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DATE: June 12, 2000

SUBJECT: 2000 Tax Reduction and Refund Bills

This memorandum provides an overview of the tax reduction and refund bills passed by the General Assembly during the 2000 legislative session. The memorandum first analyzes who benefits from the recently passed tax package. Second, the memorandum summarizes the tax legislation that was enacted during the 1999 and 2000 legislative sessions. Next, this memorandum details the bills that affect General Fund and cash fund revenues. Finally, this memorandum outlines the bills that create new mechanisms to refund the excess TABOR revenue.

SUMMARY

- **Colorado taxes have been permanently reduced by roughly one-half billion dollars on an annual basis.** The combined effect of tax relief measures passed in both the 1999 and 2000 legislative sessions is \$530 million in FY 2001-02, the first full-year that all measures will be in effect. In the 2000 session, taxes were permanently reduced by \$230 million, after the 1999 session's tax reduction package of \$300 million.
- **Temporary tax relief** of \$372 million has been enacted during the last two sessions. This figure does not include the sales tax refund, estimated at \$512 million, that individuals will receive in FY 2001-02. Examples of temporary tax relief include the earned income tax credit, the child care tax credit for low- and middle-income families, lower vehicle registration fees, a tax credit for health care costs not paid by employers for low-income families, and a credit for personal property taxes paid by businesses.
- **An average individual will save \$431 in taxes each year, while an average family will save \$862 from the 1999 and 2000 tax packages.** On average, the 2000 tax reduction and refund package will reduce an individual's tax bill by approximately \$293.
- With the tax relief passed in 1999 and 2000, **individuals in the lower income brackets will receive relatively more tax relief than they paid into the TABOR surplus, whereas higher income taxpayers will receive less than they paid into the surplus.** For example, Table 2 shows that individuals earning less than \$25,000 per year are paying 7.7 percent of the TABOR surplus, but will receive 17.2 percent of the tax relief. Meanwhile, those individuals earning more than \$125,000 are paying 30.4 percent of the surplus, while receiving 15.6 percent of the benefit.

- Since the beginning of the Owens' administration, the state's income tax rate has been lowered from 5.0 percent to 4.63 percent, accounting for 72 percent of the permanent tax relief. On January 1, 2001, the sales tax rate will be lowered to 2.9 percent from 3.0 percent. The lower sales tax rate accounts for 14 percent of the permanent tax relief. There are roughly 2.5 million individuals and businesses who pay income tax in Colorado and virtually all families and businesses pay the sales tax. Thus, these lower tax rates will provide broad-based tax relief for Coloradans.

Sources of the FY 1999-00 Excess TABOR Revenue

Table 1 reports the estimated contribution by major revenue source to the TABOR surplus revenue in FY 1999-00. These numbers are based on OSPB's March 2000 revenue forecast. As has been the case in recent years, the largest contributors to the excess revenues in FY 1999-00 are individual income taxes (66.3 percent), sales taxes (18.6 percent), and corporate income taxes (4.7 percent). In total, both individual and corporate income taxes contributed 71 percent of the surplus TABOR revenue.

Table 1: Sources of the FY 1999-00 TABOR Surplus

Revenue Source	Percent Contribution to Excess
Individual Income*	66.3%
Corporate Income*	4.7%
<i>Subtotal Income Taxes</i>	<i>70.9%</i>
Sales*	18.6%
Use*	1.5%
<i>Subtotal Sales and Use Taxes</i>	<i>20.0%</i>
Estate*	1.4%
Other Cash Funds	2.9%
Severance Taxes	1.2%
Other	3.5%

*General Fund Revenue Source

Who Benefits from the Tax Reduction and Refund Package?

At the beginning of the 2000 legislative session, the Governor called for \$200 million in broad-based tax relief. The 2000 tax package passed by the General Assembly achieved the broad based-reduction called for by the Governor and targeted individuals of all income groups, as well as businesses. During the 2000 session, bills passed that permanently lowered taxes by \$230 million on an annual basis. When added to the tax relief measures enacted in the 1999 session, taxes will be permanently reduced by \$531 million per year. This section of the memorandum first discusses how individuals will benefit from the tax package by income level and then details how businesses benefit from the tax packages passed in the 1999 and 2000 legislative sessions.

