenue"? If a district makes a good faith estimate and is wrong, will it be subject to the penalties specified in the enforcement section of the measure?
 - h. How would a district "approve" adding the \$5 tax cut?
 - i. Section 20 (4) (a) of article X of the state constitution requires prior voter approval for a "tax policy change directly causing a net tax revenue gain to any district." Lowering a tax cut increase would seemingly increase the amount of revenue that a district receives from a particular tax. Thus, is it necessary for a district to receive prior voter approval before changing the tax cut increase from \$25 to \$5? Would the proponents consider clarifying how this exception would relate to section 20 (4) (a) of article X of the state constitution?
 - j. Must the tax cut be applied uniformly by the district? Could the district add a \$5 tax cut for some properties but not others?
 - k. If a district approved adding \$5 as the next year's real property tax cut, in the

following year would the district increase the tax cut by \$25 or \$45 ($\$20 + \25)?

14. With regard to exception (III):

- a. What is meant by the term "delay"? Could a tax cut be delayed for less than a full year?
- b. What is meant by the phrase "that part of their next year's tax cuts"? Is a district limited in what portion of the tax cut it may delay? Could it delay the entire \$25 amount even though the measure only refers to delaying "part" of its next year's tax cuts? Could a district only delay adding the \$25 tax cut for the next year? For example, in the third year, the tax cut would grow from \$50 to \$75. Assuming that the necessary conditions for this exception are met, would the district be permitted to delay \$75, the amount of the entire tax cut, or is it limited to \$25, the amount of the tax cut increase for that year?
- c. What are "district taxes"? Could this include fees or other charges collected by the district?
- d. What is "cash revenue from . . . other districts"? Does this mean any monies received from the state or any local government, excluding enterprises?
- e. "Inflation" is defined in section 20 (4) (a) of article X of the state constitution to mean "the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its successor index." Is this what the proponents intended to be referenced in determining whether a delay would be appropriate?
- f. Does the phrase "that year's" in the first sentence mean the "next year's"?
- g. What is meant by the phrase "the delayed amount shall never be reduced"? Does this mean that if the tax cut for a given year is reduced pursuant to this exception, such amount will be carried forward to the tax cut increase of the next year? For example, if based on the projected revenue and the current year inflation, a district changes the tax cut increase from \$25 to \$10 for the next year, in the following year, would the following year's tax cut be \$40 ($\$25 - \$10 + \25)?
- h. How will a delayed tax cut "be added back each year to the extent such revenue growth exceeds each tax cut"? Does a district only add back the delayed amount when it sets the next year's tax cut? Does it apply to a current year? For example, if a district underestimated its projection of cash revenue for a given year, such that the district realized that the revenue growth rate for the current year was going to exceed the prior year's inflation rate, would this phrase require that the amount of the tax cut be increased immediately? Would it have to be made retroactive so that taxpayers who have received a \$10 tax cut in the first portion of the year would be refunded \$15?

