

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
Phone (303) 866-3091
Fax (303) 866-2400



September 30, 2012

John W. Hickenlooper
Governor

The Honorable Brandon Shaffer
President of the Senate
Colorado General Assembly

The Honorable Frank McNulty
Speaker of the House
Colorado General Assembly

Barbara J. Brohl
Executive Director

The Honorable John Morse
Senate Majority Leader
Colorado General Assembly

The Honorable Amy Stephens
House Majority Leader
Colorado General Assembly

The Honorable Bill Cadman
Senate Minority Leader
Colorado General Assembly

The Honorable Mark Ferrandino
House Minority Leader
Colorado General Assembly

Dear Senators and Representatives:

With the enactment of SB10-212, only one mechanism for refunding state surplus revenues *with a threshold amount* remains, the earned income tax credit.

Although the State Controller has certified that there were no state surplus revenues for FY 2011-12, statutes require me to advise you of the new surplus threshold amount that, given the existence of a refundable surplus, would trigger the distribution of surplus revenues through the earned income tax credit.

As required by statutes, the threshold amount is adjusted "to reflect the rate of growth of Colorado personal income for the calendar year immediately preceding the calendar year in which such adjustment is made." Attachment A reports the estimated rate of growth in Colorado personal income between calendar year 2010 and calendar year 2011 and the resulting adjusted threshold amount for the earned income tax credit.

Additionally, 39-22-627(2) C.R.S. which was enacted from the passage of HB10-1002 requires me to determine, based on the State Controller's certification of surplus revenues, whether the income tax rate should be temporarily reduced from 4.63 percent to 4.5 percent. Given that there were no state surplus revenues to be refunded, the temporary reduction will not go into effect for income tax year 2012. However, had a rate reduction gone into effect, it is estimated that income tax revenues for income tax year 2012, on a cash basis, would have been reduced by \$162.4 million. The estimate was provided by Legislative Council staff and is based on the September 2012 Legislative Council Staff revenue forecast.

Sincerely,

A handwritten signature in blue ink that reads "Barbara J. Brohl".

Barbara J. Brohl
Executive Director
Colorado Department of Revenue

Attachment

ATTACHMENT A:

TABOR Refund Mechanisms and TABOR Surplus Threshold Amounts

Colorado Revised Statute	TABOR Surplus Refund Mechanism	TABOR Surplus Thresholds for Refunds Distributed in FY2011-12 (\$'s in millions)	Adjustment for Growth in Colorado Personal Income 2011/2010 ^{1/}	TABOR Surplus Thresholds for Refunds Distributed in FY2012-13 (\$'s in millions)	Estimated TABOR Refunds Distributed in FY2012-13 (\$'s in millions)
39-22-123	Earned Income Tax Credit	\$86.1	1.05666	\$91.0	NA ^{2/}

^{1/} Personal Income Estimates September, 2012

^{2/} Not available as a refund mechanism of FY 2011-12 surplus revenues.