



COLORADO
Department of Revenue

Executive Director's Office

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October 1, 2015

The Honorable Bill Cadman
President of the Senate
Colorado General Assembly

The Honorable Dickey Lee Hullinghorst
Speaker of the House
Colorado General Assembly

The Honorable Mark Scheffel
Senate Majority Leader
Colorado General Assembly

The Honorable Crisanta Duran
House Majority Leader
Colorado General Assembly

The Honorable Lucia Guzman
Senate Minority Leader
Colorado General Assembly

The Honorable Brian DelGrosso
House Minority Leader
Colorado General Assembly

Dear Senators and Representatives:

On September 1, 2015, the State Controller certified surplus revenues for FY 2014-15 in the amount of \$153,596,610.00. Section 39-22-627 of the Colorado Revised Statutes requires the Department of Revenue to determine if a temporary reduction in state income tax is warranted. Although the surplus revenues did not meet the TABOR threshold to temporarily reduce the income tax rate from 4.63 percent to 4.50 percent for income tax year 2015, we are still required to provide an estimate of what the reduction in income taxes would have been. Using total income tax revenues from the June 2015 Legislative Council Staff revenue forecast, the estimated reduction in income taxes for income tax year 2015 is \$199.4 million.

Currently, the surplus revenues must meet the TABOR threshold to trigger the Earned Income Tax Credit (EITC). For tax years after 2015, the EITC will no longer be a TABOR mechanism and will become a permanent credit. See §39-22-123.5, C.R.S. Additionally, through Proposition BB, voters will determine whether the state shall retain and spend retail marijuana tax revenues collected in excess of the retail marijuana tax revenue estimate from Proposition AA.

As required by statute, when the average TABOR refund exceeds \$15 per qualified taxpayer, refund calculations are to be completed based on Adjusted Gross Income tier taxpayer distributions and TABOR refund amount distributions in place during tax year 1999. See §39-22-2003(3), C.R.S.

Fulfilling the requirements of Section 39-22-2002(6)(a) of the Colorado Revised Statutes, the basis for the TABOR refund calculations are attached. The TABOR refund amounts of surplus revenues follow:

Adjusted Gross Income	Proposition BB Passes			Proposition BB DOES NOT Pass					
	Amount of TABOR Refund			Additional Retail Marijuana Tax Refund From Rejection of Proposition BB			Total Refund Including TABOR Retail Marijuana Tax		
	Single Filer	Married Filer	Total	Single Filer	Married Filer	Single Filer	Married Filer	Total	
Less than \$36,001	\$13	\$26	\$15,969,135	\$5	\$10	\$18	\$36	\$22,111,110	
\$36,001 to \$77,000	18	36	17,034,678	6	12	24	48	22,712,904	
\$77,001 to \$120,000	21	42	12,783,267	8	16	29	58	17,653,083	
\$120,001 to \$163,000	23	46	7,596,463	9	18	32	64	10,568,992	
\$163,001 to \$204,000	24	48	3,762,144	9	18	33	66	5,172,948	
Greater than \$204,001	\$41	\$82	\$10,743,394	\$15	\$30	\$56	\$112	\$14,673,904	
	Total		\$67,889,081	Total				\$92,892,941	

Sincerely,

Barbara J. Brohl
 Executive Director
 Colorado Department of Revenue

Attachment

TABOR REFUND WORKSHEET: A-1

Assumes voters approve Proposition BB: State Retains and Spends Revenue Collected in Excess of Estimate from Proposition AA

FY 2014-15 Revenues in Excess of TABOR Limits—Certified by State Controller (9/1/15) and NOT Verified by the State Auditor	\$	149,991,227
<i>plus</i>		
Prior Year TABOR Excess Revenues Not Refunded	\$	3,605,383
<i>equals:</i>		
Revenues in Excess of TABOR	\$	153,596,610
<i>less</i>		
Other Refund Mechanisms:		
Amount from TABOR Refund Worksheet C, Earned Income Tax Credit	\$	85,700,000
<i>equals:</i>		
Net Revenues in Excess of TABOR	\$	67,896,610
Net Revenues in Excess of TABOR divided by the Number of Qualified Taxpayers	\$	19

As stated in the letter, since the result is greater than \$15, TABOR refunds per qualified taxpayer will be based on adjusted gross income¹ tiers.

Tax Year 2015 Adjusted Gross Income ¹	Percent of Qualified Taxpayers Receiving TABOR Refunds by Income Category ²	Percent of Total TABOR Refunds Attributable by Income Category ^{2,3}	Total TABOR Refund Amount by Income Category ^{2,3}	Number of Qualified Taxpayers by Income Category ²	Refund per Qualified Taxpayer ⁴ by Income Category ²
Less than \$36,001	34.77%	23.52%	\$15,969,135	1,228,395	\$13
\$36,001 to \$77,000	26.79%	25.09%	17,034,678	946,371	18
\$77,001 to \$120,000	17.23%	18.83%	12,783,267	608,727	21
\$120,001 to \$163,000	9.35%	11.19%	7,596,463	330,281	23
\$163,001 to \$204,000	4.44%	5.54%	3,762,144	156,756	24
Greater than \$204,001	7.42%	15.82%	10,743,394	262,034	41
Total	100.00%	100.00%	\$67,889,081	3,532,564	\$19
					Average of Total Refunds

¹ Adjusted Gross Income represents the combined total of: federal adjusted gross income; social security benefits excluded from federal adjusted gross income for the tax year; lump-sum distributions from pension and profit sharing plans excluded from federal adjusted gross income that are added to federal taxable income pursuant to CRS 39-22-104(3)(c); and the amount of interest income from state and local bonds added to federal taxable income pursuant to CRS 39-22-104(3)(b).

