

How the FY 2000-01 TABOR Surplus was Refunded  
 Refunds Taken Against 2001 Tax Liability  
 TABOR Surplus Liability = \$927,200,806

| Non-Sales Tax Refund Mechanisms                            | Total Number of Taxpayers | Amount Refunded      | Average Amount Per Taxpayer |
|--|---------------------------|----------------------|-----------------------------|
| HB 99-1383 and HB 00-1049, Earned Income Credit Refund     | 210,942                   | \$32,904,624         | \$156                       |
| HB 01-1313, Foster Care Issues                             | 431                       | \$209,838            | \$487                       |
| HB 99-1311, Business Personal Property Refund              | 81,615                    | \$99,793,453         | \$1,223                     |
| HB 00-1361, Individual Development Accounts                | /A                        | \$10,816             | /A                          |
| HB 99-1237, Capital Gains Refund                           | 9,296                     | \$50,505,556         | \$5,433                     |
| HB 00-1063, Rural Health Providers                         | 47                        | \$224,915            | \$4,785                     |
| HB 00-1351, Child Care Credits                             | 194,924                   | \$25,521,889         | \$131                       |
| HB 00-1227, Lower Motor Vehicle Fees                       | /A                        | \$34,003,795         | /A                          |
| HB 00-1355, High Technology Scholarship Program            | 38                        | \$3,343              | \$88                        |
| HB 00-1257, Pollution Control Equipment                    | /B                        | /B                   | /B                          |
| HB 00-1053, Exclude Charitable Contributions               | 45,130                    | \$2,882,423          | \$64                        |
| HB 00-1259, Trucks at 0.01 Percent Sales Tax Rate          | /A                        | \$5,164,084          | /A                          |
| HB 99-1137 and HB 00-1171, Interest, Div, and CG Exclusion | 1,055,713                 | \$44,322,959         | \$42                        |
| HB 01-1086, Ag Coop Tax Credit                             | 237                       | \$506,637            | \$2,138                     |
| HB 00-1104, Purchase Private Health Benefit Plans          | 6,442                     | \$2,424,862          | \$376                       |
| HB 00-1209, Colorado Capital Gains 1 to 5 Years            | 5,967                     | \$27,660,644         | \$4,636                     |
| <b>Subtotal of Non-Sales Tax Refund Mechanisms</b>         |                           | <b>326,139,838</b>   |                             |
| Sales Tax Refund<br>Federal Adjusted Gross Income Tier     | Total Number of Taxpayers | Amount Refunded      | Average Amount Per Taxpayer |
| Less than \$27,000   | 949,357                   | \$136,707,408        | \$144                       |
| \$27,000 to \$56,000                                       | 816,139                   | \$152,617,993        | \$187                       |
| \$56,001 to \$83,000                                       | 474,271                   | \$104,339,620        | \$220                       |
| \$83,001 to \$110,000                                      | 248,190                   | \$62,543,880         | \$252                       |
| \$110,001 to \$135,000                                     | 112,248                   | \$31,766,184         | \$283                       |
| More than \$135,000  | 196,482                   | \$88,613,382         | \$451                       |
| Other  | 3,784                     | \$70,758             | \$19                        |
| <b>Total Sales Tax Refund</b>                              | <b>2,800,471</b>          | <b>\$576,659,225</b> | <b>\$206</b>                |
| <b>Total Amount Refunded</b>                               |                           | <b>902,799,063</b>   |                             |
| <b>Rollforward</b>   |                           | <b>69,568,316</b>    |                             |
| <b>Amount (Over)Under-Refunded</b>                         |                           | <b>(45,166,571)</b>  |                             |
| <b>Total Refunded + Rollforward + Amount Over-Refunded</b> |                           | <b>927,200,808</b>   |                             |