How Individuals Benefit from the 2000 Tax Package

This section first examines the effect of the tax bills passed in the 2000 legislative session, then analyzes the cumulative effect of the bills passed during the past two years.

2000 Legislation

Table 2 shows how individuals of varying income levels will benefit from the 2000 *tax reduction* and refund legislation passed by the General Assembly. For comparison purposes, we used the same income levels outlined in House Bill 99-1001, the six-tier temporary sales tax refund.

The bottom section of Table 2 compares the share of the tax relief received by average taxpayers of varying income levels with the share of the TABOR surplus they paid in. The table shows that taxpayers in the lowest income level – those with incomes less than \$25,000 – pay approximately 7.7 percent of the surplus TABOR revenues. However, this same group will receive 14.6 percent of the benefit from the tax package, well above the share they paid into the surplus. For comparison, the highest income level – those with annual incomes greater than \$125,000 – pay over 30 percent of the excess TABOR revenues but will receive slightly less than 10 percent of the benefit of the 2000 tax package.

Tax Relief Provided in Both the 1999 and 2000 Legislative Sessions

Table 3 reports the average benefit to individuals for both 1999 and 2000's tax reductions and refunds. Again, over the two years lower income individuals received more tax relief than they paid into the TABOR surplus, whereas higher income individuals will receive less than they paid. Individuals earning less than \$25,000 per year will receive 17.2 percent of the tax relief while they pay 7.7 percent of the TABOR surplus. Individuals earning more than \$250,000 per year paid 30.4 percent of the surplus, while receiving 15.6 percent of the tax relief. On average, taxes were reduced for each individual by \$431.

How Businesses Benefit from the 2000 Tax Package

Overall, businesses will receive over \$100 million in tax relief from the tax package (both permanent tax reductions and TABOR refund mechanisms) passed by the 2000 General Assembly. The tax bills that will impact the business community the most in FY 2001-02 are the sales tax rate reduction (\$29.0 million), the unemployment insurance tax credit (\$26.9 million), the decrease in motor vehicle registration fees (\$13.2 million), and the income tax rate reduction (\$9.1 million).

Impact of 1999 and 2000 Legislation

Table 4 summarizes the 43 tax bills that were submitted to the Governor during the 1999 and 2000 legislative sessions. In total, taxes were permanently reduced by more than \$530 million during the 1999 and 2000 legislative sessions. When combined with temporary tax relief bills, more than \$900 million will be returned to the taxpayers of Colorado in FY 2001-02. During 1999, the Governor signed 14 bills that will result in \$296.1 million in permanent tax reductions in FY 2001-02, and 4 bills that will refund \$226.2 million of the TABOR surplus in FY 2001-02. During the 2000 legislative session, the General Assembly passed 13 measures that will result in \$235.3 million in permanent tax cuts in FY 2001-02, and 13 more measures for refunding \$146.1 million of the FY 2001-02 TABOR surplus.

