

The TABOR Surplus and TABOR Refund Mechanisms

The Taxpayer's Bill of Rights (TABOR) — Article X, Section 20 of the Colorado Constitution — limits the state's revenue growth to the sum of inflation plus population growth in the previous calendar year. The state first exceeded the TABOR limit in FY 1996-97. In FY 1999-00 and FY 2000-01 the TABOR surplus was over \$900 million.

This report describes the sources of surplus TABOR revenues in FY 2000-01 — the most recent year with a surplus — and the refund mechanisms used to return these revenues to taxpayers. The details of TABOR are discussed in the Governor's Office of State Planning and Budgeting (OSPB) Special Report titled "TABOR — The Taxpayer's Bill of Rights." Permanent tax relief — that is, tax relief not dependent on the existence of a TABOR surplus — is discussed in the OSPB Special report titled "Colorado Permanent Tax Relief Since 1999." (To download, see <http://www.state.co.us/ospb>).

What is the TABOR limit?

The TABOR provision of the constitution limits the state's revenue growth in a given fiscal year to the sum of inflation plus population growth in the preceding calendar year. For example, the FY 2000-01 TABOR limit was 5.1 percent, which is the sum of calendar year 1999 inflation (2.9 percent) plus population growth (2.2 percent).

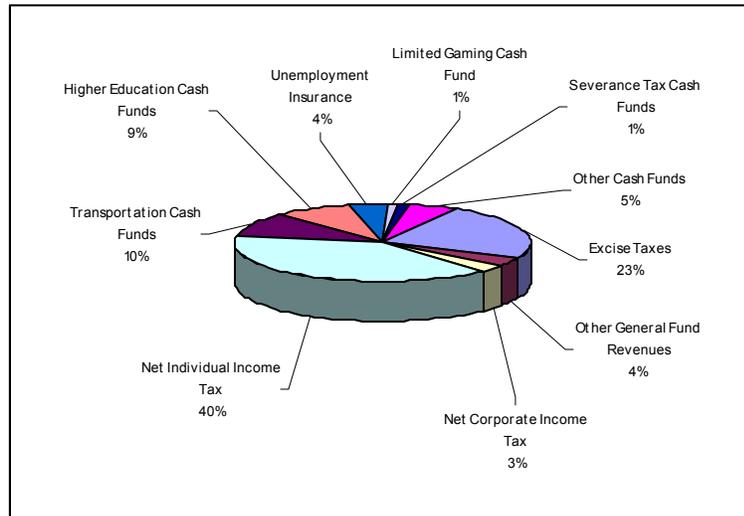
It is important to note that although TABOR is widely thought to be a spending limit, it is actually a revenue limit. The limit applies to most state revenues, from both General Fund and cash fund sources. There are a few exclusions to the growth restriction; for example, revenue received from the federal government is exempt. In addition, local governments have TABOR growth limits that differ from the state's limit. School districts face a TABOR limit tied to inflation plus student enrollment growth, while other local governments are restricted to inflation plus a measure of actual value growth attributed to new construction. Any revenues received in excess of the TABOR limit must be refunded in the next fiscal year unless voters allow the state to retain the revenue.

What are TABOR revenues?

TABOR revenues include most General Fund and cash fund revenues collected by the state. In FY 2003-04, General Fund revenues accounted for 69 percent of total TABOR revenues and cash fund revenues accounted for 31 percent of TABOR revenues. Individual income tax and sales tax receipts are the largest General Fund sources of TABOR revenues. The largest cash fund revenue sources are the Highway Users Tax Fund, the higher education cash funds, and the unemployment insurance cash fund. *Figure 1* shows the major sources of TABOR revenues in FY 2003-04.

The TABOR provision of the constitution limits the state's revenue growth in a given fiscal year to the sum of inflation and population growth in the previous calendar year.

Figure 1
Components of FY 2003-04 TABOR Revenues

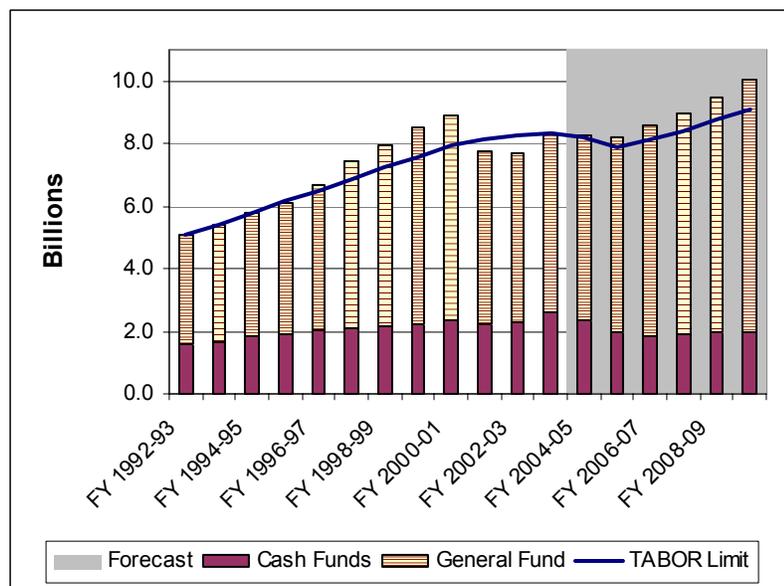


Source: September 2004 OSPB forecast.

