



Tax Policy and Colorado's Budget

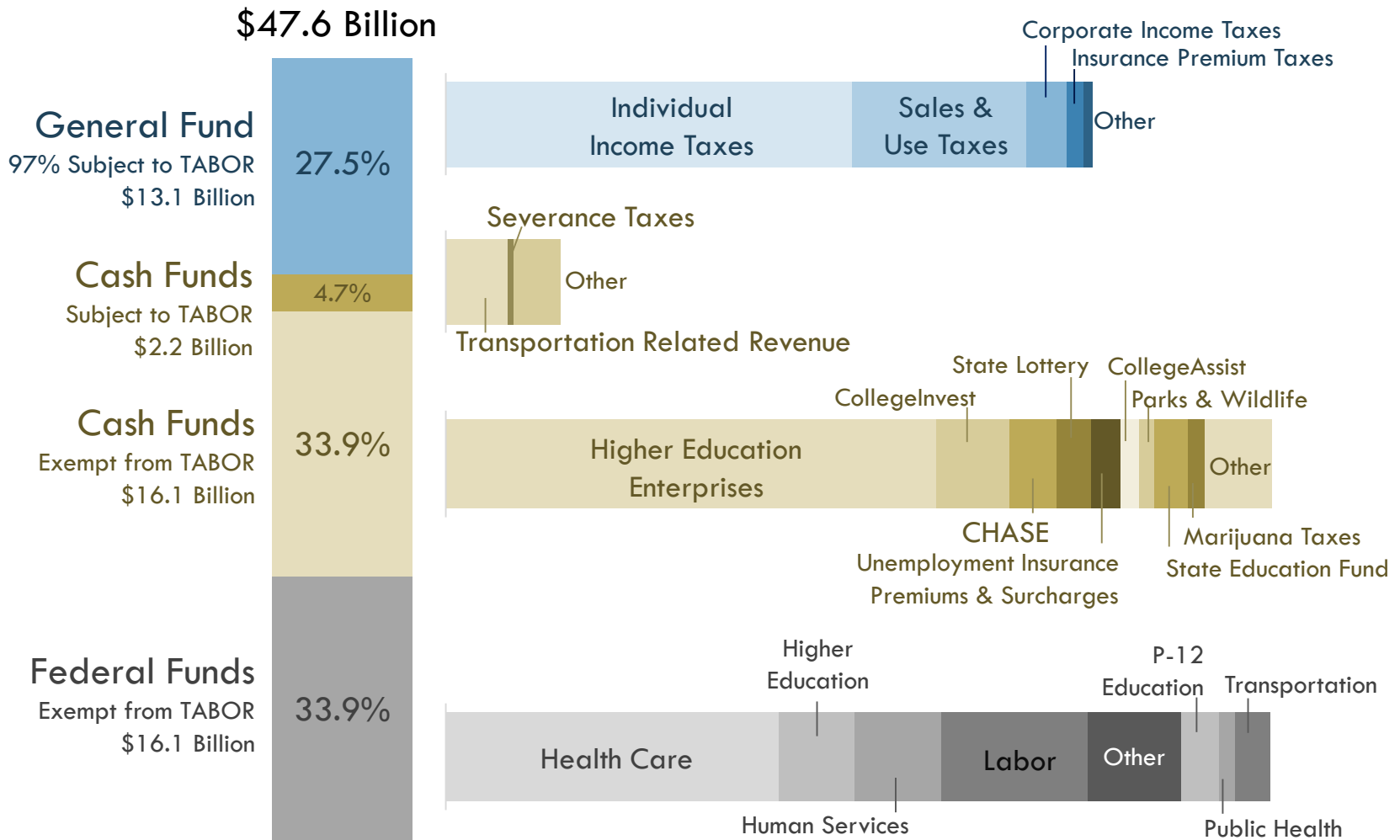
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Chief Economist
Legislative Council Staff

Task Force Concerning Tax Policy
September 8, 2021

Scope of the Task Force

- 1) Applying the state income tax to federal adjusted gross income rather than federal taxable income
- 2) Senior homestead and disabled veteran property tax exemptions
- 3) Geographic extent of enterprise zones and their (dis)continuation
- 4) Property tax treatment of short-term rentals
- 5) Options for expanding sales and use taxes to services

