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The FY 1998-99 TABOR Refund

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The state ended FY 1998-99 with excess TABOR revenues of \$682.6 million. Two adjustments were made to the FY 1998-99 excess revenues. First, in the two prior fiscal years, the excess revenues were a combined \$3.0 million less than previously estimated. Second, \$2.2 million of the FY 1996-97 excess had not been refunded as of September 30, 1999. Thus, the amount of revenues that must be refunded during FY 1999-00 is \$681.8 million. Because the General Assembly built in an "insurance provision" to the sales tax refund insuring that all of the refund is accomplished, we estimate that \$710.4 million will be refunded to taxpayers.

The General Assembly passed three bills during the 1999 legislative session that return the excess revenues from FY 1998-99 to the state's taxpayers. The remainder of this *Issue Brief* reviews the three mechanisms.

House Bill 99-1311, Business Personal Property Tax Refund

Businesses claimed the business personal property tax refund in July and August. We had estimated that the refund would be \$100 million. In fact, only \$79.3 million of the refund was claimed by the state's business community. The business community had a small time window between the passage of House Bill 99-1311 and the deadline to claim the refund, thus it is possible that some businesses were unaware of the refund.

House Bill 99-1383, Earned Income Credit

This means of refunding excess TABOR revenues is based on the federal earned income credit. The federal credit may be claimed by certain taxpayers with modified federal adjusted gross incomes up to approximately \$31,000. Eligible full-year resident taxpayers will receive 8.5 percent of the federal credit amount. Eligible part-year resident taxpayers will receive 8.5 percent of the federal earned income credit but will apportion the credit based on the percentage of income earned while the taxpayer was a resident of Colorado during 1999. This TABOR refund can be claimed by taxpayers when they file 1999 state income tax returns beginning in January 2000. This refund mechanism is estimated to return \$28.9 million to the state's taxpayers.

House Bill 99-1001, Sales Tax Refund

The sales tax refund mechanism is similar to the TABOR refunds of the past two years. 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 refunded through this mechanism is determined by subtracting the amount estimated for the other refund methods from the total TABOR refund and multiplying the result by 105 percent. Thus, the state will refund an estimated \$602.2 million through the sales tax refund. The Colorado Department of Revenue recommended the individual refund amounts and they were approved by the Executive Committee of the Legislative

Council on October 15. The individual refund amounts are shown in Table 1.

Who is eligible for the sales tax refund? Most persons who are at least 18 years old and lived in Colorado for all of 1999, 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 tax return to get a refund of wages withheld during 1999.

Table 1.
TABOR Refund Amounts by
Income and Tax Filing Status

Modified Federal Adjusted Gross Income		Filing Status on Tax Return:	
From:	To:	Single or Married Separate Return:	Joint Return or Surviving Spouse:
\$0	\$25,000	\$159	\$318
\$25,001	\$50,000	\$212	\$424
\$50,001	\$75,000	\$244	\$488
\$75,001	\$100,000	\$290	\$580
\$100,001	\$125,000	\$312	\$624
More than	\$125,000	\$502	\$1,004

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 an misdemeanor if committed by an adult and who served prison or jail sentences of at least 180 days during FY 1998-99 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 a person's refund will be based on 1999 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. This income measure includes wages, interest, dividends, alimony received, 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. Federal adjusted gross income is reduced by certain adjustments such as IRA distributions, alimony paid, moving expenses, and contributions for a Keogh and self-employed SEP plan.

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 forms will be available at the end of 1999 and refunds can be claimed beginning January 3, 2000. 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 1999 state income tax return or a 1999 104PTC form by April 15, 2000. 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, 2000.

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.



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