The OSPB economic forecast for the next six years calls for a strengthening state economy.

Figure 2 displays total TABOR revenues from FY 1992-93 through FY 2003-04 and the September 2004 OSPB forecast for TABOR revenues from FY 2004-05 through FY 2009-10. The Colorado economy was negatively affected by the national recession and the events of September 11, 2001 and, as a result, TABOR revenues declined in FY 2001-02 and FY 2002-03. The OSPB economic forecast for the next six years calls for a strengthening state economy, albeit with slower TABOR revenue growth than the pace witnessed during in the late 1990s.

Figure 2
Total TABOR Revenues



Source: September 2004 OSPB forecast.

Who pays TABOR revenues?

State taxes comprise 82 percent of TABOR revenues. Colorado residents pay 71 percent of state taxes, businesses pay 27 percent, and nonresidents pay two percent (*Table 1*). Resident individuals pay 92 percent of state income taxes and 61 percent of sales and use taxes. Businesses pay eight percent of income taxes and 35 percent of sales and use taxes. Meanwhile, non-residents — primarily tourists — pay five percent of sales and use taxes. The remaining 18 percent of TABOR revenues are not taxes. They are user fees for both individuals and businesses, including higher education tuition, vehicle registrations, and fees for professional licenses.

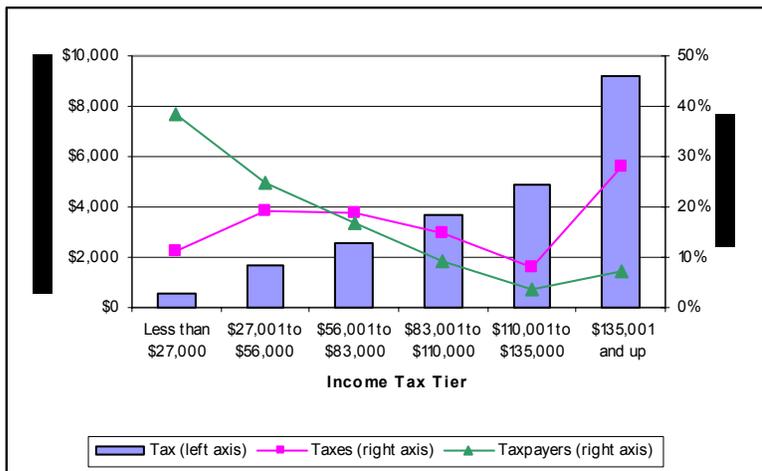
**Table 1
Who Pays State Taxes?**

Share Paid By:	Total State Taxes	Income Taxes	Sales and Use Taxes
Residents	70.9%	91.9%	60.5%
Businesses	26.7%	7.7%	34.6%
Nonresidents	2.4%	0.5%	4.8%

Source: Colorado Department of Revenue, Tax Analysis Division

On average, Colorado residents pay less than five percent of their income in state taxes. The higher income group pays the bulk of state taxes (*Figure 3*). In total, 28 percent of total state taxes are paid by the seven percent of the population with incomes above \$135,000, while the 38 percent of Colorado taxpayers who earn \$27,000 or less pay only 11 percent of total state taxes.

**Figure 3
Share Of State Taxes Paid By Income Level**



Source: Colorado Department of Revenue, Tax Analysis Division

What is the TABOR surplus?

The TABOR surplus is the amount by which TABOR revenues exceed the TABOR limit. All surplus revenues received in excess of the TABOR limit must be refunded in the next fiscal year unless voters allow the state to retain the revenue. *Table 2* shows the amount of the TABOR surplus from FY 1992-93 through FY 2003-04 and the September 2004 OSPB forecast for the TABOR surplus from FY 2004-05 through

The TABOR surplus is the amount by which revenues exceed the TABOR limit.

FY 2009-10. The table shows the TABOR limit, expressed as both a dollar amount and as a change from the previous year’s limit. It also shows TABOR revenues and the amount by which they changed.