FY 2019-20 State Government Revenue

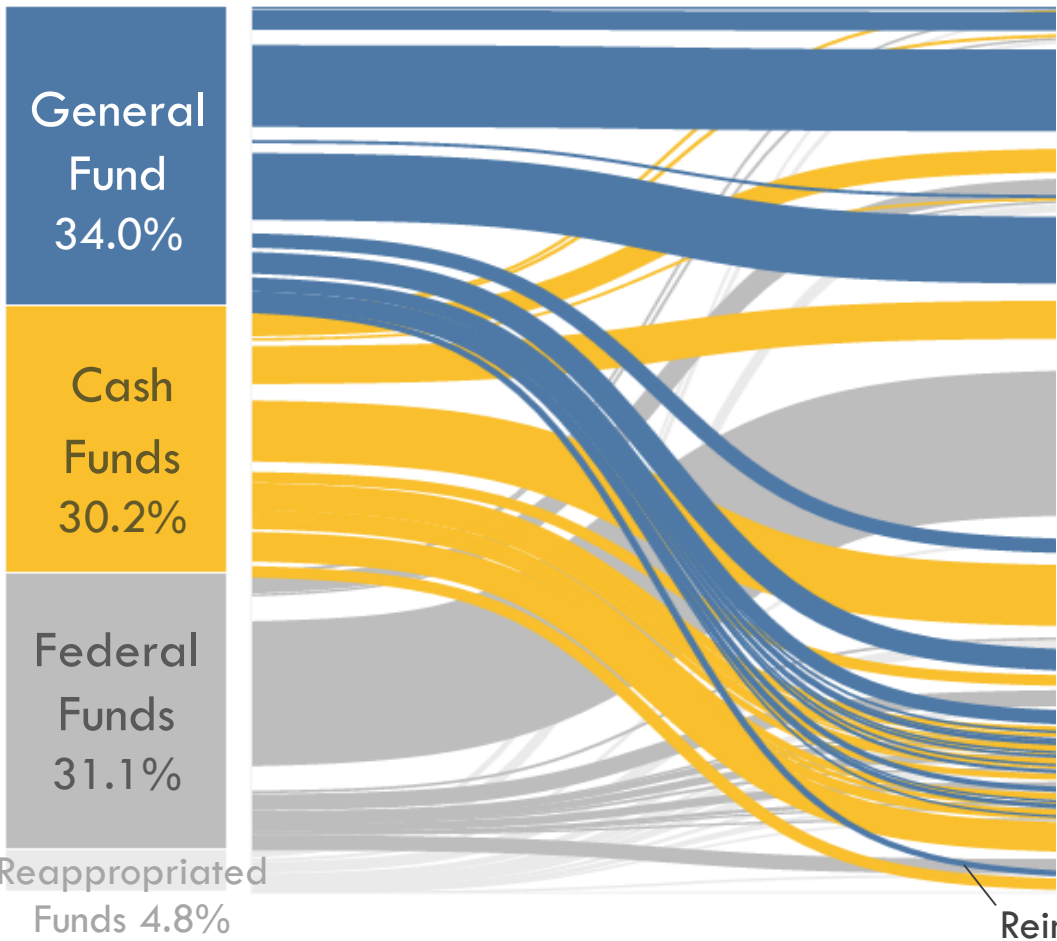


Source: Legislative Council Staff estimates based on data from the Office of the State Controller. Revenue excludes transfers between funds and fund balances carried forward from prior years.