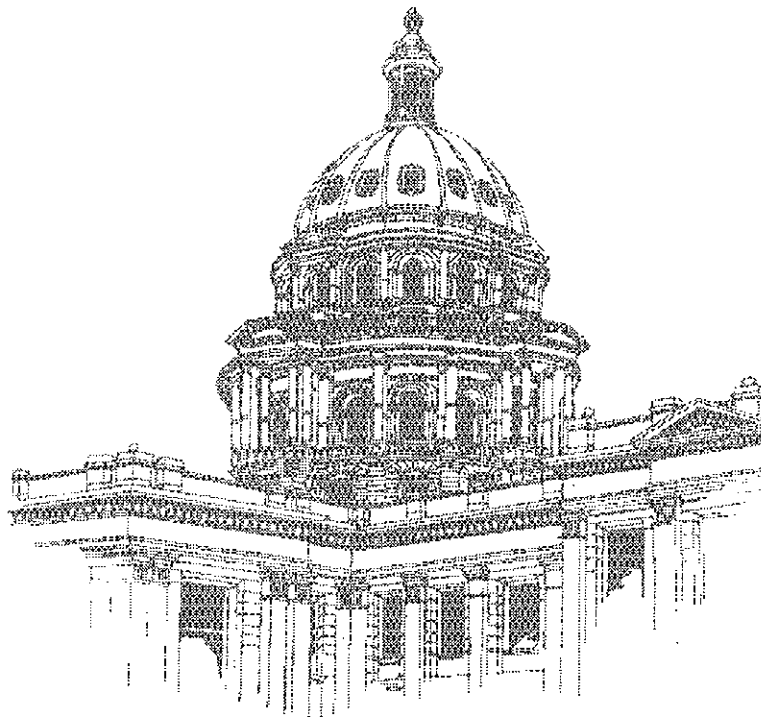
/A Data Unavailable

/B No claims were made against 2001 tax liability for this mechanism.

SB09-082

MD

**House Joint Resolution 03-1033 Study:  
TABOR, Amendment 23, the  
Gallagher Amendment, and  
Other Fiscal Issues**



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# APPENDIX D

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## APPENDIX D: TABOR REFUND METHODS

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The following paragraphs describe each of the TABOR refund mechanisms that are used to refund the TABOR surplus. Each method is used only if the TABOR surplus reaches a certain threshold that is adjusted annually by the percentage change in Colorado personal income. The projected thresholds for the FY 2004-05 surplus are indicated. The amount of the FY 2000-01 surplus returned via each refund method is also indicated.

**House Bill 99-1383 and House Bill 00-1049 — Earned Income Credit.** The Colorado earned income credit “piggybacks” off the federal earned income tax credit. Colorado taxpayers receive 10 percent of the federal credit amount. The federal credit may be claimed by certain taxpayers with modified federal adjusted gross incomes less than a certain amount. This threshold was approximately \$34,200 in 2002. Colorado taxpayers who claim the federal credit may claim the state credit. *Projected threshold: \$67.4 million; last amount refunded: \$32.3 million.*

**House Bill 00-1361 — Individual Development Account Credit.** The Individual Development Account (IDA) program creates a new type of deposit account in financial institutions. The program allows persons earning 200 percent or less of the federal poverty income level to save money for post-secondary education, or, for persons earning 80 percent or less of the area median income, to save for the purchase of a home. Moneys deposited in an IDA may be matched with philanthropic donations. The funds can be used for post-secondary education, including occupational training, first-time purchase of a home, or business capitalization. This refund mechanism allows an income tax credit for donors who provide matching funds to an IDA. The maximum credit is 25 percent of the amount donated, but the total amount of the tax credits cannot exceed \$5 million annually. No donor can receive a credit in excess of \$100,000 per year. *Projected threshold: \$237.2 million; last amount refunded: \$9,000.*

**House Bill 01-1313 — Foster Care Credit.** This refund mechanism allows an income tax credit to taxpayers who incur non-reimbursed expenses in connection with providing foster care to children under 18 years of age. *Projected threshold: \$227.0 million; last amount refunded: \$0.2 million.*

