

STATE OF COLORADO

OFFICE OF STATE PLANNING AND BUDGETING

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MEMORANDUM

Bill Owens
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TO: Interested Persons

FROM: The Office of State Planning and Budgeting

DATE: June 30, 2005

SUBJECT: TABOR Refund Mechanisms

The attached TABOR Refund Mechanism Table shows the June 2005 OSPB forecast threshold amounts in FY 2004-05 through FY 2009-10 and the amounts of the TABOR surpluses that will be paid through each refund mechanism. Monies not refunded through the 18-targeted TABOR refund mechanisms are refunded through the six-tier sales tax refund (second line from the bottom of the chart) established by House Bill 99-1001.

The refund mechanisms determine how surplus TABOR revenues are refunded to taxpayers each year. A threshold is specified for each of the 18 refund mechanisms. These thresholds are adjusted each year by state personal income growth. The threshold indicates the smallest TABOR surplus that must exist for a given refund mechanism to be put into effect. For example, the Income Tax Credit for Foster Parents will not be in effect in FY 2004-05 as the TABOR surplus is forecast to be \$107.1 million and the threshold for the Income Tax Credit for Foster Parents is \$225.1 million. 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 Spring 2002. Because the TABOR surplus is forecast to be \$107.1 million in FY 2004-05, only the Earned Income Tax Credit refund mechanism and the six-tier sales tax refund mechanism will be operative. The Earned Income Tax Credit is expected to draw down \$35.5 million of the surplus, leaving \$71.6 million to be refunded to taxpayers via the six-tier sales tax refund. Individual taxpayers on average will receive a sales tax refund from the FY 2004-05 surplus of \$24 in April 2006.

TABOR Refund Mechanisms
(Dollar Amounts in Millions)

	Threshold FY 2004-05	FY 2004-05	Threshold FY 2005-06	FY 2005-06	Threshold FY 2006-07	FY 2006-07	Threshold FY 2007-08	FY 2007-08	Threshold FY 2008-09	FY 2008-09	Threshold FY 2009-10	FY 2009-10
Projected Excess TABOR Refund		\$107.1		\$339.3		\$498.3		\$591.1		\$672.9		\$801.3
Refunded Through:												
H.B. 00-1049 Earned Income Tax Credit	\$66.8	\$35.5	\$70.9	\$36.2	\$75.8	\$36.9	\$81.3	\$37.7	\$86.9	\$38.4	\$93.3	\$39.2
H.B. 05-1125 Income Tax Deduction for Charity	NA	NA	\$100.0	\$3.4	\$107.0	\$3.5	\$114.7	\$3.5	\$122.6	\$3.6	\$131.7	\$3.7
H.B. 01-1313 Income Tax Credit for Foster Parents	\$225.1	\$0.0	\$238.7	\$0.2	\$255.4	\$0.2	\$273.8	\$0.2	\$292.8	\$0.2	\$314.5	\$0.2
H.B. 01-1287 Business Personal Property Tax Credit	\$227.2	\$0.0	\$240.9	\$110.2	\$257.7	\$112.4	\$276.3	\$114.6	\$295.4	\$116.9	\$317.4	\$119.3
H.B. 00-1361 Individual Development Accounts	\$235.2	\$0.0	\$249.3	\$0.0	\$266.7	\$0.0	\$286.0	\$0.0	\$305.8	\$0.0	\$328.5	\$0.0
H.B. 99-1237 Colorado Capital Gains Modification	\$347.5	\$0.0	\$368.4	\$0.0	\$394.1	\$56.8	\$422.6	\$57.9	\$451.8	\$59.1	\$485.4	\$60.2
H.B. 01-1257 Health Care Shortage Area Tax Credit	\$352.8	\$0.0	\$374.0	\$0.0	\$400.1	\$0.2	\$429.0	\$0.3	\$458.7	\$0.3	\$492.7	\$0.3
H.B. 00-1351 Child Care Tax Credits	\$359.0	\$0.0	\$380.6	\$0.0	\$407.2	\$28.6	\$436.6	\$29.2	\$466.8	\$29.7	\$501.5	\$30.3
H.B. 02-1059 Income Tax Credit for Contributions to the Institute for Telecommunication Education	\$393.9	\$0.0	\$417.7	\$0.0	\$446.8	\$0.0	\$479.1	\$0.0	\$512.2	\$0.0	\$550.3	\$0.0
H.B. 01-1081 Tangible Personal Property Used for Research and Development	\$403.6	\$0.0	\$428.0	\$0.0	\$457.8	\$15.5	\$490.9	\$15.8	\$524.9	\$16.1	\$563.8	\$16.5
H.B. 00-1227 Motor Vehicle Registration Fees	\$408.6	\$0.0	\$433.2	\$0.0	\$463.4	\$38.3	\$496.9	\$39.1	\$531.3	\$39.8	\$570.7	\$40.6
H.B. 00-1355 High Technology Scholarships	\$408.6	\$0.0	\$433.2	\$0.0	\$463.4	\$0.0	\$496.9	\$0.0	\$531.3	\$0.0	\$570.7	\$0.0
H.B. 00-1053 Income Tax Deduction for Charity	\$433.2	\$0.0	\$459.3	See H.B.05-1125	\$491.3	See H.B.05-1125	\$526.8	See H.B.05-1125	\$563.3	See H.B.05-1125	\$605.1	See H.B.05-1125
H.B. 00-1171 Income Tax Modification for Interest, Dividends, and Capital Gains	\$433.2	\$0.0	\$459.3	\$0.0	\$491.3	\$49.8	\$526.8	\$50.8	\$563.3	\$51.8	\$605.1	\$52.8
H.B. 00-1257 Pollution Control Provisions	\$433.2	\$0.0	\$459.3	\$0.0	\$491.3	\$2.1	\$526.8	\$2.2	\$563.3	\$2.2	\$605.1	\$2.3
H.B. 00-1259 Interstate Commerce Sales and Use Tax Exemption	\$433.2	\$0.0	\$459.3	\$0.0	\$491.3	\$4.9	\$526.8	\$5.0	\$563.3	\$5.1	\$605.1	\$5.2
H.B. 01-1086 Agriculture Value-Added Development Fund Program	\$450.3	\$0.0	\$477.4	\$0.0	\$510.7	\$0.0	\$547.6	\$0.6	\$585.5	\$0.6	\$629.0	\$0.6
H.B. 00-1104 Income Tax Credit for Cost of Health Benefits	\$495.1	\$0.0	\$525.0	\$0.0	\$561.6	\$0.0	\$602.2	\$0.0	\$643.8	\$2.8	\$691.6	\$2.9
H.B. 00-1209 Expand Colorado Capital Gains Modification	\$532.3	\$0.0	\$564.4	\$0.0	\$603.7	\$0.0	\$647.4	\$0.0	\$692.2	\$0.0	\$743.6	\$33.0
Sales Tax Refund		\$71.6		\$189.2		\$149.1		\$234.3		\$306.1		\$394.2
Average Sales Tax Refund Per Adult (in actual dollars)		\$24.1		\$62.7		\$48.7		\$75.4		\$97.1		\$123.1

The TABOR Refund is based on the June 2005 OSPB Forecast.