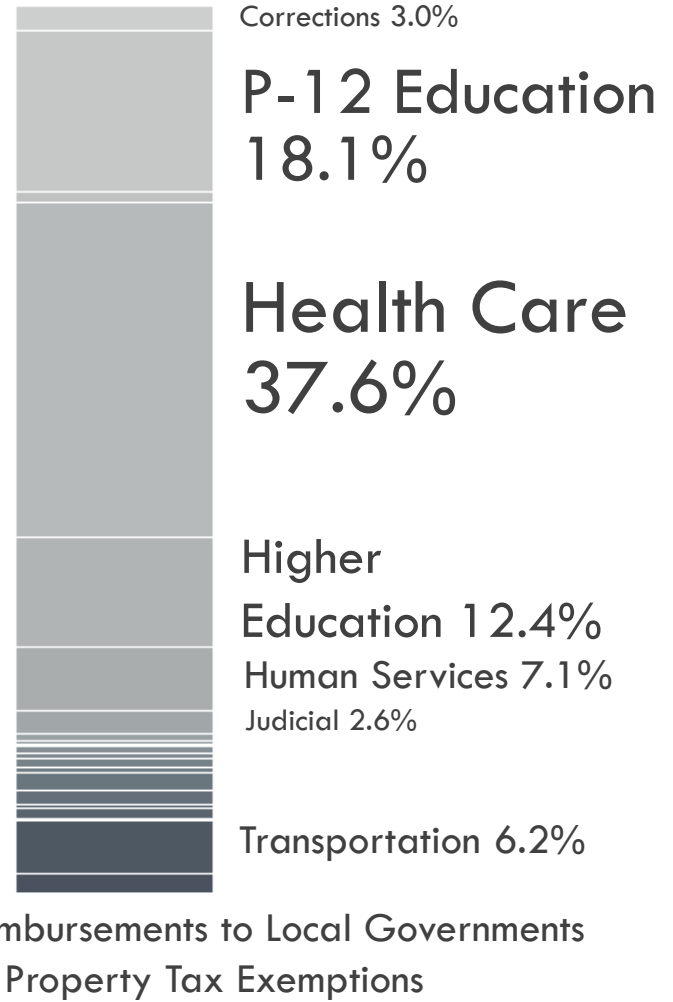
The State Budget

FY 2020-21: \$32.0 Billion*

Fund Source



Total Spending by Department



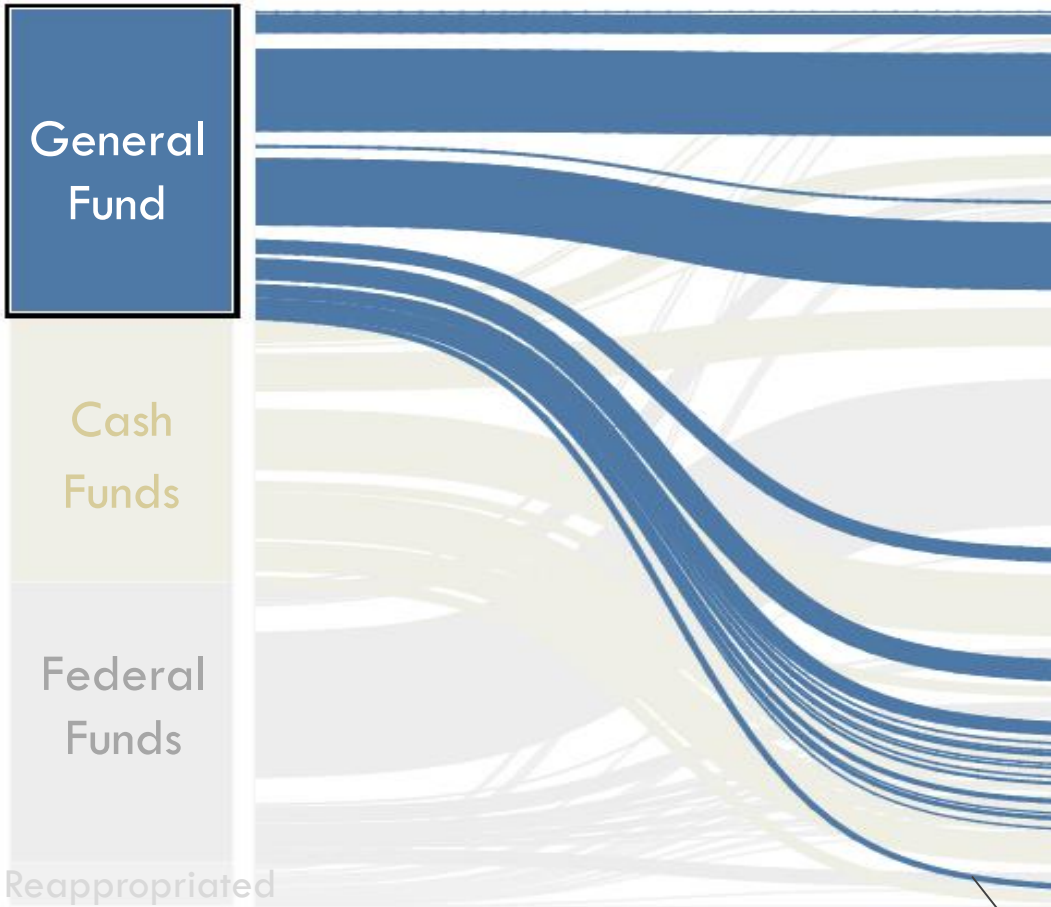
Data source: Joint Budget Committee Staff.

*Subject to change with 2021 legislation.