**Table 2
TABOR Revenues, Limits, and Surpluses**

Fiscal Year	TABOR Limit ⁽¹⁾		Net TABOR Revenues ^(1,2)		Revenues Above (Below) Limit (Millions)
	Amount (Millions)	Change (%)	Total (Millions)	Change (%)	
1992-93	\$5,109.9	NA	\$5,057.0	NA	NA
1993-94	5,401.2	6.5	5,385.7	6.5	(\$15.5)
1994-95	5,769.4	7.1	5,757.3	6.9	(12.1)
1995-96	6,160.3	7.0	6,124.3	6.4	(36.0)
1996-97	6,508.6	6.6	6,647.6	8.5	139.0
1997-98	6,872.0	5.5	7,435.2	14.2	563.2
1998-99	7,243.4	5.3	7,923.0	15.3	679.6
1999-00	7,563.7	4.4	8,503.0	17.4	941.1
2000-01	7,948.6	5.1	8,877.1	17.4	927.2
2001-02 ⁽³⁾	8,126.2	4.0	7,752.2	-2.5	(365.7)
2002-03 ⁽³⁾	8,296.8	6.9	7,712.5	-0.5	(584.3)
2003-04 ⁽³⁾	8,332.1	8.5	8,332.1	8.5	0.0
2004-05 ⁽⁴⁾	8,209.0	3.3	8,262.1	4.0	53.1
2005-06 ⁽⁴⁾	7,914.8	1.1	8,205.6	4.8	290.8
2006-07 ⁽⁴⁾	8,128.5	2.7	8,552.5	8.1	424.1
2007-08 ⁽⁴⁾	8,404.8	3.4	8,986.0	10.5	581.1
2008-09 ⁽⁴⁾	8,757.8	4.2	9,458.9	12.5	701.0
2009-10 ⁽⁴⁾	9,099.4	3.9	10,046.5	14.7	947.1

NA: Not Available.

- (1) TABOR limits are periodically adjusted for changes to the TABOR revenue base. Because of this, the amounts and changes shown here do not necessarily correspond arithmetically.
- (2) Net TABOR revenues exclude amounts credited to the State Education Fund per Amendment 23 and other revenues that are exempt from TABOR. Change in revenue is from the previous year’s TABOR limit.
- (3) The TABOR limit is computed from the lesser of the previous year’s TABOR revenues and TABOR limit.
- (4) September 2004 OSPB forecast.

The state first exceeded the TABOR limit in FY 1996-97. The healthy Colorado economy and the national economic expansion of the 1990s generated strong revenue growth. Moreover, this robust revenue growth was coupled with a low TABOR limit (the sum of population growth plus inflation), thus leading to large TABOR surpluses. Indeed, the TABOR surplus exceeded \$900 million in both FY 1999-00 and FY 2000-01. However, after logging TABOR revenue surpluses for five years, the TABOR surplus vanished in FY 2001-02 and remains absent through FY 2003-04. We do not expect the TABOR surplus to reappear until FY 2004-05.

Why is there a TABOR surplus in most years?

As shown in *Table 3*, state revenue growth exceeds the sum of inflation plus population growth in most years. This is primarily because a large portion (42 percent) of the state’s revenue is attributable to the individual income tax and individual income taxes inherently grow faster than personal income. Meanwhile, personal income will almost always grow faster than the sum of inflation plus population growth because it includes a component that rewards people for their

State revenue growth exceeds the sum of inflation plus population growth in most years.

efficiency and experience. Productivity increases are reflected in personal income growth and over the past decade, productivity has increased at a fast rate, largely due to technological advances.

Table 3
The Allowed TABOR Growth Rate, Change in TABOR Revenues, and Change in Gross General Fund and Individual Income Tax Revenues

Fiscal Year	Population Growth (%)	Inflation (%)	Growth Dividend (%)	Allowed TABOR Growth Rate (%)	Net TABOR Revenue Change ⁽¹⁾ (%)	Cash Fund Revenue Change (%)	Gross General Fund Revenue Change (%)	Individual Income Tax Change (%)
1981-82	2.0	12.0	NA	14.0	17.1	15.0	18.0	29.5
1982-83	2.5	11.2	NA	13.7	5.2	10.5	2.9	13.3
1983-84	2.8	9.1	NA	11.9	23.3	29.9	20.2	13.2
1984-85	2.4	5.6	NA	8.0	7.7	12.7	5.2	15.7
1985-86	1.0	3.8	NA	4.8	3.1	0.3	4.6	5.6
1986-87	1.2	2.6	NA	3.8	8.3	13.6	5.6	11.2
1987-88	0.9	0.7	NA	1.6	4.9	5.7	4.5	10.5
1988-89	0.7	2.7	NA	3.4	6.6	3.0	8.7	9.7
1989-90	0.1	2.7	NA	2.8	5.2	7.6	4.0	5.3
1990-91	0.4	1.8	NA	2.2	2.9	2.4	3.1	5.9
1991-92	0.9	4.4	NA	5.3	10.2	6.2	12.4	10.0
1992-93	1.9	3.8	NA	5.7	11.4	3.3	15.6	9.4
1993-94	2.7	3.7	NA	6.5	6.5	3.3	8.0	9.1
1994-95	2.9	4.2	NA	7.1	6.9	9.3	5.8	9.7
1995-96	2.6	4.4	NA	7.0	6.4	4.3	7.3	10.1
1996-97	2.3	4.3	NA	6.6	8.5	7.0	9.7	11.0
1997-98	2.0	3.5	NA	5.5	11.8	4.0	15.4	18.6
1998-99	2.1	3.3	NA	5.4	6.6	4.3	7.3	9.0
1999-00	2.0	2.4	NA	4.4	7.3	3.2	8.8	11.8
2000-01 ⁽²⁾	2.2	2.9	NA	5.1	4.4	5.8	6.6	8.1
2001-02	6.0	4.0	NA	10.0	(12.7)	2.0	(13.0)	(16.7)
2002-03	2.2	4.7	0.0	6.9	(0.5)	2.7	(3.1)	(6.7)
2003-04	1.7	1.9	4.9	8.5	8.5	12.5	6.7	10.5
2004-05 ⁽³⁾	1.1	1.1	1.1	3.3	(0.8)	5.4	3.5	4.6
2005-06 ⁽³⁾	1.0	0.1	0.0	1.1	(0.7)	0.1	5.5	6.0
2006-07 ⁽³⁾	1.2	1.5	0.0	2.7	4.2	(4.2)	6.9	7.3
2007-08 ⁽³⁾	1.3	2.1	0.0	3.4	5.1	0.9	6.3	6.5
2008-09 ⁽³⁾	1.5	2.7	0.0	4.2	5.3	2.8	5.9	6.2
2009-10 ⁽³⁾	1.6	2.3	0.0	3.9	6.2	1.4	7.4	6.2
Average ⁽⁴⁾	2.0	4.3	na	6.5	6.9	7.4	7.1	9.3