TABLE 2: Impact of the 2000 Tax Reduction and Refund Package by Income Level

	Average Tax Reduction or Refund for Each Taxpayer in Each Income Group						
	Income Level						
	\$25,000 or Less	\$25,001 to \$50,000	\$50,001 to \$75,000	\$75,001 to \$100,000	\$100,001 to \$125,000	More than \$125,000	Average Per Taxpayer
Permanent Tax Reductions:							
Income Tax Rate Reduction (HB 00-1103)	\$ 9	\$ 22	\$ 32	\$ 46	\$ 62	\$ 203	\$ 41
Sales Tax Rate Reduction (HB 00-1259)	8	13	20	26	34	34	16
Income Tax Exclusion for Prepaid Tuition Payments (HB 00-1274)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Total Permanent Reductions	17	35	52	72	96	237	57
Temporary TABOR Refund Mechanisms:							
Earned Income Tax Credit (HB 00-1049)	23	6					
Individual Development Accounts (HB 00-1361)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Tax Credit Health Care Shortage Areas (HB 00-1063)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Increase Child Care Tax Credits (HB 00-1351)	11	13	14	-	-	-	8
Motor Vehicle Registration Fees (HB 00-1227)	4	8	10	12	13	13	12
Income Tax Deduction for Charity (HB 00-1053)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Income Tax Modif For Int Div & Cap Gains to \$1,500/ \$3,000 (HB 00-1171)	4	4	6	9	12	19	8
Income Tax Credit for Cost of Health Benefits (HB 00-1104)	7	8	7	-	-	-	8
Expand Capital Gains Modification (HB 00-1209)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Sales Tax Refund (99-1001)	134	188	216	252	275	449	200
Total Temporary Refunds	183	226	253	273	300	481	236
TOTAL TAX PACKAGE	\$ 200	\$ 261	\$ 305	\$ 345	\$ 396	\$ 718	\$ 293
Percent of Direct State Taxes Paid by Income Level	10.3%	19.9%	20.7%	18.0%	10.6%	20.5%	
Percent of Income Taxes Paid by Income Level	6.2%	16.6%	16.3%	13.5%	6.9%	40.4%	
Percent of TABOR Surplus Paid by Income Level	7.7%	14.9%	14.8%	11.8%	6.8%	30.4%	
Percent of Benefit Received from 2000 Tax Package by Income Level	14.6%	12.2%	9.8%	6.2%	2.8%	9.7%	

TABLE 3: Impact of the 1999 and 2000 Tax Reduction and Refund Packages by Income Level

	Average Tax Reduction or Refund for Each Taxpayer in Each Income Group						
	Income Level						Average Per Taxpayer
	\$25,000 or Less	\$25,001 to \$50,000	\$50,001 to \$75,000	\$75,001 to \$100,000	\$100,001 to \$125,000	More than \$125,000	
Permanent Tax Reductions:							
Income Tax Rate Reduction to 4.75% (HB 99-1207)	\$ 19	\$ 47	\$ 69	\$ 99	\$ 133	\$ 434	\$ 88
Income Tax Rate Reduction to 4.63% (HB 00-1103)	9	22	32	46	62	203	41
Sales Tax Rate Reduction (HB 00-1259)	8	13	20	26	34	34	16
Income Tax Exclusion for Prepaid Tuition Payments (HB 00-1274)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Marriage Penalty (HB 99-1003)	3	12	12	6	4	4	8
Pension Exclusion (HB 99-1151)	-	2	7	7	6	5	3
Long-Term Care Insurance Credit (HB 99-1246)	1	3	3	1	-	-	2
Total Permanent Reductions	40	99	143	185	239	680	158
Temporary TABOR Refund Mechanisms:							
Earned Income Tax Credit to 10% (HB 00-1049)	23	6	-	-	-	-	2
Individual Development Accounts (HB 00-1361)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Tax Credit Health Care Shortage Areas (HB 00-1063)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Increase Child Care Tax Credits (HB 00-1351)	11	13	14	-	-	-	8
Motor Vehicle Registration Fees (HB 00-1227)	4	8	10	12	13	13	12
Income Tax Deduction for Charity (HB 00-1053)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Income Tax Modif For Int Div & Cap Gains to \$1,500/ \$3,000 (HB 00-1171)	4	4	6	9	12	19	3
Income Tax Credit for Cost of Health Benefits (HB 00-1104)	7	8	7	-	-	-	8
Expand Capital Gains Modification (HB 00-1209)	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	
Earned Income Tax Credit (HB 99-1383)	37	-	-	-	-	-	12
Dividends, Interest, Capital Gains \$1,200/\$2,400 (HB 99-1137)	24	28	40	51	64	87	12
Colorado Capital Gains Modification (99-1237)	3	3	4	7	28	153	15
Sales Tax Refund (99-1001)	134	188	216	252	275	449	200
Total Temporary Refunds	247	257	297	331	392	721	273
TOTAL TAX PACKAGE	\$ 287	\$ 356	\$ 440	\$ 516	\$ 631	\$ 1,401	\$ 431
<i>Percent of Direct State Taxes Paid by Income Level</i>	10.3%	19.9%	20.7%	18.0%	10.6%	20.5%	
<i>Percent of Income Taxes Paid by Income Level</i>	6.2%	16.6%	16.3%	13.5%	6.9%	40.4%	
<i>Percent of TABOR Surplus Paid by Income Level</i>	7.7%	14.9%	14.8%	11.8%	6.8%	30.4%	
<i>Percent of Benefit Received from 1999 and 2000 Tax Package by Income Level</i>	17.2%	13.7%	11.6%	7.6%	3.6%	15.6%	