The State General Fund Budget

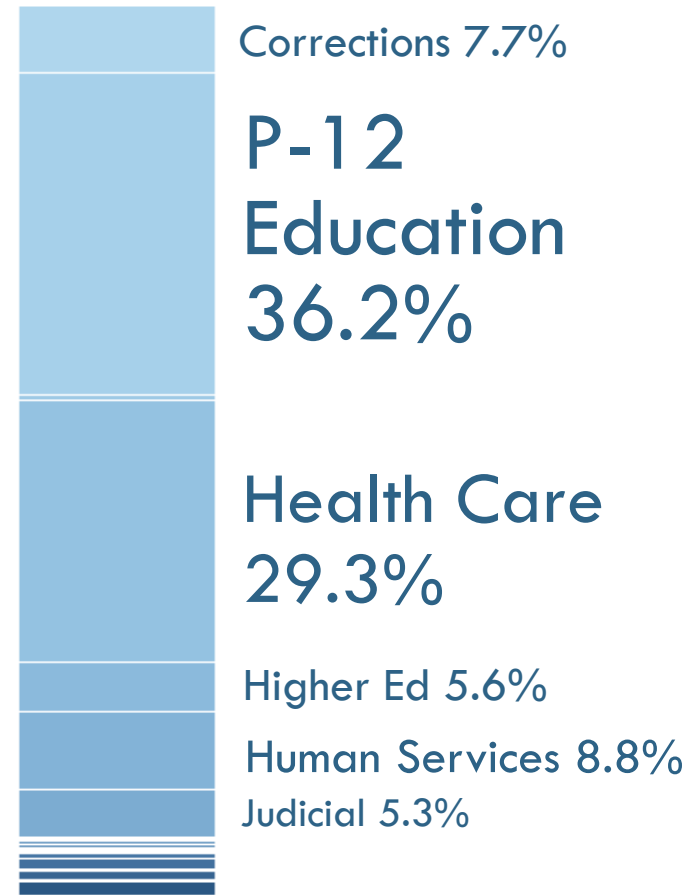
FY 2020-21: \$10.9 Billion*

Fund Source



General Fund

Spending by Department



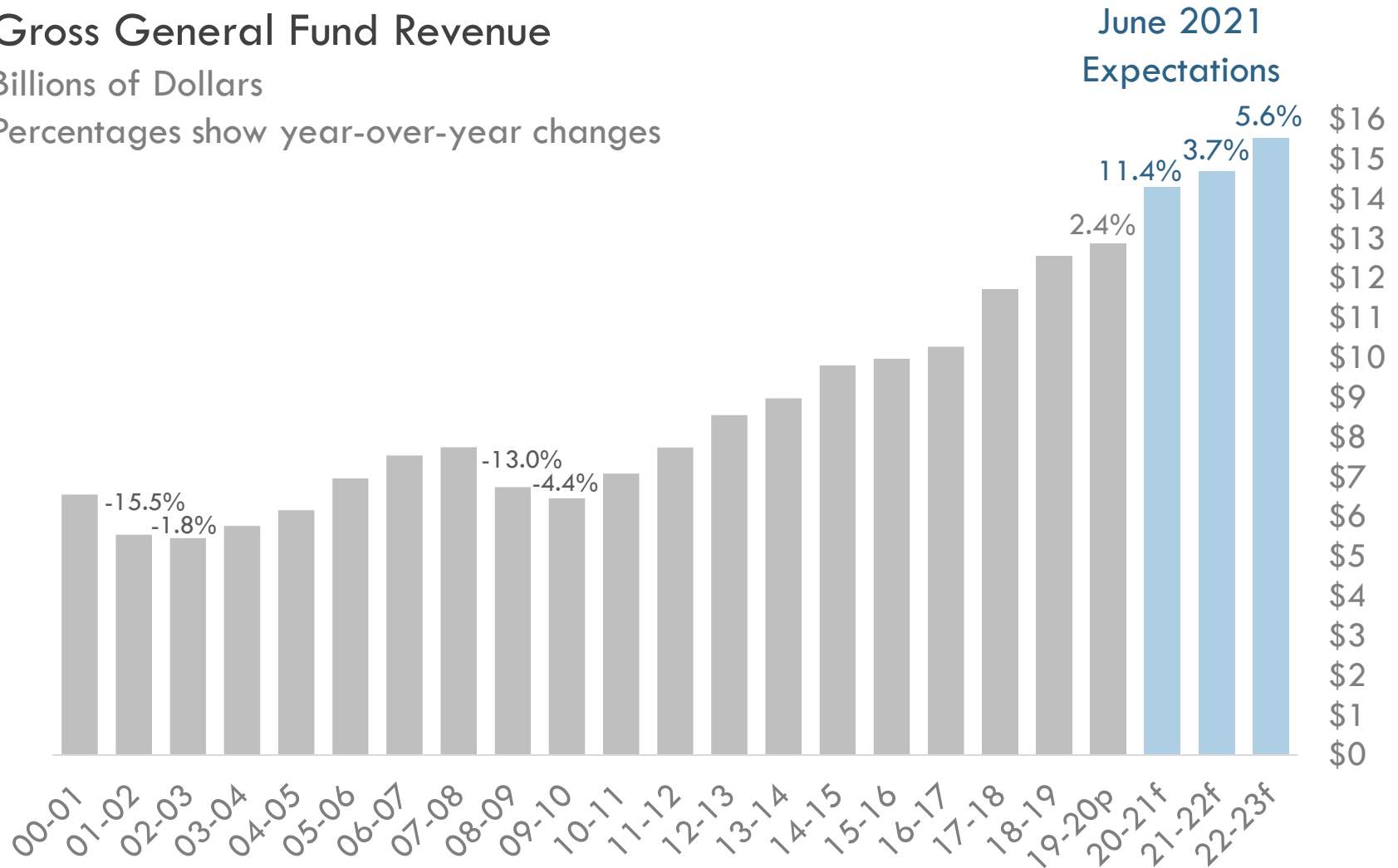
Reimbursements to Local Governments for Property Tax Exemptions

General Fund revenue exceeded expectations in FY 2020-21, warranting upward adjustments in future years

Gross General Fund Revenue

Billions of Dollars

Percentages show year-over-year changes



Source: Colorado Office of the State Controller and Legislative Council Staff June 2021 forecast.