NA: Not Applicable

- (1) Net TABOR revenues exclude amounts credited to the State Education Fund per Amendment 23 and other revenues that are exempt from TABOR. Change in net TABOR revenues is the arithmetic change without adjustments to the TABOR revenue base. It is not the change from the previous year's TABOR limit as shown in Table 2.
- (2) TABOR revenues and income tax revenue growth is lower in FY 2000-01 due to the income tax rate reductions imposed by H.B. 99-1207 and H.B. 00-1103.
- (3) September 2004 OSPB forecast.
- (4) Average computed from FY 1981-82 through FY 2003-04.

Individual income taxes grow faster than personal income because of the state's progressive tax structure. Even though the state has a flat income tax rate of 4.63 percent, Colorado's income tax structure is progressive because the amount of deductions and personal exemptions is fixed. These deductions and exemptions are a larger share of income for low-income households than for high-income households, thus producing a progressive tax system.

Colorado's income tax structure is progressive because the amount of deductions and personal exemptions is fixed.

Another reason that overall personal income growth is generally slower than individual income tax growth is that capital gains income is not a component of personal income. However, it is an important contributor to individual income tax receipts in recent years. Capital gains income accounted for an estimated 9.6 percent of income tax receipts in 1998, double the share of only a few years earlier. However, by the 2001 tax year the share had fallen back to 6.3 percent.

Note that Table 3 does not permit us to determine how many times there would have been a TABOR surplus since FY 1981-82. This is because the TABOR limit is actually a cumulative limit with base year FY 1992-93. After FY 1992-93, the important measure is how much revenues grow compared with the previous year's TABOR limit, not how much they increase compared with the previous year's TABOR revenues as shown in Table 3. If FY 1980-81 had been the base year and the TABOR limit had been allowed to grow from the previous year's TABOR spending (the minimum of the previous year's limit and revenues), then TABOR revenues would have exceeded the TABOR limit every year from FY 1983-84 through the forecast horizon, a span of 27 years. Indeed, in FY 2001-02 TABOR revenues would have been \$950 million more than the TABOR limit computed using the 10 percent TABOR limit resulting from the 2000 Census.

Note also that cash fund revenues are included in the TABOR revenue limit and are part of the base upon which future limits are computed. Between FY 1993-94 and FY 2000-01, cash fund revenues, which contribute about one-third of total TABOR revenues, grew by less than the TABOR limit in most years. Indeed, between FY 1993-94 and FY 2000-01, annual cash fund revenue growth averaged only 5.1 percent per year while the TABOR revenue growth limit averaged 7.3 percent. Since cash fund revenues were growing slower than the TABOR limit, General Fund revenues — and obligations — could grow faster than the TABOR limit. Indeed, slow cash fund revenue growth from FY 1993-94 through FY 2000-01 meant there was an additional \$177 million that could be obligated from the General Fund without violating the TABOR revenue limit.

The 2001-2002 economic downturn resulted in cash fund revenue growth that is substantially faster than the TABOR limit. Indeed, during and immediately after the 2001 recession, revenue growth for some of the major cash funds accelerated, even as General Fund revenues declined. For example, unemployment insurance tax revenues — a large contributor to total cash fund revenues — are automatically climbing (as they are designed to do) in order to compensate for rising unemployment insurance benefit payments. In addition, higher education tuition payments — another large source of total cash fund revenues — are also growing much faster than the TABOR limit. Tuition payments increased because student enrollment soared as a consequence of the tight labor market and because tuition rates were raised to compensate for reduced General Fund appropriations for higher education. However, even with rising cash fund revenues, the state was well below the TABOR limit in FY 2001-02 and FY 2002-03.

Why did the TABOR surplus disappear?

After logging surplus TABOR revenues for five years, the TABOR surplus vanished in FY 2001-02 and remains absent through FY 2003-04. Indeed, FY 2002-03 TABOR revenues were lower than the TABOR limit by \$584.3 million. We do not expect the TABOR surplus to reappear until FY 2004-05. The TABOR surplus disappeared for three reasons.

