A Blast from the Past: Reminders about TABOR Rebates

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Remember Rebates?

When State Revenue collections exceed the TABOR limits, a portion has to be returned to taxpayers.

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Rebate Requirement

Art X, Sec 20(7)(d) If revenue from sources not excluded from fiscal year spending exceeds these limits* in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. … **Qualification or disqualification as an enterprise shall change district bases and future year limits.**

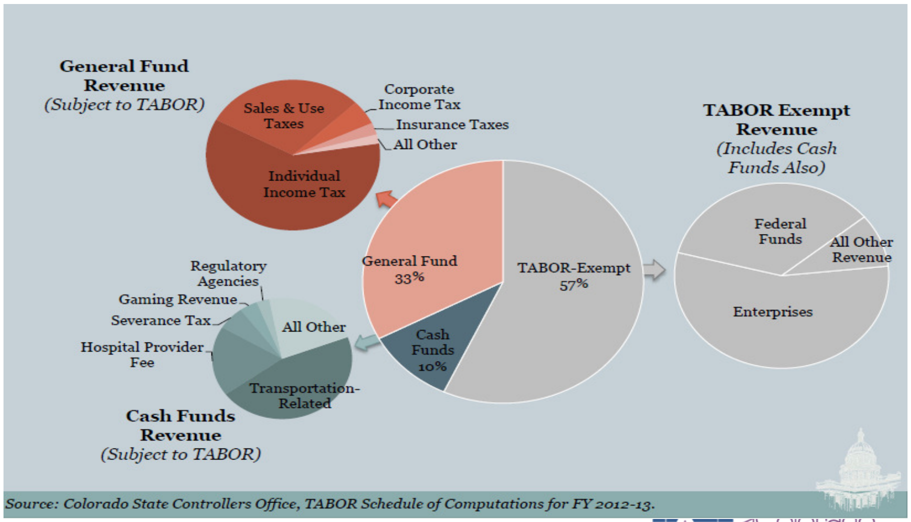
* (7) Spending limits.

(a) The maximum annual percentage change in state fiscal year spending equals inflation plus the percentage change in state population in the prior calendar year,

What Revenue Counts

Art X, Sec 20(2)(e) "Fiscal year spending" means all district expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.

What Counts as Revenue



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How is the money returned?

"Subject to judicial review, districts may use any reasonable method for refunds under this section, including temporary tax credits or rate reductions. Refunds need not be proportional when prior payments are impractical to identify or return." Art X, Sec 20 (1)

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Rebate History

$3.4 B returned between FY 1997—FY 2001

At the end of the 2009 legislative session, there were 15 refund mechanisms

In 2011, the number had been reduced to 3

Ref C Changes

Really, a De-Brucing that Eliminated the Ratchet

Highest Point of revenue collection between 2005 and 2010 created the new base. The growth allowance is applied to the prior year's base, rather than the prior year's revenue, to create current year base.

Ref C Changed the Calculation of Rebates

(b) (I) "**EXCESS STATE REVENUES CAP" FOR A GIVEN FISCAL YEAR MEANS**
EITHER OF THE FOLLOWING:……
(B) IF THE VOTERS OF THE STATE DO NOT APPROVE A BALLOT ISSUE TO AUTHORIZE THE STATE TO INCUR MULTIPLE-FISCAL YEAR OBLIGATIONS AT THE NOVEMBER 2005 STATEWIDE ELECTION, **AN AMOUNT THAT IS EQUAL TO THE HIGHEST TOTAL STATE REVENUES FOR A FISCAL YEAR FROM THE PERIOD OF THE 2005-06 FISCAL YEAR THROUGH THE 2009-10 FISCAL YEAR, ADJUSTED EACH SUBSEQUENT FISCAL YEAR FOR INFLATION, THE PERCENTAGE CHANGE IN STATE POPULATION, THE QUALIFICATION OR DISQUALIFICATION OF ENTERPRISES, AND DEBT SERVICE CHANGES.**

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Ref C Impact

After Ref C, the inflation and population change that occurs in years when revenue growth doesn't yield a TABOR rebate gets accounted for.