TABOR Outlook

Revenue Subject to TABOR

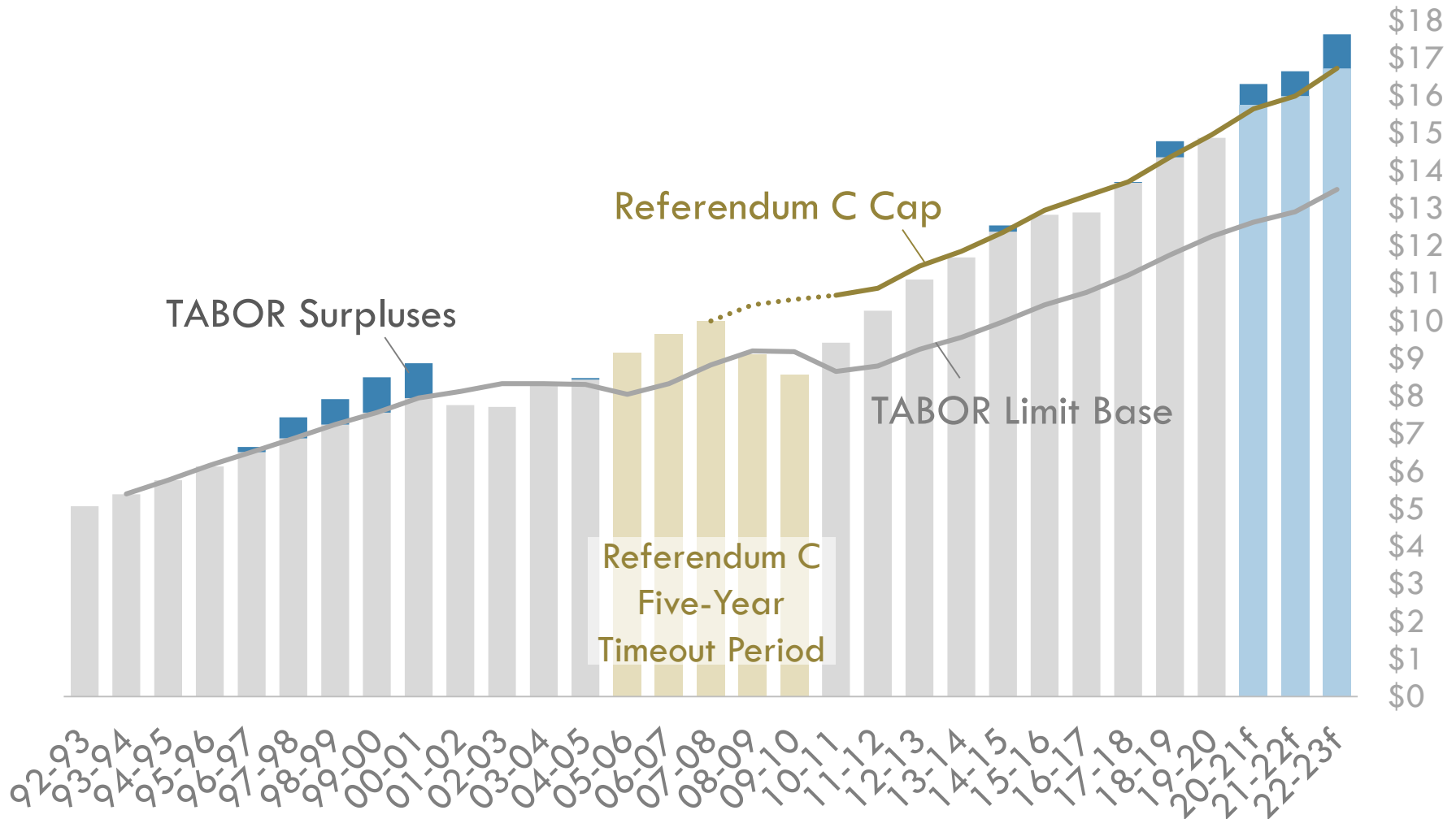
Dollars in Billions

Revenue Above the Ref C Cap

FY 2020-21: \$551.4 million

FY 2021-22: \$658.2 million

FY 2022-23: \$908.5 million



Source: Colorado Office of the State Controller and Legislative Council Staff June 2021 forecast.

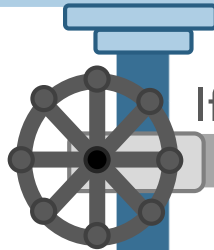
TABOR Refund Obligation



TABOR Refund Mechanisms

#1

Reimburse Local Gov'ts for
Property Tax Exemptions
Up to ~\$165 million



If ~\$295 million+

#2

Temporary
Income Tax Rate Reduction
Next ~\$130 million
If the refund is large enough