Table 4: Impact of 1999 and 2000 Tax Legislation
(Dollars in Millions)

Permanent and Sunset Tax Reductions

Year	Category	Bill Number	Bill Name	FY 2001-02	
1999	Income Tax	HB 99 - 1207	State Income Tax Rate Reduction to 4.75%	\$ 240.4	
		HB 99 - 1003	Elimination of the Marriage Penalty	21.9	
		HB 99 - 1151	Elderly Pension Exclusion	9.0	
		HB 99 - 1246	Income Tax Credit for Long-Term Care Insurance	5.2	
		HB 99 - 1125	Foreign Source Income Adjustment	3.1	
		HB 99 - 1155	Conservation Easement Tax Credit	1.2	
	Sales and Use	HB 99 - 1002	Exemption for Farm Equipment	3.7	
		HB 99 - 1015	Exemption for Food Sold in Vending Machines	3.5	
		HB 99 - 1381	Exemption for Pesticides Used in Agricultural Products	2.7	
		HB 99 - 1335	Exemption for Biotechnology	1.1	
		HB 99 - 1271	Exemption for Alternative Fuels	0.9	
		HB 99 - 1016	Exemption for Compounds Used in Agricultural Products	0.5	
		HB 99 - 1009	Exemption for Coins and Precious Metal Bullion	0.2	
	Cash Funds	HB 99 - 1249	Severance Tax	2.7	
	Subtotal				\$ 296.1
	2000	Income Tax	HB 00 - 1103	State Income Tax Rate Reduction to 4.63%	\$ 121.2
			HB 00 - 1302	Low-Income Housing Owner Tax Credit (effective 1/1/2001 to 1/1/2003)	6.3
HB 00 - 1306			Brownfield Redevelopment Incentives (effective through 12/31/2005)	2.3	
HB 00 - 1274			Tax Exclusion for Prepaid Tuition Payments	1.2	
HB 00 - 1067			Alternative Fuels Incentives (effective through 7/1/2011)	0.0	
HB 00 - 1348			Refunding Conservation Easement Credit	1.2	
HB 00 - 1134			Exclusion from Resident Individual	1.1	
Sales and Use		HB 00 - 1259	Reduce State Sales and Use Tax Rate to 2.9%	71.3	
		HB 00 - 1162	Exempt Agriculture Items from the Sales and Use Tax	3.1	
Cash Funds		HB 00 - 1310	UI Tax Credits for CY 2001 & 2002	26.9	
		HB 00 - 1065	Oil and Gas Severance Tax	0.5	
		HB 00 - 1042	Purple Heart License Plate Fees	0.1	
Subtotal				\$ 235.2	
Total Permanent and Sunset Tax Reductions				\$ 531.3	

TABOR Refund Mechanisms

Year	Category	Bill Number	Bill Name	FY 2001-02
1999	TABOR	HB 99 - 1383	Earned Income Tax Credit	\$ 33.1
		HB 99 - 1311	Personal Property Tax Credit	109.7
		HB 99 - 1137	Dividend, Interest, and Capital Gains Exemption	41.7
		HB 99 - 1237	Colorado Capital Gains Modification	41.7
		Subtotal		
2000	TABOR	HB 00 - 1049	Make Earned Income Tax Credit Permanent and Increase to 10%	\$ 5.4
		HB 00 - 1361	Individual Development Accounts	10.0
		HB 00 - 1063	Tax Credit Health Care Shortage Areas (effective 1/1/2001 to 1/1/2005)	0.4
		HB 00 - 1351	Increase Child Care Tax Credits	22.1
		HB 00 - 1227	Motor Vehicle Registration Fees	33.7
		HB 00 - 1355	High Technology Scholarships	0.5
		HB 00 - 1052	Inst For Telecom Educ Contrib Credit	0.3
		HB 00 - 1053	Income Tax Deduction for Charity	5.1
		HB 00 - 1171	Income Tax Modif. for Int. Div. & Cap. Gains to \$1,500 (Indiv.) / \$3,000 (Fam.)	7.8
		HB 00 - 1257	Pollution Control Tax Provisions	4.0
		HB 00 - 1259	Interstate Commerce Sales and Use Tax Reduction	6.3
		HB 00 - 1104	Income Tax Credit for Cost of Health Benefits	22.5
		HB 00 - 1209	Expand Capital Gains Modification	28.0
		Subtotal		
Total TABOR Refunds				\$ 372.3