² Pursuant to CRS 39-22-2003 (4), qualified taxpayers filing for refunds in tax year 2015 are to be placed in income categories based on the percentage distribution of taxpayers receiving refunds in tax year 1999. Tax year 2015 TABOR refund amounts are to be allocated among income categories based on the percentage distribution of refunds in tax year 1999.

³ Total TABOR Refund Amount for distribution is different than Net Revenues in Excess of TABOR due to rounding refund amounts per taxpayer to the dollar.

⁴ Joint filers receive double the refund amount listed.

TABOR REFUND WORKSHEET: B-1

Assumes voters reject Proposition BB: Revenue Collected in Excess of Estimate from Proposition AA is Refunded to Taxpayers

FY 2014-15 Revenues in Excess of TABOR Limits--Certified by State Controller (9/1/15) and NOT Verified by the State Auditor	\$	149,991,227
<i>plus</i>		
Prior Year TABOR Excess Revenues Not Refunded	\$	3,605,383
<i>equals:</i>		
Revenues in Excess of TABOR	\$	153,596,610
<i>plus</i>		
Retail Marijuana Tax Refund from Proposition AA Refund Account in Excess of State Revenues	\$	25,000,000
<i>equals:</i>		
Total to be refunded	\$	178,596,610
<i>less</i>		
Other Refund Mechanisms:		
Amount from TABOR Refund Worksheet C, Earned Income Tax Credit	\$	85,700,000
<i>equals:</i>		
Net Revenues in Excess of TABOR and Retail Marijuana Tax Refund from	\$	92,896,610
Net Revenues in Excess of TABOR divided by the Number of Qualified Taxpayers	\$	26

As stated in the letter, since the result is greater than \$15, TABOR refunds per qualified taxpayer will be based on adjusted gross income¹ tiers.

Tax Year 2015 Adjusted Gross Income ¹	Percent of Qualified Taxpayers Receiving		Percent of Total TABOR Refunds Attributable		Total TABOR Refund Amount		Number of Qualified Taxpayers		Refund per Qualified Taxpayer ⁴ by Income Category ²
	TABOR Refunds by Income Category ²	by Income Category ²	TABOR Refunds by Income Category ²	by Income Category ²	by Income Category ²	by Income Category ²	by Income Category ²	by Income Category ²	
Less than \$36,001	34.77%	23.80%	\$22,111,110	1,228,395	\$18				
\$36,001 to \$77,000	26.79%	24.45%	22,712,904	946,371	24				
\$77,001 to \$120,000	17.23%	19.00%	17,653,083	608,727	29				
\$120,001 to \$163,000	9.35%	11.38%	10,568,992	330,281	32				
\$163,001 to \$204,000	4.44%	5.57%	5,172,948	156,756	33				
Greater than \$204,001	7.42%	15.80%	14,673,904	262,034	56				
Total	100.00%	100.00%	\$92,892,941	3,532,564	\$26				Average of Total Refunds

¹ Adjusted Gross Income represents the combined total of: federal adjusted gross income; social security benefits excluded from federal adjusted gross income for the tax year; lump-sum distributions from pension and profit sharing plans excluded from federal adjusted gross income that are added to federal taxable income pursuant to CRS 39-22-104(3)(c); and the amount of interest income from state and local bonds added to federal taxable income pursuant to CRS 39-22-104(3)(b).

² Pursuant to CRS 39-22-2003 (4), qualified taxpayers filing for refunds in tax year 2015 are to be placed in income categories based on the percentage distribution of taxpayers receiving refunds in tax year 1999. Tax year 2015 TABOR refund amounts are to be allocated among income categories based on the percentage distribution of refunds in tax year 1999.

³ Total TABOR Refund Amount for distribution is different than Net Revenues in Excess of TABOR due to rounding refund amounts per taxpayer to the dollar.

⁴ Joint filers receive double the refund amount listed.

ATTACHMENT C:

TABOR Refund Mechanisms and TABOR Surplus Threshold Amounts

Colorado Revised Statute	TABOR Surplus Refund Mechanism	FY 2014-15 TABOR Surplus Threshold Base (\$'s in millions)	Estimated TABOR Refunds Distributed in FY2015-16 (\$'s in millions)
39-22-123 ¹	Earned Income Tax Credit	\$97.7	\$85.7

¹ Pursuant to CRS 39-22-123.5, after a credit is allowed under CRS 39-22-123, distributions the Earned Income Tax Credit shall become permanent and will no longer be a TABOR refund.