Slow cash fund revenue growth from FY 1993-94 through FY 2000-01 meant there was an additional \$177 million that could be obligated from the General Fund without violating the TABOR revenue limit.

The TABOR surplus disappeared for three reasons.

- First, a national recession began in March 2001, after an unprecedented 10 years of economic expansion. The *Colorado economy* was negatively affected by the national recession and the events of September 11, 2001. As a result, state revenues decreased in FY 2001-02 and FY 2002-03. Although a recovery in the national economy is underway, strong growth in Colorado will not be evident until late 2004.
- Second, a *measure passed by voters* in the November 2000 election lowered TABOR revenues each year by at least \$250 million. *Amendment 23*, which provides increased public school funding, exempts about 7.2 percent of income tax revenues from the TABOR restriction.
- Third, legislation enacted through House Bill 02-1310 and Senate Bill 02-179 enables the state to recoup revenues lost because the TABOR limits used during the 1990s relied on population estimates that were too low. The percentage change associated with this lost revenue is called the *growth dividend* and is equal to six percent. The state will gradually use this growth dividend in FY 2003-04 and FY 2004-05. The full six percent growth dividend is applied to the TABOR limit by FY 2004-05. The growth dividend acts to eliminate the TABOR surplus in FY 2003-04 and to reduce the TABOR surplus in FY 2004-05. This adjustment allows the state to keep an additional \$2.9 billion through the forecast horizon.

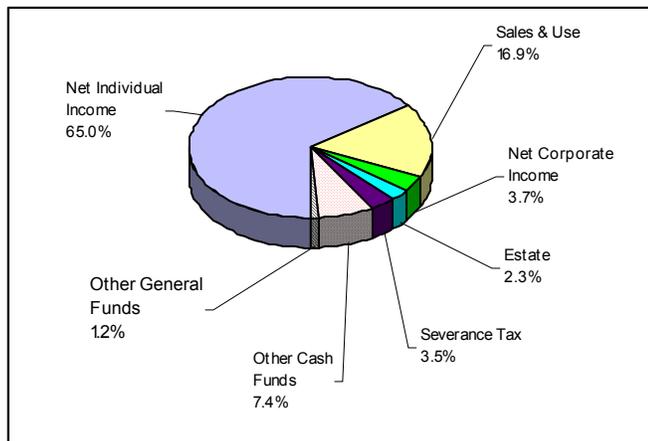
Legislation enacted through House Bill 02-1310 and Senate Bill 02-179 enables the state to recoup revenues.

In FY 2004-05, the TABOR surplus reappears, totaling \$53.1 million. From FY 2005-06 through the forecast horizon, we expect the TABOR surplus to range between \$290 million and \$950 million.

What are the revenue sources of the FY 2000-01 TABOR surplus?

In the course of determining how to refund the surplus TABOR revenues, policymakers have concentrated on returning the excess to those who have contributed to it. We have estimated the respective contributions to the surplus TABOR revenues and the types of taxpayers who pay these revenues (individuals, businesses, and nonresidents). This section presents these figures for FY 2000-01, the year of the most recent TABOR surplus.

**Figure 4
Sources of TABOR Surplus, FY 2000-01**



Altogether, income taxes (both individual and corporate) accounted for 68.7 percent of the surplus.

. . . 80 percent of the FY 2000-01 surplus TABOR revenues came from individuals . . .

Figure 4 shows the estimated contribution to the surplus TABOR revenues in FY 2000-01 by major revenue source. Figure 4 differs from Figure 1 in that Figure 4 only shows TABOR revenue sources that grew faster than the TABOR limit and thus, that caused there to be a TABOR surplus, whereas Figure 1 shows the sources of all TABOR revenues. The largest contributors to the TABOR surplus in FY 2000-01 were individual income taxes (65.0 percent), followed by sales and use taxes (16.9 percent), and other cash funds (7.4 percent). Altogether, income taxes (both individual and corporate) accounted for 68.7 percent of the surplus.

Did the FY 2000-01 TABOR surplus revenues come from individuals or businesses?

We estimate that 80 percent of the FY 2000-01 surplus TABOR revenues came from individuals, 17 percent from businesses, and two percent from nonresidents. This contrasts with FY 1996-97, when individuals contributed two-thirds of the TABOR surplus versus one-third for businesses. The primary reason for the large share of surplus revenues derived from individuals is the strong growth in individual income taxes.

How was the FY 2000-01 surplus TABOR revenue refunded?

This section provides a brief description of each of the 24 refund mechanisms passed during the 1999, 2000, 2001, and 2002 legislative sessions. These refund mechanisms determine how the surplus TABOR revenues are refunded to taxpayers each year. A threshold is specified for each refund mechanisms except for the six-tier sales tax refund mechanism established by House Bill 99-1001. The threshold indicates the smallest TABOR surplus that must exist for a given refund mechanism to be in effect. Since the FY 2000-01 TABOR surplus — \$927.2 million — was larger than the highest threshold, all of the refund mechanisms were in effect when the surplus was refunded in FY 2001-02. The six-tier sales tax refund mechanism is used to refund the TABOR surplus amount not refunded through the other TABOR refund mechanisms.