Total Permanent and Temporary Tax Refunds				\$ 903.6
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2000 Tax Reduction Bills that Impact General Fund Revenues

This section details the bills passed in the 2000 session that affect taxes. In total, state taxes that impact General Fund revenues were permanently reduced by \$207.7 million for the first full year of implementation of the tax reduction bills (FY 2001-02). There are two primary categories of permanent tax reduction bills passed during the 2000 legislative session: bills that reduce *income* taxes and bills that reduce *sales and use* taxes. Each of these bills is briefly described below. The bills passed during the last two sessions and their fiscal impacts are listed in Table 4. Permanent tax relief and sunset bills are in descending orders of magnitude. TABOR refund mechanisms are in order of the trigger amounts. Following the descriptions, Table 5 displays the fiscal impact of each of the permanent tax reduction bills.

Bills that Permanently Reduce Taxes

Bills that Reduce Income Taxes:

1. *Reduction of the State Income Tax Rate* — House Bill 00-1103 permanently reduces the state income tax rate from 4.75 percent to 4.63 percent for the tax year beginning on January 1, 2000.

FY 2001-02 value = \$121.2 million

2. *Low-Income Housing Owner Tax Credit* — House Bill 00-1302 provides a temporary income tax credit for owners of qualified low-income housing developments for tax years beginning on or after January 1, 2001 but before January 1, 2003. The maximum amount of the credit awarded each year is \$5 million and the credit is awarded for a four-year period.

FY 2001-02 value = \$6.3 million

3. *Brownfield Redevelopment Incentives* — House Bill 00-1306 is a temporary income tax credit that sunsets at the end of 2005. The bill provides a credit for costs to clean up contaminated property. The credit is equal to 1) 50 percent of the first \$100,000 in clean-up costs; plus 2) 30 percent of the next \$100,000; plus 3) 20 percent of the next \$100,000. There is no tax credit for amounts exceeding \$300,000, but there is a five-year carry forward in the event that a business cannot use the full amount of its credit in any single year. The credit is only allowed for clean up in municipalities with a population greater than 10,000.

FY 2001-02 value = \$2.3 million

4. *Tax Exclusion for Prepaid Tuition Payments* — House Bill 00-1274 allows a permanent income tax credit for prepaid tuition payments for income tax years beginning on or after January 1, 2001. This bill allows for a deduction against taxable income for the purpose of calculating state income tax liability in an amount equal to any payment or contribution made under an advanced payment plan in connection with a qualified state tuition program.

FY 2001-02 value = \$1.2 million

5. *Refunding Conservation Easement Credit* — House Bill 00-1348 allows taxpayers who claim an income tax credit for a conservation easement that is not totally used in one year to be refunded the following year provided that a TABOR surplus exists. The total amount of the credit can not exceed \$100,000 per donation, and the amount claimed in any year cannot exceed the taxpayer's total tax liability. Unused amounts can be carried forward for up to 20 years.

FY 2001-02 value = \$1.2 million

6. *Exclusion from Resident Individual* — House Bill 00-1134 excludes from the definition of 'resident individual' for taxation purposes any individual absent from the state for at least 305 days of the tax year for active military duty and who is stationed outside of the United States. The exclusion only applies to individuals who elect not to file an individual income tax return as resident individual.

FY 2001-02 value = \$1.1 million

7. *Alternative Fuels Incentives* – House Bill 00-1067 offers a temporary state income tax credit for purchasing alternative fuel vehicles and for constructing, reconstructing or acquiring an alternative fuel refueling facility through July 1, 2011. The bill extends the state alternative fuel rebate program for governmental and nonprofit entities, and eliminates the requirement that a vehicle be used in connection with a business to claim the alternative fuel income tax credit.