**House Bill 99-1311 and House Bill 01-1287 — Business Personal Property Tax Refund.** Businesses receive a refund equal to 100 percent of the first \$700 in personal property taxes paid, plus 16 percent of the tax paid in excess of \$700. *Projected threshold: \$229.0 million; last amount refunded: \$99.8 million.*

**House Bill 00-1063 and House Bill 01-1257 — Credit for Rural Health Care Providers.** The refund offered through this income tax credit is available to health care professionals who resided and practiced in a rural health care professional shortage area for at least 180 days of the income tax year and have committed to residing and practicing in the area for three to five years. The credit is equal to one-third of the amount of the student loan or one-third of the balance due and

owing on the student loan, up to the amount of the taxpayer's actual income tax liability. Unused portions of the credit may be carried forward for up to ten years. *Projected threshold: \$355.7 million; last amount refunded: \$0.2 million.*

**House Bill 00-1351 — Child Care and Child Tax Credits.** Colorado taxpayers already receive a child care credit and a child tax credit, though these credits are not TABOR refund mechanisms. As a TABOR refund mechanism, the existing child care tax credit is increased from 50 percent to 70 percent and the qualifying population is expanded to those with federal adjusted gross incomes greater than \$60,000, but less than \$64,001. The existing child tax credit for children under six years of age is increased from \$200 to \$300 and the income limitations are expanded in the same manner as for the child care tax credit. The age limit is expanded to 12 years of age for children who are cared for in their own family-operated child care home that is either licensed or legally exempt from licensing requirements. *Projected threshold: \$361.9 million; last amount refunded: \$23.5 million.*

**House Bill 99-1137 and House Bill 00-1171 — Exclusion of Interest, Dividend, and Capital Gains Income.** Individuals may deduct the lesser of \$1,500 or their total amount of interest, dividend, and capital gains income on their state income tax return. Joint filers are allowed to deduct up to \$3,000 of such income. House Bill 00-1171 increased the amount of the exclusion from the original \$1,200 and \$2,400 amounts. *Projected threshold: \$436.8 million; last amount refunded: \$44.0 million.*

**House Bill 99-1237 — Exclusion of Capital Gains on Colorado Assets.** Individuals and businesses may receive a deduction for capital gains taken on Colorado assets purchased prior to May 9, 1994. The gains must be taken during the preceding tax year. *Projected threshold: \$350.3 million; last amount refunded: \$49.8 million.*

**House Bill 01-1081 — Sales and Use Tax Refund for Research and Development.** This refund mechanism provides a refund of sales and use tax paid on purchases of tangible personal property used predominantly for research and development in the state. *Projected threshold: \$407.0; last amount refunded: \$0, this refund method was not effective until FY 2002-03.*

**House Bill 00-1355 — High Technology Scholarship Credit.** This refund mechanism provides a 25 percent income tax credit for donations made to the Colorado High Technology Scholarship Program. The credit cannot exceed 15 percent of the amount of income tax due. Partnerships, S corporations, and other pass-through entities that donate to the scholarship program can allocate the credit to the entity's partners or shareholders in proportion to the partners' or shareholders' distributive shares of income from the entity. The program provides scholarships to in-state students earning high-technology related certificates or degrees. *Projected threshold: \$411.9 million; last amount refunded: \$3,000.*

**House Bill 00-1227 — Reduction of Motor Vehicle Registration Fees.** This refund mechanism reduces annual registration fees for motor vehicles. The fee for registering a passenger vehicle is reduced to \$2.50 and the fee for registering other vehicles is reduced by 25 percent. *Projected threshold: \$411.9 million; last amount refunded: \$34.0 million.*

**House Bill 00-1053 — Exemption for Certain Charitable Contributions.** This refund mechanism allows individuals who claim the basic standard deduction on their federal income tax return to subtract charitable contributions in excess of \$500 from federal taxable income on their state income tax return. *Projected threshold: \$436.8 million; last amount refunded: \$2.4 million.*