- i. Could a district approve exceptions (II) and (III) in the same year? If so, how would this affect the amount of the tax cut that is delayed?
 - j. If projected revenue growth before the incremental tax cut is less than inflation, can a district delay the next year's tax cut?
 - k. A delay in the tax cut will have the effect of increasing the amount of revenue that a district receives. Accordingly, is it necessary for a district to receive prior voter approval before delaying a tax cut increase? Would the proponents consider clarifying how this exception would relate to section 20 (4) (a) of article X of the state constitution?
 - l. Must the tax cut be applied uniformly by the district? Could a district delay the same type of tax for some taxpayers and not others? Could a district delay one part of a tax but not others? For example, could a district increase the tax cut for the first \$25,000 of the price of a car, but delay increasing the tax cut for any sales tax that is levied on the portion of the sales price that exceeds \$25,000?
 - m. Does "cash revenue" include any monies received pursuant to the required elections in section 20 (4) (a) of article X of the state constitution? For example, what would happen if a district's cash revenue growth rate exceeds the prior year's inflation as a result of a voter-approved initiative that created a new tax, and this initiative did not exist at the time that the district approved the delay of the tax cut increase?
 - n. Does the definition of "cash revenue" in exception (III) differ from how cash revenue is defined in exception (II)?
15. With regard to exception (IV):
- a. What is meant by the term "tax bill"? How would it apply to a "utility and television account customer tax and franchise charge"? If there is more than one utility tax bill per year, is the district required to prorate the amount of the tax cut over the bills?
 - b. What is an income tax bill? Employers withhold state income tax in each pay check. Would this be considered a "tax bill"? Is an income tax return a tax bill?
 - c. Is a district entitled to retain and spend any monies received as a result of a taxpayer's rejection of a tax cut?
 - d. What happens if, because many taxpayers refused the benefit of the tax cuts, district revenues grow at a rate higher than inflation, but the district had previously delayed several tax cuts as permitted by exception (III)? Would the penalties in the enforcement section apply under this scenario?
 - e. With regard to television account franchise charges, who is the taxpayer? Would both the television service provider and the person who receives the television service be

able to reject each tax cut?

- f. Can a district offer a choice on each tax bill allowing a taxpayer to partially reject a tax cut?

16. With regard to the enforcement section:

- a. The first sentence indicates that lowering or canceling a tax cut is a tax increase:
 - i. What is the intended significance of declaring that lowering or canceling a tax cut is a tax increase? Would a tax increase automatically require prior voter approval, and if so, under what provision of section 20 (4) (a) of article X of the state constitution, which requires prior voter approval for "any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, or extension of an expiring tax, or a tax policy change directly causing a net tax revenue gain to any district"?
 - ii. What is included in the phrase "lowering or canceling the tax cuts"? Does this provision regarding lowering or cancelling a tax cut apply only to exception (I)?
- b. The second sentence pertains to the requirement that exception (I) ballot issues shall originate by initiative petition only:
 - i. May ballot issues related to exception (II) or (III) be initiated by the voters in the district?
 - ii. If a district does not have a petition process, could it refer a measure to the people in the district for the purpose of lowering or canceling a property tax pursuant to exception (I)? Or can it simply approve a lowering or canceling of tax cuts?
 - iii. What does the phrase "adopting state signature requirements and filing deadlines" mean? Does it mean that proponents of initiatives must comply with state signature requirements and filing deadlines? What signature requirements? What deadlines?
- c. The third sentence pertains to violation of revenue limits in any approved exception (II) or (III):
 - i. What does the term "violation" mean? Is it the specific conditions mentioned in exceptions (II) and (III)? Does it also include the revenue limits of the existing provisions of section 20 of article X of the state constitution? Does a violation occur if the conditions necessary for the exceptions do not exist at the time the district determines the next year's tax cut? Or does a violation occur if, by analyzing the conditions after the fact, it turns out that the actual

conditions did not occur during the actual year?

- ii. In light of the last sentence of the enforcement section, is it the responsibility of the state auditor to determine that there has been a violation of revenue limits? Can any other person determine that there has been a violation? Could an individual taxpayer file a lawsuit for the purpose of determining whether there has been a violation? Would such lawsuit be considered an "enforcement suit" as used in section 20 (1) of article X of the state constitution?
 - iii. What does the term "void" mean in this context?
 - iv. If "cash revenue", as used in exception (III), includes any monies received pursuant to the required elections in section 20 (4) (a) of article X of the state constitution, and a district's cash revenue exceeded the prior year's inflation rate as a result of a tax created pursuant to an initiative, would a district be required to make a refund pursuant to this provision?
 - v. How do the proponents intend the refunds be distributed? Does section 20 (1) of article X of the state constitution control the method of refunding these revenues? Would the proponents consider clarifying their intent?
 - vi. Which year are the proponents referring to in the phrase "within 120 days after the year ends"? With respect to exception (III), does this mean the year for which the tax cut increase was delayed, or does it mean the year in which the violation is discovered? If it was the former, what would happen if the violation was discovered more than 120 days after the end of the year in which the tax was delayed?
 - vii. Under exception (II), a district may approve a \$5 tax cut, rather than \$25, effectively reducing the tax cut by \$20. If there is a violation of revenue limits, do the proponents intend that the district refund an amount of revenue equal to a \$40 tax cut (2 times \$20)?
- d. The fourth sentence indicates that multiple-year tax cut totals shall use exception (I) and (II) reduced amounts for the years approved. What does the fourth sentence mean? Does it simply reinforce that if a district tax rate increase has been lowered or canceled pursuant to exception (I) or (II), the district may reduce the amount of the tax cut? Why is exception (III) excluded from this sentence? Would the proponents consider clarifying their intent?
- e. The fifth sentence pertains to the exceptions:
- i. What is the purpose of delineating that exceptions are not gifts? Does this mean that any extra money received as a result of the exceptions shall be considered a reserve increase in determining "fiscal year spending" as defined

