

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 26-0969.04 Pierce Lively x2059

HOUSE BILL 26-1419

HOUSE SPONSORSHIP

Sirota and Brown,

SENATE SPONSORSHIP

Amabile and Bridges,

House Committees
Appropriations

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE OVER-REFUND AMOUNT FOR STATE FISCAL YEAR
102 **2024-25** OF STATE REVENUES IN EXCESS OF THE STATE FISCAL
103 YEAR SPENDING LIMIT UNDER SECTION **20** OF ARTICLE **X** OF THE
104 STATE CONSTITUTION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

Section 20 of article X of the state constitution (TABOR) imposes a limitation on the amount of state fiscal year spending. If state fiscal year spending exceeds that limitation, the state is required to refund the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

amount of state fiscal year spending in excess of that limitation (TABOR refund). Under current law, if the state issues a TABOR refund for a state fiscal year, and the amount of that TABOR refund is greater than the amount of state fiscal year spending in excess of the limitation of state fiscal year spending for the state fiscal year (over-refund), the state reduces the amount of the next available TABOR refund by the amount of the over-refund.

Changes in federal tax policy in 2025 reduced the amount of state tax revenue for the 2025 tax year. Due to when this change in federal tax policy was signed into law, it was not reflected in the amount of state fiscal year 2024-25 spending, even though the change impacted the 2025 tax year. Accordingly, the bill directs the office of the state controller, in consultation with the office of state planning and budgeting and the department of revenue, to determine the amount of the over-refund for state fiscal year 2024-25 taking into account the impact on state revenues from the federal tax policy change. No more than half of this over-refund can offset future TABOR refunds for any single state fiscal year beginning with the 2026-27 state fiscal year.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) H.R. 1 of the 119th Congress (2025-26), Pub. L. 119-21 had
5 a significantly negative impact on Colorado's financial outlook;

6 (b) H.R. 1 was signed into law on July 4, 2025, four days after the
7 end of state fiscal year 2024-25, which meant that there was insufficient
8 time to adjust revenue accruals and the certification of the amount of state
9 fiscal year spending in excess of the constitutional limitation on state
10 fiscal year spending;

11 (c) H.R. 1 impacted state 2025 income tax year revenue, which
12 revenue would typically contribute to both state fiscal year 2024-25 and
13 state fiscal year 2025-26 state revenue, but since H.R. 1 was signed into
14 law after the end of state fiscal year 2024-25, the impact on state 2025
15 income tax year revenue was only accrued to state fiscal year 2025-26;

1 (d) H.R.1 currently has an effective 18-month impact on state
2 fiscal year 2025-26 state revenue and no impact on state fiscal year
3 2024-25 state revenue;

4 (e) Based on preliminary estimates presented by the office of state
5 planning and budgeting to the executive committee of the legislative
6 council and the joint budget committee in July and August of 2025, if
7 accruals of state fiscal year 2024-25 state revenues would have updated
8 to reflect the impact of H.R.1 on state fiscal year 2024-25 state revenues,
9 the revenue reductions caused by H.R. 1 would have potentially meant
10 that state fiscal year 2024-25 state fiscal year spending did not exceed the
11 constitutional limitation on state fiscal year spending; however, under
12 current law, state fiscal year 2024-25 state fiscal year spending did exceed
13 the constitutional limitation on state fiscal year spending and the state is
14 required to refund that excess revenue;

15 (f) Based on state income tax revenue collections received that are
16 tied to activity in the first half of 2025, H.R.1 lowered the state income
17 tax revenue that the state actually received for state fiscal year 2024-25
18 when compared to the currently booked accruals of that state income tax
19 revenue, which resulted in an inaccurate calculation of state fiscal year
20 2024-25 state fiscal year spending;

21 (g) If the office of the state controller discovers an error involving
22 a prior state fiscal year, the office of the state controller may correct that
23 error by increasing or decreasing state fiscal year spending for the
24 relevant state fiscal year;

25 (h) If an adjustment of state fiscal year spending cannot be made
26 under current law, the plenary power of the General Assembly allows the
27 General Assembly to enact legislation that facilitates compliance with

1 article X, section (20) of the Colorado constitution (TABOR) and may
2 direct the office of the state controller to prepare the annual finance report
3 that certifies the state's compliance with TABOR in a manner that
4 complies with that statutory direction; and

5 (i) This act requires the office of the state controller to correct the
6 accounting of state fiscal year 2024-25 fiscal year spending to reflect
7 H.R.1 and to make corresponding changes to the future refund of state
8 fiscal year spending that exceeds the constitutional limitation on state
9 fiscal year spending.

10 **SECTION 2.** In Colorado Revised Statutes, 24-77-103.7, **add**
11 (4.5) as follows:

12 **24-77-103.7. Over-refunds of state revenues - definitions.**

13 (4.5) (a) BEFORE DECEMBER 1, 2026, THE CONTROLLER SHALL
14 DETERMINE AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN:

15 (I) THE AMOUNT THAT THE STATE IS REQUIRED TO REFUND
16 PURSUANT TO SECTION 20 (7)(d) OF ARTICLE X OF THE STATE
17 CONSTITUTION FOR STATE FISCAL YEAR 2024-25, AS CERTIFIED IN THE
18 ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE STATE THAT THE
19 STATE CONTROLLER PUBLISHED FOR STATE FISCAL YEAR 2024-25; AND

20 (II) THE AMOUNT THAT THE STATE WOULD HAVE BEEN REQUIRED
21 TO REFUND PURSUANT TO SECTION 20 (7)(d) OF ARTICLE X OF THE STATE
22 CONSTITUTION FOR STATE FISCAL YEAR 2024-25 AS A RESULT OF THE
23 REDUCTION OF STATE REVENUES FOR STATE FISCAL YEAR 2024-25 CAUSED
24 BY H.R. 1 OF THE 119TH CONGRESS (2025-26), PUB. L. 119-21, AS
25 DETERMINED BY THE CONTROLLER, THE OFFICE OF STATE PLANNING AND
26 BUDGETING, AND THE DEPARTMENT OF REVENUE.

27 (b) FOR PURPOSES OF THE CALCULATION SET FORTH IN SUBSECTION

1 (4) OF THIS SECTION, THE AMOUNT OF THE OVER-REFUND FOR THE FISCAL
2 YEAR COMMENCING ON JULY 1, 2024, THAT IS USED FOR THE REDUCTION
3 SET FORTH IN SUBSECTION (4)(b) OF THIS SECTION IS EQUAL TO THE
4 AMOUNT DETERMINED BY THE CONTROLLER IN ACCORDANCE WITH
5 SUBSECTION (4.5)(a) OF THIS SECTION AND, NOTWITHSTANDING
6 SUBSECTION (2) OF THIS SECTION, SHALL ONLY BE USED FOR FISCAL YEARS
7 COMMENCING ON OR AFTER JULY 1, 2026, AND SHALL NOT EXCEED
8 ONE-HALF OF THE AMOUNT CALCULATED IN ACCORDANCE WITH
9 SUBSECTION (4.5)(a) OF THIS SECTION FOR ANY FISCAL YEAR.

10 **SECTION 3. Safety clause.** The general assembly finds,
11 determines, and declares that this act is necessary for the immediate
12 preservation of the public peace, health, or safety or for appropriations for
13 the support and maintenance of the departments of the state and state
14 institutions.