**House Bill 00-1052 — Credit for Contributions to Telecommunication Education.** This refund mechanism provides an income tax credit equal to 15 percent of a taxpayer's total monetary contribution made to the Colorado Institute for Telecommunication Education (CITE) for the purpose of funding grants or scholarships for students enrolled at the institute. The credit cannot exceed the smaller of \$10,000 or the taxpayer's actual tax liability for the income tax year, and cannot be carried forward or refunded to the taxpayer. The CITE is an auxiliary unit at the University of Colorado to promote, support, enhance, and provide interdisciplinary education that relates to telecommunications and information technology. *Projected threshold: \$436.8 million; last amount refunded: \$0, the CITE had been eliminated by legislation; it has been restored and this credit will be effective again.*

**House Bill 00-1259 — Sales and Use Tax Rate Reduction on Commercial Trucks.** This refund mechanism reduces the sales and use tax rate on the sale of a new or used commercial truck, truck tractor, tractor, semitrailer that has a gross vehicle weight rating in excess of 26,000 pounds, to 0.01 percent. *Projected threshold: \$436.8 million; last amount refunded: \$4.2 million.*

**House Bill 00-1257 — Sales and Use Tax Exemption for Pollution Control Equipment.** This refund mechanism is for a sales and use tax exemption for purchases of equipment installed or used to detect, eliminate, reduce, or prevent air, water, or other environmental pollution. *Projected threshold: \$436.8 million; last amount refunded: \$1.9 million.*

**House Bill 01-1086 — Agriculture Value-Added Development Fund Program.** A board within the Department of Agriculture is authorized to offer tax credits, loans, and equity investments to eligible agricultural value-added cooperatives and other eligible agricultural businesses. The board may assess a fee to applicants for financial assistance and other services. This refund mechanism provides income tax credits that may be earned through value-added investments or purchased from the board. The board is allowed to certify \$4 million in tax credits per year. *Projected threshold: \$454.0 million; last amount refunded: \$0.4 million.*

**House Bill 00-1104 — Purchase of Private Health Benefit Plan Credit.** This refund mechanism allows Colorado residents to claim an income tax credit for amounts paid for health benefit plans. The credit is restricted to individuals, spouses, and dependents who obtain private medical/health insurance and who were not covered by an individual health benefit plan or an employee or group health benefit plan during any portion of the income tax year immediately preceding the income tax year for which the credit is being claimed. The credit is limited to residents whose federal adjusted gross income does not exceed \$25,000 for individuals with no dependents; \$30,000 for two individuals with no dependents filing a joint return, or two married individuals with no dependents filing separate returns; and \$35,000 for resident individuals with dependents. The maximum credit is limited to \$500, is not refundable to the taxpayer, and cannot be carried forward. *Projected threshold: \$499.2 million; last amount refunded: \$2.4 million.*

***House Bill 00-1209 — Capital Gains Deduction for Assets Held for One to Five Years.***

This refund mechanism modifies the refund provision of House Bill 99-1237 and establishes a new refund mechanism for other capital gains. House Bill 99-1237 established a deduction for certain Colorado assets that were held for a period of at least five years and purchased prior to May 9, 1994. While the original refund mechanism required the transaction to occur on or after January 1, 2000, this refund mechanism amends it to allow transactions that occurred in 1999 to qualify for the deduction. This refund mechanism applies to the capital gain arising from the sale of certain Colorado assets on or after January 1, 2001, that were held by the taxpayer for a period of from one to five years. *Projected threshold: \$536.7 million; last amount refunded: \$27.5 million.*

***House Bill 99-1001 — Sales Tax Refund.*** This final refund mechanism allows individuals to receive a state sales tax refund based on six modified federal adjusted gross income tiers and the filing status of the taxpayer. The amount of excess revenue refunded through this mechanism is determined by subtracting the amount estimated for other refund methods from the total TABOR refund. The Department of Revenue sets the dollar amount of each tier and each tier's refund based on set percentages of the refund and taxpayers in each tier. *Projected threshold: no threshold; last amount refunded: \$576.6 million.*