



COLORADO
Department of Revenue
Executive Director's Office

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September 30, 2019

The Honorable Leroy M. Garcia, Jr.
President of the Senate
Colorado General Assembly

The Honorable KC Becker
Speaker of the House
Colorado General Assembly

The Honorable Stephen Fenberg
Senate Majority Leader
Colorado General Assembly

The Honorable Alec Garnett
House Majority Leader
Colorado General Assembly

The Honorable Patrick Neville
Senate Minority Leader
Colorado General Assembly

The Honorable Chris Holbert
House Minority Leader
Colorado General Assembly

Dear Senators and Representatives:

The Colorado Department of Revenue (CDOR) is required to report annually on the refund mechanisms for Nonexempt District Revenues subject to Article X, Section 20 (TABOR) of the State's Constitution.

On August 30, 2019, the State Controller certified that the Fiscal Year 2019 (FY 2019) unaudited state revenues subject to TABOR were \$14,788,419,622. These revenues exceed the Excess State Revenue Cap (ESRC) by \$428,335,506. Additionally, the State is required to refund any remaining TABOR surplus not refunded in prior fiscal years that have not yet been claimed by taxpayers. Remaining FY 2015 excess revenues of \$141,689 have not yet been claimed. Therefore, the total amount to be refunded for FY 2019 is \$428,477,195.

Section 39-3-209, C.R.S., requires the State provide TABOR refunds to taxpayers by funding the property tax exemptions for qualifying seniors and disabled veterans. The State will first reimburse local governments for their property tax revenue lost as a result of the exemptions. The legislative council staff (LCS) September 2019 Forecast estimates reimbursements to be \$153,200,000 for property tax exemptions granted during the 2019 property tax year.

Section 39-22-627 (2), C.R.S., requires CDOR to estimate the amount by which state revenues would be decreased as the result of a reduction in the state income tax rate. A temporary reduction in the state income tax rate from 4.63 percent to 4.5 percent would be required if and only if the amount of the surplus remaining after the property

tax reimbursement mechanism is at least the amount that would be refunded through a temporary reduction of the income tax rate. Subsection (4) requires CDOR to estimate this amount utilizing the most recent data available from LCS. **CDOR determined that the TABOR surplus for FY 2019 is sufficient to fund the property tax exemptions and implement a temporary income tax rate reduction for income tax year 2019 (see attachment for calculations).** Subsection (5)(b) states that the Executive Committee of the Legislative Council should approve or disapprove this estimate within 20 days of receiving this letter.

Section 39-22-2002, C.R.S., requires CDOR to determine the distribution of the remaining amount of TABOR refund obligations that would be available for qualified individuals for a sales tax refund. Per subsection (2), if the refund amount administered through a sales tax refund is less than or equal to \$15 per full-year Colorado resident (adult individual), CDOR will determine a flat amount for these qualified individuals. Per subsection (4), if the refund amount administered through a sales tax refund is greater than \$15 per qualified individual, CDOR must calculate income classifications and amounts of refund allowed for each classification pursuant to Section 39-22-2003 (3), C.R.S. **CDOR determined that the sales tax refund for FY 2019 rounds to a flat rate of \$0 per qualified individual (see attachment for calculations).** Subsection (6)(b) states that the Executive Committee of the Legislative Council should approve or disapprove this estimate within 20 days of receiving this letter.

Sincerely,



Lu Cordova
Executive Director
Colorado Department of Revenue

FY 2019 TABOR REFUND CALCULATIONS

As stated in the letter, revenue in excess of TABOR limits are sufficient to fund the property tax exemption and the temporary income tax rate reduction.

FY 2019 Revenues in Excess of TABOR Limits Certified by State Controller (8/30/2019) and NOT verified by the State Auditor	\$ 428,335,506
<i>plus</i> Prior Year TABOR Excess revenues Not Refunded	<u>\$ 141,689</u>
<i>equals:</i> Total Revenues in Excess of TABOR	\$ 428,477,195
<i>less</i> Refund Mechanism: Property Tax Exemption Reimbursement ¹	<u>\$ 153,200,000</u>
<i>equals:</i> Remaining Revenues in Excess of TABOR for Temporary Income Tax Rate Reduction	\$ 275,277,195
<i>less</i> Refund Mechanism: Temporary Income Tax Rate Reduction ¹	<u>\$ 273,531,930</u>
<i>equals:</i> Remaining Revenues in Excess of TABOR for Sales Tax Refund <i>divided by</i> 2019 Full-Year Resident Population Estimate ²	\$ 1,745,265
<i>equals:</i> Refund Mechanism: Sales Tax Refund per Qualified Individual	<u>\$ 3,557,699</u>
	\$ 0

¹ Estimated using the most recent data available from staff of the Legislative Council

² Population estimated using 2017 full year resident Colorado income tax filing data grown by US Census Bureau's Colorado population growth rates for 2018 and 2019.