Table 4
Average FY 2001-02 Sales Tax Refund by Income Tier

	From:	To:	FY 2000-01 Average Refunded in FY 2001-02	
			Single Filer	Joint Filer
First Tier	Less than	\$27,001	\$144	\$288
Second Tier	\$27,001	\$56,000	\$187	\$374
Third Tier	\$56,001	\$83,000	\$220	\$440
Fourth Tier	\$83,001	\$110,000	\$252	\$504
Fifth Tier	\$110,001	\$135,000	\$283	\$566
Sixth Tier	\$135,001	and up	\$451	\$902
Average Per Taxpayer			\$202	\$405

Table 4 displays the six-tiered refund structure for the FY 2001-02 sales tax refund. Taxpayers in the lowest income tier (those earning less than \$27,001) received a \$144 refund in FY 2001-02, while those in the highest income tier (\$135,001 and up)

received \$451 in FY 2001-02. Individuals claimed the refund on their 2001 state income tax returns filed in 2002. Individuals without a tax liability could submit a state income tax return to receive the refund.

The refund thresholds for the remaining targeted mechanisms are adjusted each year by state personal income growth. For the TABOR surplus that occurred in FY 2000-01, the threshold amounts ranged from \$54.0 million to \$430.0 million. In FY 2004-05, when we forecast that the state will next have a TABOR surplus, the thresholds will range between \$63.4 million and \$505.0 million. However, the September 2004 OSPB forecast is for a small TABOR surplus in FY 2004-05 that is less than the lowest threshold. Because the TABOR surplus is forecast to be small in FY 2004-05, only the six-tier sales tax refund mechanism will be operative.

Table 5 shows the amount of the FY 2000-01 TABOR surplus refunded in FY 2001-02 through each of the refund mechanisms. Table 5 also shows the September 2004 OSPB forecast threshold amounts in FY 2004-05 — the next year for which a TABOR surplus is forecast — and the amount of the FY 2004-05 surplus that will be paid through each refund mechanism. Monies not refunded to taxpayers through the targeted TABOR refund mechanisms are refunded through the six-tier sales tax refund, House Bill 99-1001. Individual taxpayers on average received a sales tax refund from the FY 2000-01 surplus of \$202 in April 2002. This refund is in addition to the tax relief provided by the income and sales tax rate reductions, credits, and exclusions. When combined with permanent tax relief, on average an individual received \$433 of tax relief in FY 2001-02 and a married couple received \$866.

1. *1999 earned income tax credit* — House Bill 99-1383 creates an earned income tax credit for Colorado taxpayers claiming the federal earned income tax credit. The amount of the credit is equal to 8.5 percent of the federal earned income tax credit claimed on the individual's federal tax return.

FY 2001-02 refund amount: See H.B. 00-1049
 FY 2004-05 TABOR surplus threshold: \$63.4 million
 FY 2005-06 refund amount: See H.B. 00-1049

2. *Make earned income tax credit permanent* — House Bill 00-1049 is an expansion of the 1999 earned income tax credit (House Bill 99-1383). The 2000 bill expands the income tax credit to 10.0 percent from 8.5 percent of the federal tax credit.

FY 2001-02 refund amount: \$32.8 million
 FY 2004-05 TABOR surplus threshold: \$63.4 million
 FY 2005-06 refund amount: \$0.0

3. *Income tax credit for foster parents* — House Bill 01-1313 allows an income tax credit for providing foster care to children less than 18 years of age. The credit is equal to \$500 or 100 percent of the non-reimbursed expenses for providing foster care, whichever is less. The credit is nonrefundable, but can be carried forward.

FY 2001-02 refund amount: \$0.2 million
 FY 2004-05 TABOR surplus threshold: \$213.6 million
 FY 2005-06 refund amount: \$0.0

**House Bill 99-1383
 creates an earned
 income tax credit for
 Colorado taxpayers.**

Table 5
TABOR Refund Mechanisms
(Dollar Amounts in Millions)