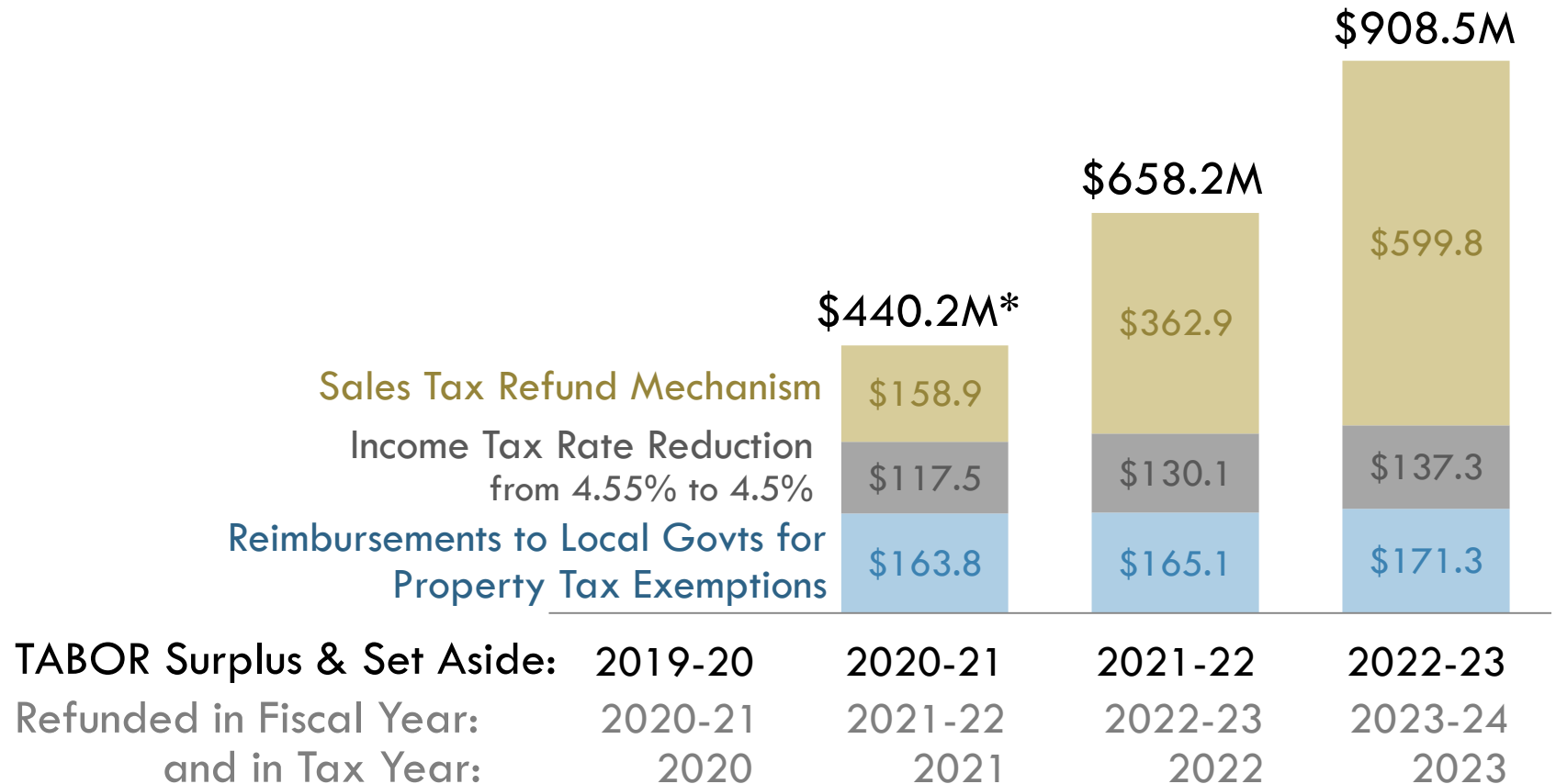
#3

Sales Tax Refund
Any remaining

TABOR surplus revenue is set aside in the year in which a surplus occurs to pay refunds in the following budget year

