



Fact Sheet

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From the Colorado Fiscal Policy Institute

THE TAXPAYERS BILL OF RIGHTS (TABOR)

HISTORY AND BACKGROUND

TABOR is an amendment to the Colorado Constitution approved by voters in 1992. The amendment requires voter approval for certain changes in tax policy and imposes limitations on the amount of revenue that government can collect and spend. TABOR applies to all levels of state and local government and affects the state General Fund and Cash Fund.

REVENUE

Year 1 allowable (or actual if lower) revenue x Population change + Inflation = Year 2 allowable revenue

- TABOR limits state revenue growth to change in **Population + Inflation**. The formula is applied to General Fund and Cash Fund revenue. Certain funds, like damages and gifts are exempt. For example, in 2001 the formula was Population (2.1%) + Inflation (4.7%) = 6.8%
- Local revenue is limited to **Net New Construction + Inflation**
- School District revenue is limited to **Change in Student Enrollment + Inflation**
- Excess revenue (revenue collected above the TABOR limit) must be refunded to the taxpayers
- Government may seek voter approval to retain and spend all or a portion of the TABOR Surplus

TAXES

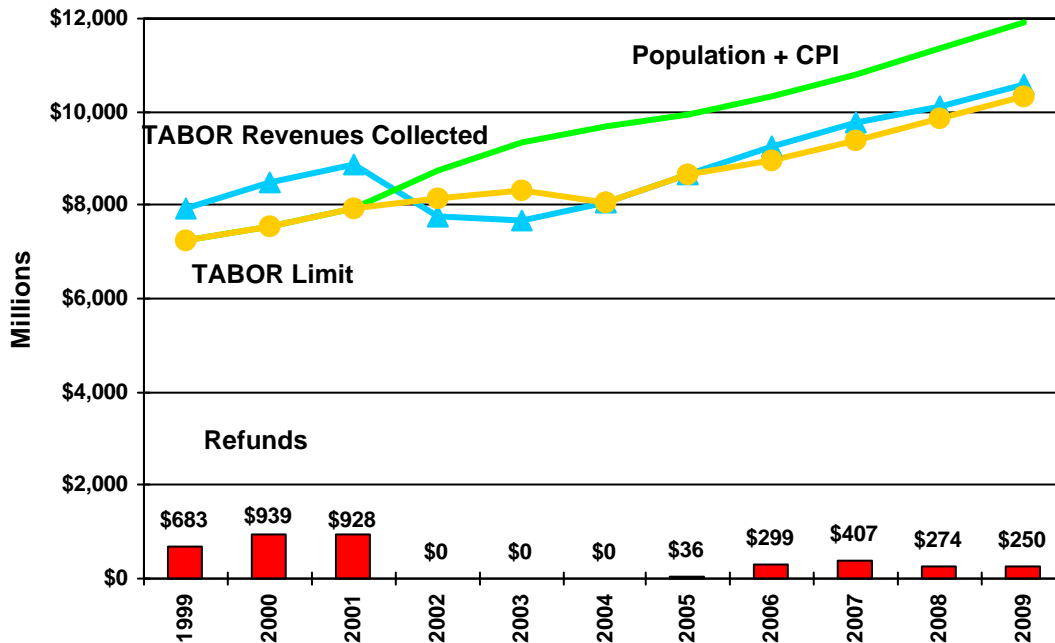
- TABOR requires voter approval for any new tax, tax rate increase, debt increase, increase in mill levies, and any tax policy change that results in a net revenue gain for the district
- TABOR prohibits certain taxing options such as real estate transfer taxes

SPENDING

TABOR prohibits the “weakening” of any spending limitations already in place when TABOR was passed. For example, a statutory provision known as the Arveschoug-Bird limit, restricts the increase in General Fund appropriations each year to 6% over the previous year’s appropriations. Under TABOR, the 6% General Fund appropriations limit cannot be increased to allow additional or increased appropriations because it would be interpreted as weakening.

GENERAL PROVISIONS

- Requires an emergency reserve equal to 3% of fiscal year spending. This reserve can only be spent in a declared emergency such as a natural disaster; fiscal crises do not count as emergencies under TABOR.
- Enterprises are exempt from TABOR limitations. An enterprise is defined as a government-owned business approved to issue revenue bonds and receiving less than 10% of its revenue from state and local government taxes.



Source: Bell Policy Center

TABOR SURPLUS

The state first generated a revenue surplus in FY 1996-1997 and had increasing surpluses until FY 2000-01. In FY 2000-01, the state experienced revenue shortfalls in excess of \$1 billion. The shortfall continued in FY 2002-03 and is expected to remain soft through FY 2003-04. A surplus exists when the state collects revenues in excess of the amount of revenue the TABOR limit allows.

The chart above shows that the amount of allowable revenue in a given year is the base for calculating the next year's allowable revenue, except in years when the Total TABOR Revenue, or actual revenue, is less than the formula would otherwise allow.

In 2001-2002, the state actually collected less money than the TABOR limit allowed by formula. Therefore, for FY 2002-03 the amount the state was allowed to keep was based on the amount of revenue the state actually collected in 2001-2002. Even if revenues rebound, the base to which the state applies the formula is permanently ratcheted down to the lower level.

METHODS OF DEALING WITH THE TABOR SURPLUS

Sales Tax Refund – The legislature created a 6-tier sales tax refund to return excess revenue to taxpayers. The sales tax refund is a feature on the state income tax form and available to all full year residents over 18 years of age regardless of income tax liability.

Permanent Tax Cuts – Among other permanent exemptions, deductions and credits, the legislature passed two income tax rate reductions and one sales tax rate reduction in 1999 and 2000. Income tax rate cut from 5% to 4.63% and sales tax rate dropped from 3% to 2.9%.

Contingent Refund Mechanisms – The legislature has created 19 “triggered” TABOR refund mechanisms in addition to the 6-tier sales tax refund. These refund mechanisms only exist in years when there is a TABOR surplus. Each refund mechanism has a threshold dollar amount which the surplus must exceed in order to trigger the refund mechanism.

Voter Approved Changes – If the state or a local government wants to retain and spend all or a portion of the TABOR surplus, a proposal to do so must be presented to the voters. A measure to retain and spend funds above the TABOR limit is called a De-Brucing measure.