FY 2001-02 value = \$33,750

Bills that Reduce Sales and Use Taxes:

1. *Reduce State Sales and Use Tax Rate* — House Bill 00-1259 permanently reduces the state sales and use tax rate from 3.0 percent to 2.9 percent beginning January 1, 2001.

FY 2001-02 value = \$71.3 million

2. *Agricultural Items Sales and Use Tax Exemption* — House Bill 00-1162 exempts materials used in connection with construction, reconstruction, repair or replacement of a farm building or an agricultural commodity storage facility from sales taxes beginning July 1, 2000.

FY 2001-02 value = \$3.1 million

Bills that Reduce Cash Funds:

1. *UI Tax Credits* — House Bill 00-1310 allows most employers a 20 percent credit against state unemployment insurance taxes in calendar years 2001 and 2002. The credit will be available so long as the balance in the unemployment insurance fund is at least 1.1 percent of the total amount of insured wages paid in Colorado.

FY 2001-02 value = \$26.9 million

2. *Oil and Gas Severance Tax* — House Bill 00-1065 reduces severance taxes by increasing the amounts of oil and gas production that is allowed to be exempt from taxation, and excludes such production from the ad valorem tax credit. It also extends the severance tax and ad valorem tax credits to oil and gas.

FY 2001-02 value = \$0.5 million

3. *Purple Heart License Plate Fees* — House Bill 00-1042 eliminates the payment of fees and specific ownership taxes for one set of special license plates for purple heart recipients

FY 2001-02 value = \$0.1 million

TABLE 5: Fiscal Impacts of Tax Bills Passed in the 2000 Session
(Dollars in Millions)

General Fund Bills:

Income Tax Reductions

Bill #	Bill Name	FY 1999-00	FY 2000-01	FY 2001-02
HB 00-1103	Income Tax Rate Reduction to 4.63%	\$49.9	\$112.7	\$121.2
HB 00-1302	Low-Income Housing Owner Tax Credit (effective 1/1/2001 to 1/1/2003)	\$0.0	\$1.3	\$6.3
HB 00-1306	Brownfield Redevelopment Incentives (effective through 12/31/2005)	\$0.6	\$2.3	\$2.3
HB 00-1274	Tax Exclusion for Prepaid Tuition Payments	\$0.0	\$0.6	\$1.2
HB 00-1067	Alternative Fuels Incentives (effective through 7/1/2011)	\$0.0	\$0.0	\$0.0
HB 00-1348	Refunding Conservation Easement Credit	\$0.0	\$0.6	\$1.2
HB 00-1134	Exclusion from Resident Individual	\$0.0	\$0.5	\$1.1
Subtotal Income Tax Reductions		\$50.5	\$118.0	\$133.3

Sales and Use Tax Reductions

Bill #	Bill Name	FY 1999-00	FY 2000-01	FY 2001-02
HB 00-1259	Reduce State Sales and Use Tax Rate to 2.9%	\$0.0	\$33.6	\$71.3
HB 00-1162	Exempt Agriculture Items from the Sales and Use Tax	\$0.0	\$3.0	\$3.1
Subtotal Sales and Use Tax Reductions		\$0.0	\$36.6	\$74.4

Total General Fund Revenue Reduction	\$50.5	\$154.6	\$207.7
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Cash Fund Bills:

Bill #	Bill Name	FY 1999-00	FY 2000-01	FY 2001-02
HB 00-1310	UI Tax Credits 2001 & 2002	\$0.0	\$11.0	\$26.9
HB 00-1065	Oil and Gas Severance Tax	\$0.0	\$0.5	\$0.5
HB 00-1042	Purple Heart License Plate Fees	\$0.0	\$0.1	\$0.1
Total Cash Fund Revenue Reduction		\$0.0	\$11.6	\$27.5

Temporary Refund Mechanisms for Excess TABOR Revenue

Thirteen bills that provide mechanisms to temporarily refund the TABOR surplus were passed by the General Assembly during the 2000 legislative session. These bills, along with the five refund mechanisms passed during the 1999 legislative session determine how the surplus TABOR revenues will be refunded to taxpayers each year. The following provides a brief description of each of the refund mechanisms passed during the 2000 legislative session, with the threshold amounts of the TABOR surplus that must exist in order for the mechanism to be in effect. Table 6 shows how the refund mechanisms are prioritized, the thresholds for each refund mechanism, and the fiscal impact of each refund mechanism passed in both 1999 and 2000.