Expected TABOR Refunds & General Fund Budget Impacts

Dollars in Millions

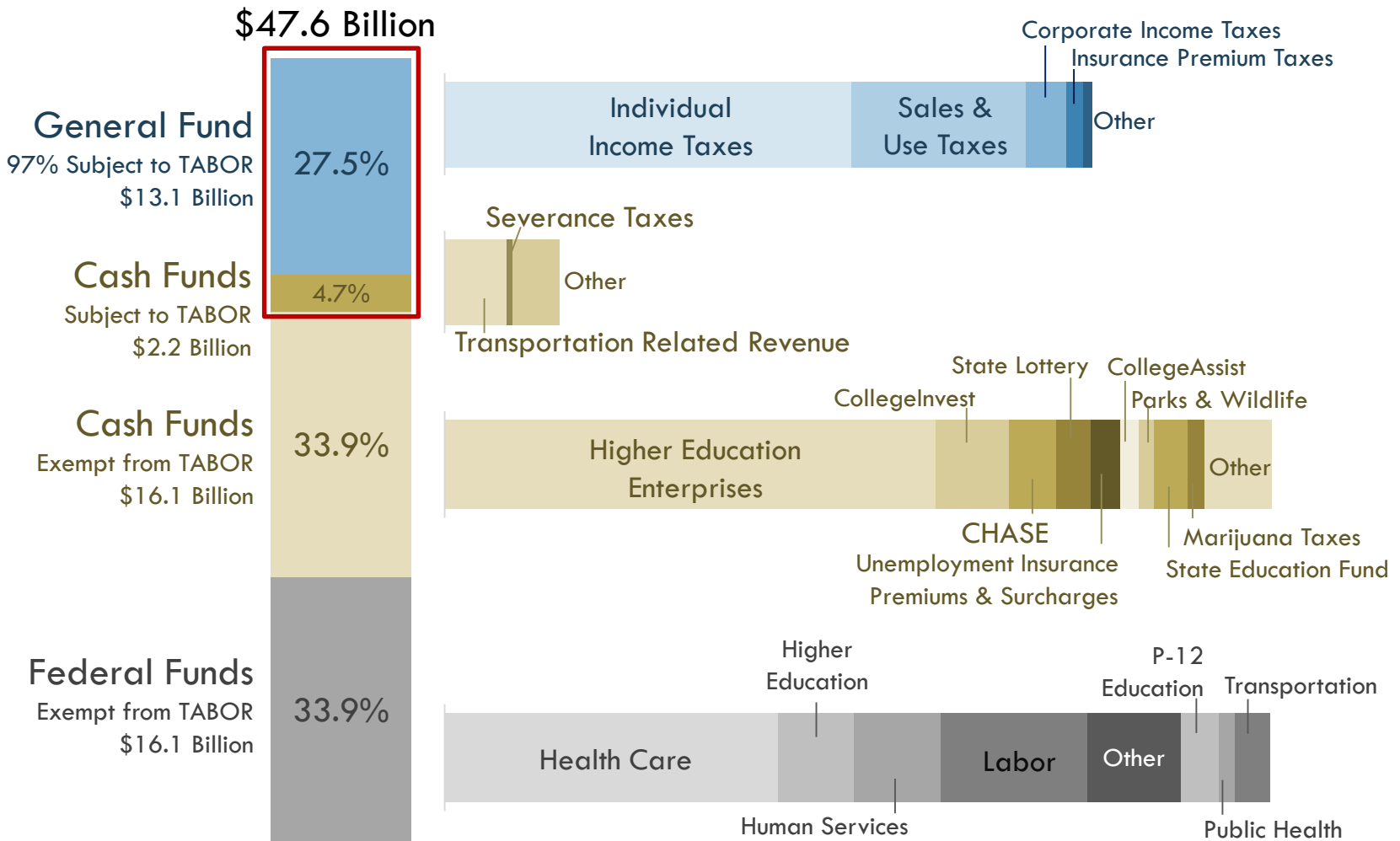


Source: Colorado Office of the State Controller and Legislative Council Staff June 2021 forecast.

*The refund from the FY 2020-21 surplus is adjusted for an estimated \$111.2 million in over-refunds from prior years.

What Revenue is Subject to TABOR?

