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THE SALES TAX REFUND IN 2001

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The state ended FY 1999-00 with excess TABOR revenues of \$941.1 million. The excess revenues will be returned to the state's taxpayers during FY 2000-01 through nine refund methods. These refund methods were discussed in *Issue Brief 00-7*. The remainder of this *Issue Brief* provides more detailed information about the sales tax refund.

The Sales Tax Refund

The sales tax refund is the major method to return the excess TABOR revenues. House Bill 99-1001 provided for the methodology of this refund. Individuals will 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 revenues returned through the sales tax refund is determined by subtracting the amount estimated for the other eight refund methods (\$240.9 million) and multiplying the result by 105 percent. The amount of the refund will also depend on the outcome of Referendum F on the November ballot. Referendum F asks voters to allow the state to keep \$50 million of the excess revenues in each of the next five years to spend on math and science grants to public schools. Thus, the state will refund either an estimated \$735.2 million or \$682.7 million depending on whether Referendum F passes. The average taxpayer refund will be \$267 if Referendum F does not pass and \$248 if the proposal is approved by voters.

The Colorado Department of Revenue recommended the individual refund amounts, and they were approved by the Executive Committee of the Legislative Council on October 16. The individual refund amounts are shown in Table 1.

Table 1
Sales Tax Refund Amounts by Income and Tax Filing Status

Modified Federal Adjusted Gross Income	Refund for Single, Head of Household, Married Separate if Voters:		Refund for Joint Return or Surviving Spouse if Voters:	
	Do not approve Ref. F	Approve Ref. F	Do not approve Ref. F	Approve Ref. F
Less than \$26,001	\$182	\$169	\$364	\$338
\$26,001 to \$53,000	\$245	\$227	\$490	\$454
\$53,001 to \$78,000	\$288	\$268	\$576	\$536
\$78,001 to \$103,000	\$325	\$302	\$650	\$604
\$103,001 to \$126,000	\$363	\$337	\$726	\$674
More than \$126,000	\$574	\$533	\$1,148	\$1,066

Who is eligible for the sales tax refund? Most people who are at least 18 years old and lived in Colorado for all of 2000, regardless of whether they pay state income taxes, are eligible for the sales tax refund. A person under age 18 is also eligible for the refund if he or she is required to file a state income tax return because the federal income thresholds are met or if he or she is filing the state income return to get a refund of wages withheld during 2000.

Who is not eligible for the sales tax refund? Nonresidents, part-year residents, and corporations are

not eligible for the refund. A person under age 18 who does not meet the criteria specified in the preceding paragraph cannot receive the refund.

Persons who were convicted of a felony or misdemeanor or who were adjudicated for an offense that would be a misdemeanor if committed by an adult and who served prison or jail sentences of at least 180 days during FY 1999-00 are also not eligible for the refund. A person under age 18 who was adjudicated for an offense that would be a felony if committed by an adult and was committed to the Department of Human Services for at least 180 days is not eligible for the refund.

How is the amount of the refund determined?

The amount of the refund is based on 2000 federal adjusted gross income plus any untaxed social security income, and the filing status of the taxpayer. Federal adjusted gross income is a person's income *before* personal exemptions and deductions and *after* certain adjustments such as IRA contributions, alimony payments, moving expenses, and student loan interest. This income measure includes wages, interest, dividends, alimony receipts, business income, capital gains, unemployment compensation, taxable IRA distributions and social security income, farm and rental income, and state income tax refunds for taxpayers who itemize deductions.

How is a refund claimed? Most taxpayers can claim the sales tax refund by filing a state income tax return. Eligible Colorado residents who do not file a federal income tax return because their incomes are too low should insert a zero on the line for qualifying income. The state income tax returns will be available at the end of 2000 and refunds can be claimed beginning January 2, 2001. Taxpayers who file a claim for a property tax assistance grant and/or a claim for heat and fuel expenses assistance can claim the refund on the form 104PTC.

What are the deadlines for filing for the refund?

All Colorado residents who are eligible for the sales tax refund must file a 2000 state income tax return or a 2000 104PTC form by April 16, 2001. However, taxpayers who receive an extension of time to file the state income tax return will receive the refund if the return is filed by October 15, 2001.

When will the refunds be issued? The refunds will be issued under the same time schedule as income tax refunds. Refunds will be issued in two weeks for returns filed in January, in three weeks for returns filed in February, in four weeks for returns filed in March, and in eight weeks for returns filed in April.