Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 26-0969.04 Pierce Lively x2059 **HOUSE BILL 26-1419**

HOUSE SPONSORSHIP

Sirota and Brown, Bacon, Boesenecker, Lindsay, Smith, Stewart R., Woodrow, Zokaie

SENATE SPONSORSHIP

Amabile and Bridges,

House Committees
Appropriations

Senate Committees
Appropriations

A BILL FOR AN ACT

CONCERNING THE OVER-REFUND AMOUNT FOR STATE FISCAL YEAR 2024-25 OF STATE REVENUES IN EXCESS OF THE STATE FISCAL YEAR SPENDING LIMIT UNDER SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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

HOUSE
3rd Reading Unamended
April 30, 2026

HOUSE
Amended 2nd Reading
April 28, 2026

spending exceeds that limitation, the state is required to refund the 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.

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

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

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

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

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

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

(e) Although not predicted by current revenue forecasts, if the 18-month impact of H.R. 1 on state fiscal year 2025-26 revenue results in state fiscal year spending for that year to exceed the constitutional limitation on state fiscal year spending, then, while the actual impacts of H.R. 1 on state revenues may differ from what was certified for state fiscal years 2024-25 and 2025-26, correcting the accounting of state fiscal year 2024-25 state fiscal year spending to reflect the revenue reductions caused by H.R. 1 would only shift certified state revenue in excess of the constitutional limitation on state fiscal year spending between state fiscal years 2024-25 and 2025-26. Therefore, if 2025-26 state fiscal year spending exceeds the constitutional limitation on state fiscal year spending, there is no need to correct the calculation of 2024-25 state fiscal year spending because the cumulative amount of state revenue that would be refunded to taxpayers between state fiscal years 2024-25 and 2025-26 under existing accounting would be the same regardless of the fiscal year in which the impact of H.R. 1 is accounted for.

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

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

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

(i) If an adjustment of state fiscal year spending cannot be made under current law, the plenary power of the General Assembly allows the General Assembly to enact legislation that facilitates compliance with article X, section (20) of the Colorado constitution (TABOR) and may direct the office of the state controller to prepare the annual finance report that certifies the state's compliance with TABOR in a manner that complies with that statutory direction; and

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

SECTION 2. In Colorado Revised Statutes, 24-77-103.7, **add**

(4.5) as follows:

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

(4.5) IF IN SEPTEMBER 2026 THE CONTROLLER CERTIFIES PURSUANT TO SECTION 24-77-106.5 (1) THAT STATE FISCAL YEAR 2025-26 STATE REVENUES DID NOT EXCEED THE LIMITATION ON STATE FISCAL YEAR SPENDING IMPOSED BY SECTION 20 (7)(a) OF ARTICLE X OF THE STATE CONSTITUTION FOR STATE FISCAL YEAR 2025-26:

(a) BEFORE NOVEMBER 16, 2026, THE CONTROLLER SHALL DETERMINE AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN:

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

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

(b) FOR PURPOSES OF THE CALCULATION SET FORTH IN SUBSECTION (4) OF THIS <u>SECTION AND SECTION 24-77-103.5 (2),</u> THE AMOUNT OF THE OVER-REFUND FOR THE FISCAL YEAR COMMENCING ON JULY 1, 2024, THAT IS USED FOR THE REDUCTION SET FORTH IN SUBSECTION (4)(b) OF THIS SECTION IS EQUAL TO THE AMOUNT DETERMINED BY THE CONTROLLER IN ACCORDANCE WITH SUBSECTION (4.5)(a) OF THIS SECTION AND,

NOTWITHSTANDING SUBSECTION (2) OF THIS SECTION, SHALL ONLY BE USED FOR FISCAL YEARS COMMENCING ON OR AFTER JULY 1, 2026, AND SHALL NOT EXCEED ONE-HALF OF THE AMOUNT CALCULATED IN ACCORDANCE WITH SUBSECTION (4.5)(a) OF THIS SECTION FOR ANY FISCAL YEAR.

SECTION 3. Appropriation. For the 2026-27 state fiscal year, $18,021 is appropriated to the legislative department for use by the office of the state auditor. This appropriation is from the general fund and is based on an assumption that the office will require an additional 0.2 FTE. The office may use this appropriation to implement this act.

SECTION 4. Safety clause. The general assembly finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety or for appropriations for the support and maintenance of the departments of the state and state institutions.