	FY 09	FY 10	FY 11	FY 12	FY 13	
CPI	-0.6%	1.9%	3.7%	1.9%	2.9%	
Population	1.5%	1.5%	1.4%	1.4%	1.6%	
	0.9%	3.4%	5.1%	3.3%	4.5%	17.2%

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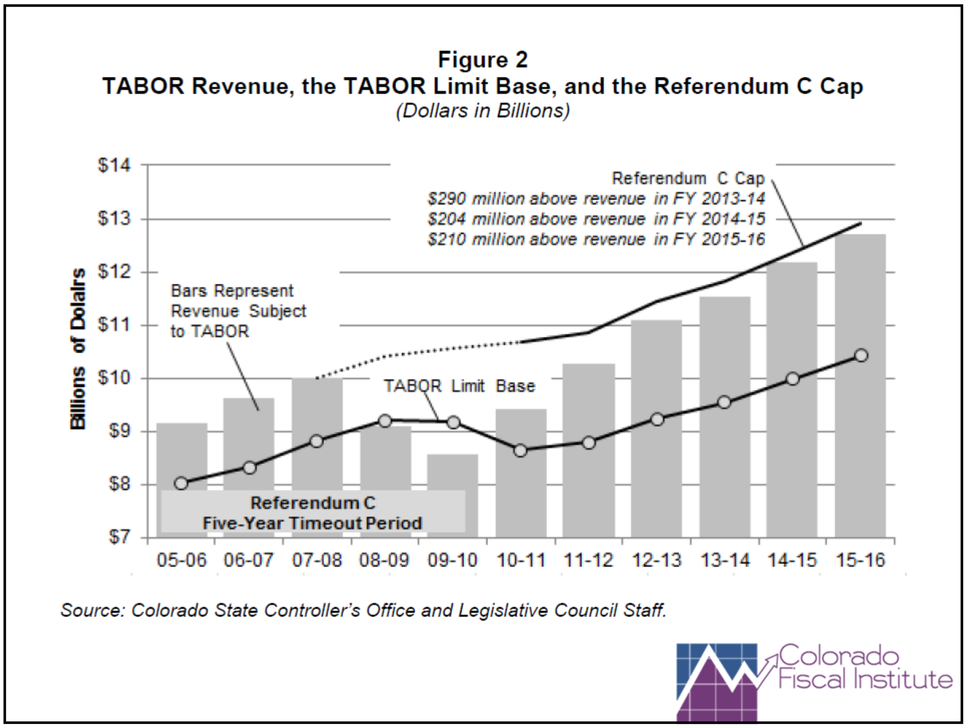


How Does Money Above the Ref C Cap Get Returned?

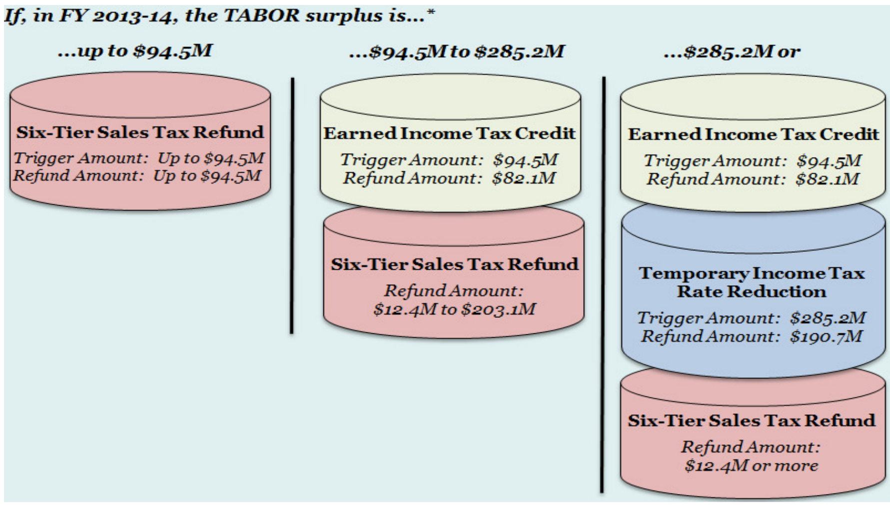
3 REBATES:

Six Tier Sales Tax Rebate

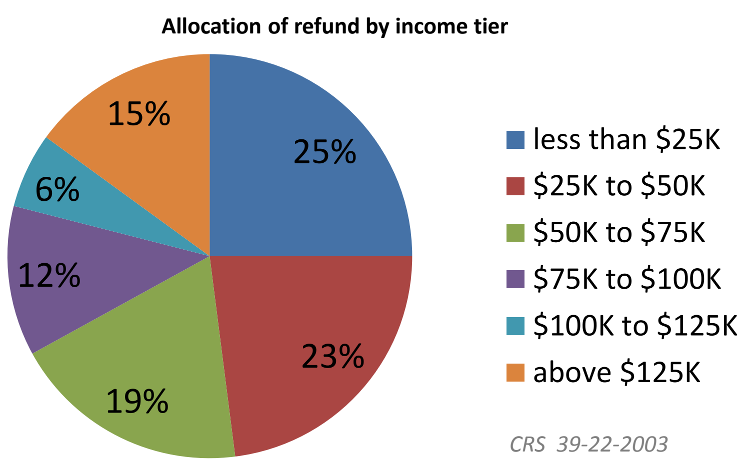
Earned Income Tax Credit

Reduction in income tax rate from 4.63% to 4.5%

Rebate Amounts



Six-Tier TABOR Refund Mechanism



EITC

According to SB 13-001, as soon as it triggers on as a TABOR rebate, it transforms to a permanent tax credit.

Income Tax Rate Reduction

In any year when TABOR revenue reaches a designated level, (FY '14 $285 m above Ref C Cap) the income tax rate drops, in October, from 4.63% to 4.5% for the next calendar year, UNLESS, **a measure asking for voter approval to keep the excess is on the ballot. Then the reduction is not made official until after the outcome of the election.**

This is an annual calculation.

Are They Coming Back?

Current estimates show $290 million below the limit in FY 14 and $204 in FY 15.

Not much wiggle room 1.7% of revenue

Minus Policy Changes or a Downturn in the Economy We Will See TABOR Rebates in the Next 3 Years

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Policy Changes

Tax Credits,

Changes in Definition of a Revenue Source—Enterprise Status for some source,

Tax rate reduction,

Elimination of a cash fund,

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SB-228

Passed in 2009 to allow the Legislature to grow expenditures for state operating costs at a rate higher than 6%.

As soon as Personal Income for Colorado grows faster than 5%, the statutory reserve will grow by .5% a year up to 6.5%

Capital construction will get an amount equal to .5% or 1% of General Fund spending

Transportation will get an amount equal to 2% of general fund spending EXCEPT….

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Required Increases or Transfers in Years with No TABOR Rebates				Reduction in Increases if TABOR Rebates Equal:		
Use/Fund	Year 1 of Transfer	Year 2 of Transfer	Years 3, 4 and 5	Less than 1% of General Fund Revenues	More than 3% but less than 5% of General Fund Revenues	More than 5% of General Fund Revenues
Statutory Reserve	4.5% of the amount appropriated from the General Fund	5.0% of the amount appropriated from the General Fund	Increases by .5% up to 6.5% of the amount appropriated from the General Fund	No effect	No effect	No effect
Capital Construction Fund	Amount equal to .5% of total General Fund Revenues	Amount equal to .5% of total General Fund Revenues	Amount equal to 1% of total General Fund Revenues	No reduction	50% reduction	100% reduction
Highway Users Tax Fund	Amount equal to 2% of total General Fund Revenues	Amount equal to 2% of total General Fund Revenues	Amount equal to 2% of total General Fund Revenues	No reduction	50% reduction	100% reduction

Progress on 228 transfers

Governor's Budget increases reserve to 6.5% for FY 14-15 so no additional revenue required to meet this obligation.

FY 2013-14 has Capitol Construction transfers equal to 1% so no additional revenue is required to meet this obligation. Requirement is around $45 million. 13-14 --- $186m

Transportation—No Transportation transfer in FY 14 required in FY 15 is 2% or approximately $170m

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How much more is needed

Need an additional **$29 million** to have enough to get to a reserve of 6.5% (more than required by SB 228), plus .5% for Cap Construction and 2% for transportation.

Will probably stretch to more than SB 228 minimums

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Debrucing Options

Approval to keep all revenue from all sources for any purpose ……..

Approval to keep a portion of revenue (time or amount limited) for outline purposes

Parting Thought

"Excess revenue means we have more revenue than we expected not more revenue than we need."