- in section 20 (2) (e) of article X of the state constitution? Is this primarily aimed at clarifying how money received pursuant to exception (IV) is treated? If so, would the proponents consider clarifying the language so that it references exception (IV)?
- ii. When do "tax cuts take effect"? When the district determines the amount of the tax cut? When it determines the amount of the exception?
- f. The sixth sentence pertains to the application of tax cuts on each tax bill:
- i. What is a "tax bill" with respect to each of the individual taxes referenced in the first sentence? If there is more than one bill in a year related to a particular tax, is a district required to prorate the total amount of the tax cut on the separate bills? For example, a person may receive 12 electric utility bills in a year.
 - ii. How will the tax cuts be "in addition" to any other tax cuts? Does this mean that the tax cut created by this initiative must be applied after any other tax cuts are made? Would the tax cut against income tax allowed by the proposed measure be made in addition to income tax credits that a taxpayer may be allowed by law? If other credits are refundable, would this tax cut be applied first to allow other credits to be refunded?
 - iii. What is a "revenue reduction" as used in this context?
 - iv. Would a joint tax return be considered one tax bill or two tax bills?
- g. The seventh sentence requires that the tax cuts shall not lower the minimum yearly revenue needed to pay bonds issued before 2005. How will this provision work? Would the tax cuts required by the initiative be suspended? If a tax cut increase was suspended for two years, upon the resumption of the tax cut in the following year, would such tax cut be increased by \$25, \$75, or some other amount? Will the suspension of the bond pursuant to this provision be implemented differently from the suspension in section 20 (1) of article X of the state constitution? Would the district have to rely on other revenue sources to pay the bondholders if the tax cuts are not suspended? Is it possible for the tax cuts to lower the minimum yearly revenue needed to pay bonds issued in 2005 and later? With regard to bonds issued in 2005 and later, is the proponents' intention that new bond issues potentially would be eliminated? Would the proponents consider clarifying how this provision will work?
- h. The eighth sentence requires the state to audit itself and local districts for full compliance with subsection (8) (d). Can the state change compensation from the local districts for the service it provides? What does the phrase "enforce strictly" mean in this context? How will the state enforce the provisions? If the state initiated an enforcement lawsuit against a local district, would the state be entitled to attorney fees pursuant to section 20 (1) of article X of the state constitution?

17. Pursuant to section 1-40-106 (1), C.R.S., the first meeting of the title board regarding ballot issues for the 2004 general election shall be held no sooner than the first Wednesday in December after an election, irrespective of when a draft of such initiative is submitted to the secretary of state. If, however, a ballot issue qualifies as a measure pursuant to section 20 of article X of the Colorado constitution that shall be decided on the first Tuesday in November of odd-numbered years, the title board may conduct a meeting prior to the first Wednesday in December. If the proponents intend for this initiative to appear on a ballot in 2004, do they understand that the earliest the title board may meet to designate and fix a title is no sooner than the first Wednesday in December?