Table 6: TABOR Refund Mechanisms
(Dollars in Millions)

		Threshold	FY 2000-01	FY 2001-02
Projected Excess TABOR Revenue			\$859.3	\$884.1
<i>Refunded Through:</i>				
HB 99-1383	<i>Earned Income Tax Credit</i>	\$54.2	\$31.2	\$33.1
HB 00-1049	Make Earned Income Tax Credit Permanent and Increase to 10%	\$54.2	\$5.4	\$5.4
HB 99-1311	<i>Business Personal Property Refund</i>	\$184.3	\$103.5	\$109.7
HB 00-1361	Individual Development Accounts	\$190.0	\$5.0	\$10.0
HB 99-1137	<i>Interest, Dividends and Capital Gains to \$1,200/\$2,400</i>	\$238.5	\$39.3	\$41.7
HB 99-1237	<i>Colorado Capital Gains Modification</i>	\$281.8	\$43.4	\$41.7
HB 00-1063	Tax Credit Health Care Shortage Areas (effective 1/1/2001 to 1/1/2005)	\$285.0	\$0.3	\$0.4
HB 00-1351	Increase Child Care Tax Credits	\$290.0	\$22.1	\$22.1
HB 00-1227	Motor Vehicle Registration Fees	\$330.0	\$0.0	\$33.7
HB 00-1355	High Technology Scholarships	\$330.0	\$0.0	\$0.5
HB 00-1052	Inst For Telecom Educ Contrib Credit	\$350.0	\$0.0	\$0.3
HB 00-1053	Income Tax Deduction for Charity	\$350.0	\$0.0	\$5.1
HB 00-1171	Income Tax Modif For Int Div & Cap Gains to \$1,500/ \$3,000	\$350.0	\$0.0	\$7.8
HB 00-1257	Pollution Control Tax Provisions	\$350.0	\$2.8	\$4.0
HB 00-1259	Interstate Commerce Sales and Use Tax Reduction	\$350.0	\$0.0	\$6.3
HB 00-1104	Income Tax Credit for Cost of Health Benefits	\$400.0	\$22.1	\$22.5
HB 00-1209	Expand Capital Gains Modification	\$430.0	\$28.0	\$28.0
HB 99-1001	Sales Tax Refund	Remaining	\$556.2	\$511.8

1. *Earned Income Tax Credit* — House Bill 00-1049 is an expansion of last year's earned income tax credit (House Bill 99-1383). This year's bill expands the income tax credit to 10.0 percent of the federal credit from the current 8.5 percent of the federal tax credit. This bill, in conjunction with House Bill 99-1383, is used as a TABOR refund mechanism.

TABOR threshold: \$54.2 million
FY 2001-02 value = \$5.4 million

2. *Individual Development Accounts* — House Bill 00-1361 permits the establishment of accounts, contributions to which are exempt from income taxation, for eligible individuals or dependents for the funding of post-secondary education or training, for purchasing a first home, or for capitalizing a business. Contributors of matching funds for this program are eligible for a tax credit.

TABOR threshold: \$190.0 million
FY 2001-02 value = \$10.0 million

3. *Income Tax Credit for Health Care Shortage Areas* — House Bill 00-1063 provides a temporary income tax credit for health care professionals who reside and practice in areas of Colorado that are understaffed. The tax credits are allowed from January 1, 2001 through January 1, 2005. The credit is equal to the taxpayer's income tax liability, but is not allowed to exceed the taxpayer's student loan obligation.

TABOR threshold: \$285.0 million
FY 2001-02 value = \$0.4 million

4. *Increase Child Care Tax Credits* — House Bill 00-1351 changed the existing three-tiered state child care tax credit to a two-tiered tax credit and raises the amount of the child care tax credit that resident individuals can claim. Prior to the passage of this law, the credit was equal to 50 percent of the amount claimed on the individual's federal tax return with a federal adjusted gross income up to \$60,000. House Bill 00-1351 increases the credit to 70 percent of the amount claimed on the individual's tax return with a federal adjusted gross up to \$64,000. In addition, the bill increases the child tax credit for each qualifying child from \$200 per child to \$300 per child and extends the maximum income to \$64,000. The bill also allows in-home child care providers to claim credits for their own children.

