



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado’s Legislature

SB 26-042: REVENUE CLASSIFICATION TAXPAYERS BILL OF RIGHTS

Prime Sponsors:

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Fiscal note status: The fiscal note reflects the reengrossed bill, as amended by the House Appropriations Committee.

Summary Information

Overview. The bill specifies that certain revenues are considered to be collections for another government or damage awards, and are therefore exempt from TABOR.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- TABOR Refunds

Appropriations. For FY 2026-27, the bill requires and includes a General Fund appropriation of \$2.25 million to the Judicial Department.

**Table 1
State Fiscal Impacts**

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$0	\$2.3 million	\$47.0 million
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	-\$44.7 million	-\$45.3 million
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Under the March 2026 OSPB Forecast selected by the Joint Budget Committee for FY 2026-27 budget balancing, the bill would not require a \$47.0 million General Fund expenditure in FY 2027-28 for property tax reimbursements, such that total expenditures would be \$2.3 million in FY 2027-28.

Summary of Legislation

The state revenue limit in the Colorado Constitution's TABOR amendment applies to all state revenue that is not specifically excluded. Collections for another government and damage awards are two of the exclusions listed in TABOR. Beginning in the current FY 2025-26, the bill classifies certain additional sources of revenue under these exclusions such that they are exempt from the TABOR limit.

Collections for Another Government

Under current law, "collections for another government" is defined as any revenue that is collected by the state that is passed through to another government for the benefit and use of that government. The bill specifies that the following sources of revenue be classified as collections for another government:

- sales, use, and excise tax revenue from aviation gas and jet fuel that is distributed from the aviation fund to an airport or to a government that is operating an airport; and
- fee revenue collected by the Department of Public Safety for criminal history record checks that is transmitted to the Federal Bureau of Investigation.

Damage Awards

Under current law, "damage award" is defined to mean pecuniary compensation received by the state as a result of any judgment or allowance in favor of the state. The bill classifies certain money deposited in the Crime Victim Compensation Fund as a damage award. Beginning in FY 2026-27, the bill also removes the authority for District Attorneys to spend up to 20 percent of the revenue in the Crime Victim Compensation Fund for administrative costs, and for Judicial districts to spend up to 2.5 percent for administrative costs. Rather, the bill directs these expenditures to be paid from the General Fund.

Assumptions

The fiscal note assumes the March 2026 LCS revenue forecast and incorporates the FY 2026-27 Long Bill package. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28.

TABOR Refunds

The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by \$44.7 million in FY 2026-27 and \$45.3 million in FY 2027-28. These changes in TABOR refunds occur due to the reclassification of revenue as exempt from TABOR under the bill.

Revenue Reclassification

The bill reduces revenue that will be refunded to taxpayers by \$44.7 million in FY 2026-27 and \$45.3 million in FY 2027-28 due to revenue reclassification, as shown in Table 2. The bill is not expected to reduce TABOR refunds in the current FY 2025-26 because the state is not projected to have a refund obligation for this fiscal year. Because TABOR refunds are paid from the General Fund, decreasing the TABOR refund obligation, while also maintaining the same level of total revenue, increases the amount of General Fund revenue available to spend or save.

**Table 2
 Change in Revenue Subject to TABOR**

Revenue Stream	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
Sales and Use Tax on Aviation Gas and Jet Fuel	-\$26.8 million	-\$30.6 million	-\$31.1 million
Crime Victim Compensation Fund	-\$10.0 million	-\$10.0 million	-\$10.0 million
Criminal History Record Checks	-\$2.3 million	-\$2.3 million	-\$2.3 million
Excise Tax on Aviation Gas and Jet Fuel	-\$1.6 million	-\$1.8 million	-\$1.9 million
Change in TABOR Revenue	-\$40.7 million	-\$44.7 million	-\$45.3 million
Change in TABOR Refunds	\$0	-\$44.7 million	-\$45.3 million

Interaction with Budget Balancing Measures

[House Bill 26-1419](#) is included as a placeholder FY 2026-27 budget package approved by the JBC for balancing. That bill is expected to decrease the amount of state revenue required to be refunded to taxpayers in FY 2026-27 by up to \$153 million. Under the 2026 LCS March Forecast, after incorporating the impact of orbital bills, the TABOR surplus is expected to be \$166.1 million. If both this bill and HB 26-1419 are passed, then SB 26-042 reduces the impact of HB 26-1419 on TABOR refunds from -\$153.0 million to -\$135.2 million, such that the net impact of this bill on TABOR refunds is -\$13.1 million. Under the March 2026 OSPB Forecast selected by the Joint Budget Committee for balancing, there is expected to be sufficiently large TABOR refunds that there is no interaction between these two bills.

State Expenditures

Starting in FY 2026-27, the bill increases General Fund expenditures in the Judicial Department by \$2.25 million per year and increases the amount of General Fund revenue available to spend or save based on the reductions to TABOR refunds described above. For FY 2027-28 only, the bill is expected to increase General Fund expenditures for property tax reimbursements to local governments. These impacts are discussed below.

Crime Victim Compensation Fund Administration

The bill increases General Fund expenditures by \$2.25 million in FY 2026-27 and ongoing for administration of the Crime Victim Compensation Fund.

Property Tax Reimbursements to Local Governments

For FY 2027-28 only, the bill increases General Fund expenditures by \$44.7 million as a result of reduced revenue subject to TABOR in FY 2026-27. Under the March 2026 LCS Forecast and the FY 2026-27 Long Bill package, the FY 2026-27 TABOR surplus is not expected to be large enough to fully fund reimbursements to local governments for the constitutional homestead exemptions. The fiscal note assumes that General Fund expenditures will be required to fully fund the reimbursements. Therefore, reducing revenue subject to TABOR by \$44.7 million in FY 2026-27 results in a corresponding increase in General Fund expenditures for FY 2027-28 to fund property tax reimbursements.

General Fund

By reclassifying revenue as exempt from TABOR, the bill increases the amount available to spend or save by \$44.7 million in FY 2026-27 and \$45.3 million in FY 2027-28, as described in the TABOR refunds section above.

Office of the State Controller

The bill increases workload for the Office of the State Controller in the Department of Personnel and Administration to make accounting changes required by the bill. This workload increase is expected to be minimal and can be accomplished within existing appropriations.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2026-27, the bill requires and includes a \$2,250,000 increase in General Fund appropriations to the Judicial Department.

State and Local Government Contacts

Health Care Policy and Financing	Public Safety
Labor	Regulatory Agencies
Law	Revenue
Local Affairs	Transportation
Personnel	Treasury
Public Health and Environment	