

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number: LLS 10-1101
Prime Sponsor(s): Sen. Cadman

Date: May 3, 2010
Bill Status: Senate Finance
Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING THE REPEAL OF MECHANISMS TO REFUND EXCESS STATE REVENUES.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures		
FTE Position Change		
Effective Date: The bill takes effect July 1, 2010.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill repeals 11 of the 14 existing TABOR surplus refund mechanisms. For any year in which a refund of TABOR surplus revenue is required, the remaining refund mechanisms in statute would be the six-tier sales tax refund, the earned income tax credit, and the temporary income tax rate reduction from 4.63 percent to 4.50 percent.

State Revenue

The state constitution requires that revenue in excess of the TABOR limit be refunded to taxpayers. Current law includes 14 refund mechanisms and provides the level of excess revenue necessary to trigger the use of each refund mechanism. This bill does not change state revenue or the overall amount of excess state revenue required to be refunded under TABOR. However, the bill repeals all of the current refund methods with the exception of the earned income tax credit; the income tax rate reduction; and the state sales tax refund. This will increase the amount to be refunded under the six-tier sales tax refund method.

Assuming moderate economic growth over the next several years, the Legislative Council staff economic forecast for March 2010 suggests that a TABOR surplus may occur again beginning in FY 2014-15. Table 1 shows the list of TABOR refund mechanisms and trigger amounts in current law.

**Table 1. Projected TABOR Surplus Mechanism Trigger Amounts Under Current Law
(Dollars in Millions)**

Colorado Revised Statute	TABOR Surplus Refund Mechanism	FY 2011-12	FY 2012-13
39-22-2001, 39-22-2002 and 39-22-2003	Six-Tier Sales Tax Refund ¹	\$45.6	\$46.3
39-22-123	Earned Income Tax Credit	\$85.6	\$88.7
39-22-627	Temporary Income Tax Rate Reduction	\$227.1	\$245.5
39-22-127	Foster Care Expense Tax Credit	\$429.9	\$455.6
39-22-124	Business Personal Property Tax Refund	\$432.5	\$458.3
39-22-119	Child Care Expenses Income Tax Credit	\$601.3	\$633.2
39-26-602	Research and Development Property Sales and Use Tax Refund	\$658.3	\$692.2
42-3-305 and 24-75-216	Motor Vehicle Registration Fee Reduction	\$664.8	\$698.9
39-22-523	High Technology Scholarship Program Credit	\$664.8	\$698.9
39-22-104	Interest, Dividends and Capital Gains Exclusion	\$696.5	\$731.7
39-26-502	Pollution Control Equipment Refund	\$696.5	\$731.7
39-26-106	Reduced Sales and Use Tax on Trucks	\$696.5	\$731.7
39-22-527 and 39-22-528	Agricultural Value Added Tax Credit	\$718.3	\$754.4
39-22-125	Private Health Care Tax Credit	\$775.8	\$813.9
Colorado Personal Income Growth Factor		1.0300	1.0360

Source: Legislative Council Staff projections based on the March 2010 economic forecast.

State Expenditures

Repeal of 11 of the existing TABOR refund mechanisms will not affect state expenditures.

Departments Contacted

Legislative Council Staff

Revenue

¹ In terms of prioritization, this mechanism can be viewed as both the first and the last refund mechanism. Because it has the lowest dollar amount to trigger a refund, it may be the first and only refund triggered in a year when the surplus is not sufficient to trigger other mechanisms.