	FY 2000-01 Surplus		September 2004 Forecast FY 2004-05 Surplus	
	Amounts Refunded in FY 2001-02	Thresholds (millions)	Amounts Refunded in FY 2005-06	Thresholds (millions)
Total TABOR Refund:	\$927.2 million		\$53.1 million	
Refund Mechanism In Order of Threshold Amounts:				
H.B. 99-1383	1999 Earned Income Tax Credit		See H.B. 00-1049	\$63.4
H.B. 00-1049	Make Earned Income Tax Credit Permanent	\$32.8 million	\$63.4	\$63.4
H.B. 01-1313	Income Tax Credit for Foster Parents	\$0.2 million	\$213.6	\$213.6
H.B. 99-1311	Business Personal Property Tax	See H.B. 01-1287	\$215.5	\$215.5
H.B. 01-1287	Increase Business Personal Property Tax Credit	\$99.8 million	\$215.5	\$215.5
H.B. 00-1361	Individual Development Accounts	less than \$0.1 million	\$223.1	\$223.1
H.B. 99-1237	Colorado Capital Gains Modification	\$50.4 million	\$329.6	\$329.6
H.B. 00-1063	Income Tax Credit for Health Care Shortage Areas	See H.B. 01-1257	\$334.7	\$334.7
H.B. 01-1257	Modified Health Care Shortage Area Tax Credit	\$0.2 million	\$334.7	\$334.7
H.B. 00-1351	Increase Child Care Tax Credits	\$25.4 million	\$340.6	\$340.6
H.B. 00-1052	Income Tax Credit for Contributions to the Institute for Telecommunication Education	See H.B. 02-1059	\$373.7	\$373.7
H.B. 02-1059	Income Tax Credit for Contributions to the Institute for Telecommunication Education	Not in Effect	\$373.7	\$373.7
H.B. 01-1081	Tangible Personal Property Used for Research and Development	Not in Effect	\$382.9	\$382.9
H.B. 00-1227	Motor Vehicle Registration Fees	\$34 million	\$387.6	\$387.6
H.B. 00-1355	High Technology Scholarships	less than \$0.1 million	\$387.6	\$387.6
H.B. 00-1053	Income Tax Deduction for Charity	\$2.9 million	\$410.9	\$410.9
H.B. 99-1137	Income Tax Modification for Interest, Dividends, and Capital Gains	See H.B. 00-1171	\$410.9	\$410.9
H.B. 00-1171	Income Tax Modification for Interest, Dividends, and Capital Gains	\$44.2 million	\$410.9	\$410.9
H.B. 00-1257	Pollution Control Provisions	\$1.9 million	\$410.9	\$410.9
H.B. 00-1259	Interstate Commerce Sales and Use Tax Exemption	\$4.3 million	\$410.9	\$410.9
H.B. 01-1086	Agriculture Value-Added Development Fund Program	\$0.5 million	\$427.2	\$427.2
H.B. 00-1104	Income Tax Credit for Cost of Health Benefits	\$2.4 million	\$469.7	\$469.7
H.B. 00-1209	Expand Colorado Capital Gains Modification	\$27.6 million	\$505.0	\$505.0
Sales Tax Refund		\$576.7 million	Remaining	\$53.1 million
Average Sales Tax Refund Per Adult (in actual dollars)		\$202		\$18

4. *Business personal property tax credit* — House Bill 99-1311 allows a refund for a share of business personal property taxes paid to all jurisdictions. The amount of the refund is equal to the aggregate amount of business personal property tax paid to all jurisdictions or \$500, whichever is less, plus 13.37 percent of the personal property tax paid that is over \$500.

FY 2001-02 refund amount: See H.B. 01-1287
 FY 2004-05 TABOR surplus threshold: \$215.5 million
 FY 2005-06 refund amount: See H.B. 01-1287

5. *Increase business personal property tax credit* — House Bill 01-1287 expands the business personal property tax credit provided by House Bill 99-1311 to equal 16 percent of business personal property tax paid plus the lesser of \$409.80 or 81.96 percent of the aggregate amount paid.

FY 2001-02 refund amount: \$99.8 million
 FY 2004-05 TABOR surplus threshold: \$215.5 million
 FY 2005-06 refund amount: \$0.0

6. *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 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.

FY 2001-02 refund amount: less than \$0.1 million
 FY 2004-05 TABOR surplus threshold: \$223.1 million
 FY 2005-06 refund amount: \$0.0

7. *Colorado capital gains modification* — House Bill 99-1237 extends a modification of the capital gains exclusion to Colorado assets and property acquired before May 9, 1994. Previously, taxpayers were allowed to claim a modification for capital gains associated with the sale of Colorado-based property and assets that were acquired on or after May 9, 1994 and that were held for five years.

FY 2001-02 refund amount: \$50.4 million
 FY 2004-05 TABOR surplus threshold: \$329.6 million
 FY 2005-06 refund amount: \$0.0

8. *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.

FY 2001-02 refund amount: See H.B. 01-1257
 FY 2004-05 TABOR surplus threshold: \$334.7 million
 FY 2005-06 refund amount: See H.B. 01-1257

9. *Modified health care shortage area tax credit* — House Bill 01-1257 increases the tax credit provided by House Bill 00-1063. This bill expands the definition

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.

**House Bill 00-1351 . . .
raises the amount of
the child care tax credit
that resident individuals
can claim.**

of a health care professional for purposes of the tax credit for practicing in a health care shortage area to include dentists. It also extends the credit to January 1, 2008.

FY 2001-02 refund amount: \$0.2 million
FY 2004-05 TABOR surplus threshold: \$334.7 million
FY 2005-06 refund amount: \$0.0

10. *Increase child care tax credits* — House Bill 00-1351 changes 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. The bill extends the maximum allowed federal adjusted gross income to \$64,000 and increases the maximum child tax credit to \$300 for each qualifying child or 70 percent of the amount of the federal credit for child care expenses claimed on the individual's federal tax return, whichever is larger. The bill also allows in-home child care providers to claim credits for their own children. Prior to the passage of this law, the credit was equal to the greater of \$200 per child and 50 percent of the amount claimed on individuals' federal tax return if their federal adjusted gross income was less than or equal to \$60,000.