TABOR threshold: \$290.0 million
FY 2001-02 value = \$22.1 million

5. *Motor Vehicle Registration Fees* — House Bill 00-1227 reduces annual registration fees for passenger vehicles and certain trailers to \$2.50 plus an additional amount based on the age of the vehicle. The bill also reduces the annual registration fees for trucks, truck tractors, and other vehicles by 25 percent. These lower fees to the Highway Users Tax Fund are backfilled by General Fund revenues.

TABOR threshold: \$330.0 million
FY 2001-02 value = \$33.7 million

6. *High Technology Scholarships* — House Bill 00-1355 creates an income tax credit equal to 25 percent of the contribution made to the Colorado high technology scholarship program. The income tax credit may not exceed 15 percent of income taxes due.

TABOR threshold: \$330.0 million
FY 2001-02 value = \$0.5 million

7. *Income Tax Credit for Contributions to the Institute for Telecommunication Education* — House Bill 00-1052 provides an income tax credit for 15 percent of monetary contributions made to the Colorado Institute for Telecommunication Education. This credit begins January 1, 2001 and cannot be carried forward or refunded.

TABOR threshold: \$350.0 million
FY 2001-02 value = \$0.3 million

8. *Income Tax Deduction for Charity* — House Bill 00-1053 allows an income tax credit beginning January 1, 2001 for charitable contributions in excess of \$500 for individuals who claim the basic standard deduction on their federal return.

TABOR threshold: \$350.0 million
FY 2001-02 value = \$5.1 million

9. *Income Tax Modification for Interest, Dividends and Capital Gains* — House Bill 00-1171 is an extension of House Bill 99-1137. It excludes up to \$1,500 for individuals and \$3,000 for couples in interest, dividends, and capital gains from the state's income tax beginning January 1, 2001. This represents a \$300 increase in the amount of the exemption from the previous year.

TABOR threshold: \$350.0 million
FY 2001-02 value = \$7.8 million

10. *Pollution Control Provisions* — House Bill 00-1257 exempts pollution control equipment from state sales and use tax including solid waste, noise pollution, wind power, solar, and thermal generation, but excludes equipment, machinery, device, or systems installed, constructed or used in or on a residential building, motor vehicle emission control devices or residential sewage disposal systems. The credit is equal to the amount of sales and use tax paid on qualifying purchases.

TABOR threshold: \$350.0 million
FY 2001-02 value = \$4.0 million

11. *Interstate Commerce Sales and Use Tax Exemption* — House Bill 00-1259 provides a refund for sales taxes paid above a rate of 0.01 percent that are imposed on new or used commercial trucks, truck tractors, tractors, semi trailers or vehicles used in interstate commerce with a gross vehicle weight in excess of 26,000 pounds.

TABOR threshold: \$350.0 million
FY 2001-02 value = \$6.3 million

12. *Income Tax Credit for Cost of Health Benefits* — House Bill 00-1104 allows an income tax credit for health benefit plans not paid for by an employer or deducted from Federal Adjusted Gross Income. The credit is capped at \$500, with qualifying income capped at \$25,000 for individuals without dependents, \$30,000 for joint filers without dependents, and \$35,000 for individual or joint filers with dependents. The credit is not refundable.

TABOR threshold: \$400.0 million
FY 2001-02 value = \$22.5 million

13. *Expand Colorado Capital Gains Modification* — House Bill 00-1209 expands the exemption allowed in House Bill 99-1237 to include Colorado capital gains made for any tax year beginning on or after January 1, 1999. It reduces the holding period of the asset for such capital gains exclusion from five years to one year for Colorado assets. The credit is equal to the amount of income attributable to qualifying Colorado gains receiving capital treatment by the qualified taxpayer during the taxable year and included in federal taxable income.

TABOR threshold: \$430.0 million
FY 2001-02 value = \$28.0 million