FY 2001-02 refund amount: \$25.4 million
FY 2004-05 TABOR surplus threshold: \$340.6 million
FY 2005-06 refund amount: \$0.0

11. *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.

FY 2001-02 refund amount: See H.B. 02-1059
FY 2004-05 TABOR surplus threshold: \$373.7 million
FY 2005-06 refund amount: See H.B. 02-1059

12. *Income tax credit for contributions to the institute for telecommunication education* — House Bill 02-1059 corrects and clarifies language in House Bill 00-1052 to provide an income tax credit for monetary contributions made to the Colorado Institute of Technology. This credit begins January 1, 2002 and cannot be carried forward or refunded.

FY 2001-02 refund amount: Not in Effect
FY 2004-05 TABOR surplus threshold: \$373.7 million
FY 2005-06 refund amount: \$0.0

13. *Tangible personal property used for research and development* — House Bill 01-1081 allows a 50 percent sales tax credit for the sale, purchase, storage, use, or consumption of tangible personal property used in Colorado directly and predominantly for research and development. The credit is for purchases made on or after July 1, 2002 and will refund \$6.6 million dollars in FY 2003-04.

FY 2001-02 refund amount: Not in Effect
FY 2004-05 TABOR surplus threshold: \$382.9 million
FY 2005-06 refund amount: \$0.0

14. *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 by 25 percent the annual registration fees for trucks, truck tractors, and other vehicles. Revenues lost to the Highway Users Tax Fund are back filled by General Fund revenues.
- FY 2001-02 refund amount: \$34 million
 FY 2004-05 TABOR surplus threshold: \$387.6 million
 FY 2005-06 refund amount: \$0.0
15. *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.
- FY 2001-02 refund amount: less than \$0.1 million
 FY 2004-05 TABOR surplus threshold: \$387.6 million
 FY 2005-06 refund amount: \$0.0
16. *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.
- FY 2001-02 refund amount: \$2.9 million
 FY 2004-05 TABOR surplus threshold: \$410.9 million
 FY 2005-06 refund amount: \$0.0
17. *Dividend, interest, and capital gains exemption* — House Bill 99-1137 excludes from the state's income tax, capital gains, interest, and dividend income up to \$1,200 for individuals and up to \$2,400 for joint filers.
- FY 2001-02 refund amount: See H.B. 00-1171
 FY 2004-05 TABOR surplus threshold: \$410.9 million
 FY 2005-06 refund amount: See H.B. 00-1171
18. *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 available through House Bill 99-1137.
- FY 2001-02 refund amount: \$44.2 million
 FY 2004-05 TABOR surplus threshold: \$410.9 million
 FY 2005-06 refund amount: \$0.0
19. *Pollution control provisions* — House Bill 00-1257 exempts certain pollution control equipment, including solid waste, noise pollution, wind power, solar, and thermal generation, from the state sales and use tax.
- FY 2001-02 refund amount: \$1.9 million
 FY 2004-05 TABOR surplus threshold: \$410.9 million
 FY 2005-06 refund amount: \$0.0
20. *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

House Bill 00-1053 allows an income tax credit beginning January 1, 2001 for charitable contributions.

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.

FY 2001-02 refund amount: \$4.3 million
 FY 2004-05 TABOR surplus threshold: \$410.9 million
 FY 2005-06 refund amount: \$0.0

21. *Agriculture value-added development fund program* — House Bill 01-1086 allows state income tax credits to eligible agricultural value-added cooperatives for new or ongoing rural agricultural business projects. The credit is equal to the lesser of 50 percent of the member's investment or \$15,000, up to an aggregate amount of \$1.5 million per project and \$4 million per year. The credit can be transferred to another person.

FY 2001-02 refund amount: \$0.5 million
 FY 2004-05 TABOR surplus threshold: \$427.2 million
 FY 2005-06 refund amount: \$0.0

House Bill 00-1104 allows an income tax credit for health benefit plans not paid by an employer.

22. *Income tax credit for cost of health benefits* — House Bill 00-1104 allows an income tax credit for health benefit plans not paid 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.

FY 2001-02 refund amount: \$2.4 million
 FY 2004-05 TABOR surplus threshold: \$469.7 million
 FY 2005-06 refund amount: \$0.0

23. *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 for such capital gains exclusions 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.

FY 2001-02 refund amount: \$27.6 million
 FY 2004-05 TABOR surplus threshold: \$505.0 million
 FY 2005-06 refund amount: \$0.0

24. *Sales tax refund* — House Bill 99-1001 establishes a temporary sales tax refund as a mechanism to return excess TABOR revenues. House Bill 99-1001 uses a six-tiered approach (based on federal adjusted gross income) to refund the TABOR surplus. This bill is used when the amount of the TABOR surplus does not reach one of the thresholds or for any amount not refunded through one of the refund mechanisms. For the FY 2000-01 TABOR surplus that was refunded in FY 2001-02, the average sales tax refund per taxpayer using this refund mechanism was \$202.

FY 2001-02 refund amount: \$576.7 million
 FY 2004-05 TABOR surplus threshold: Remaining
 FY 2005-06 refund amount: \$53.1 million