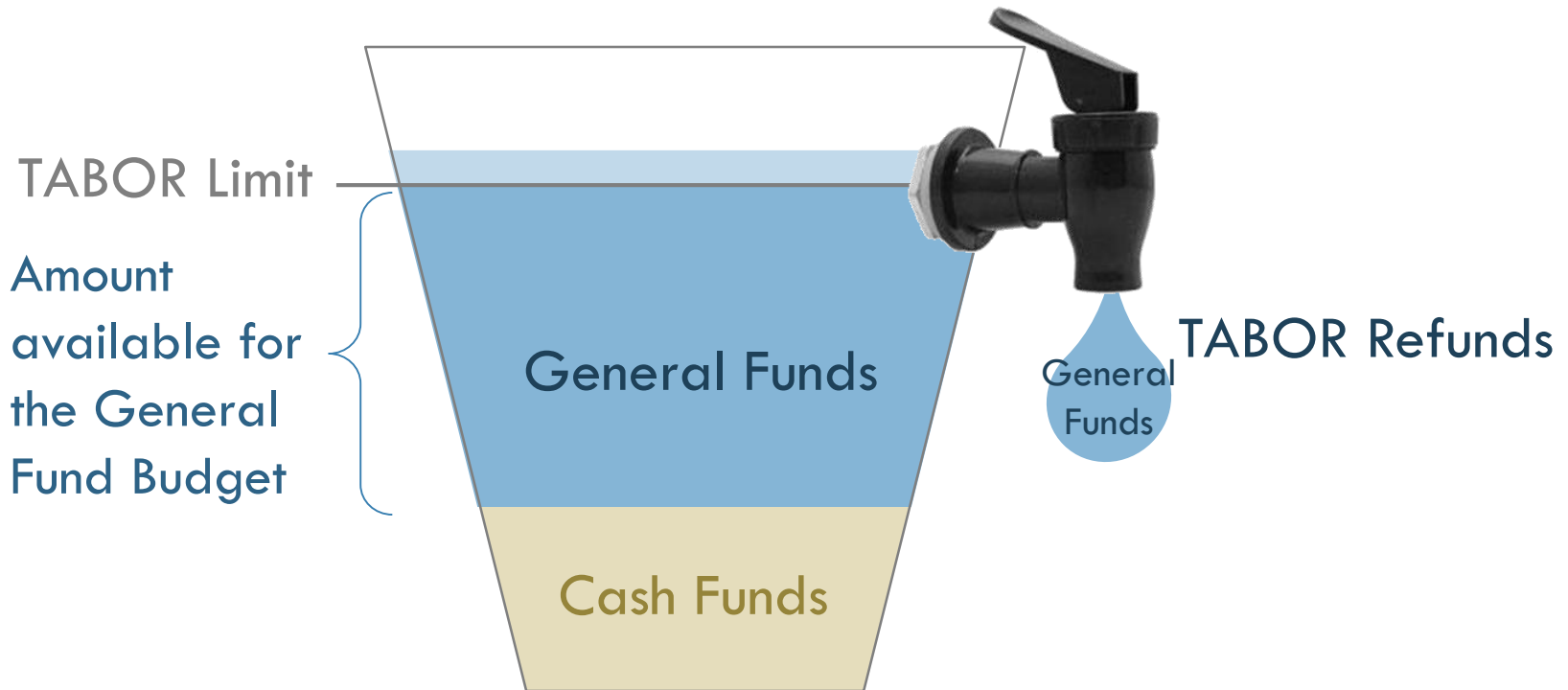
\$14.9 Billion, 31.3%



Source: Legislative Council Staff estimates based on data from the Office of the State Controller. Revenue excludes transfers between funds and fund balances carried forward from prior years.

TABOR Refunds are refunded from General Funds

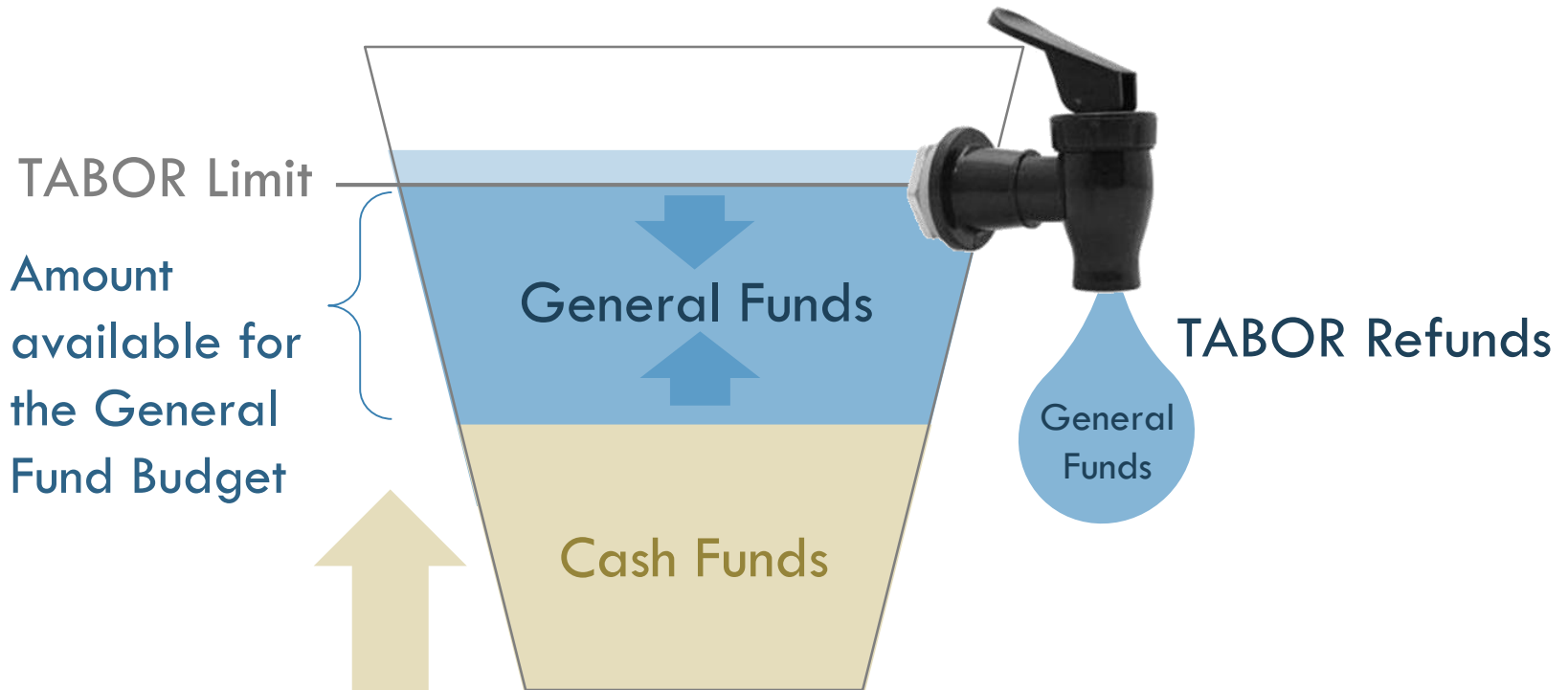
In a TABOR surplus situation...



General Fund dollars in = General Fund dollars out

TABOR Refunds are refunded from General Funds

In a TABOR surplus situation...

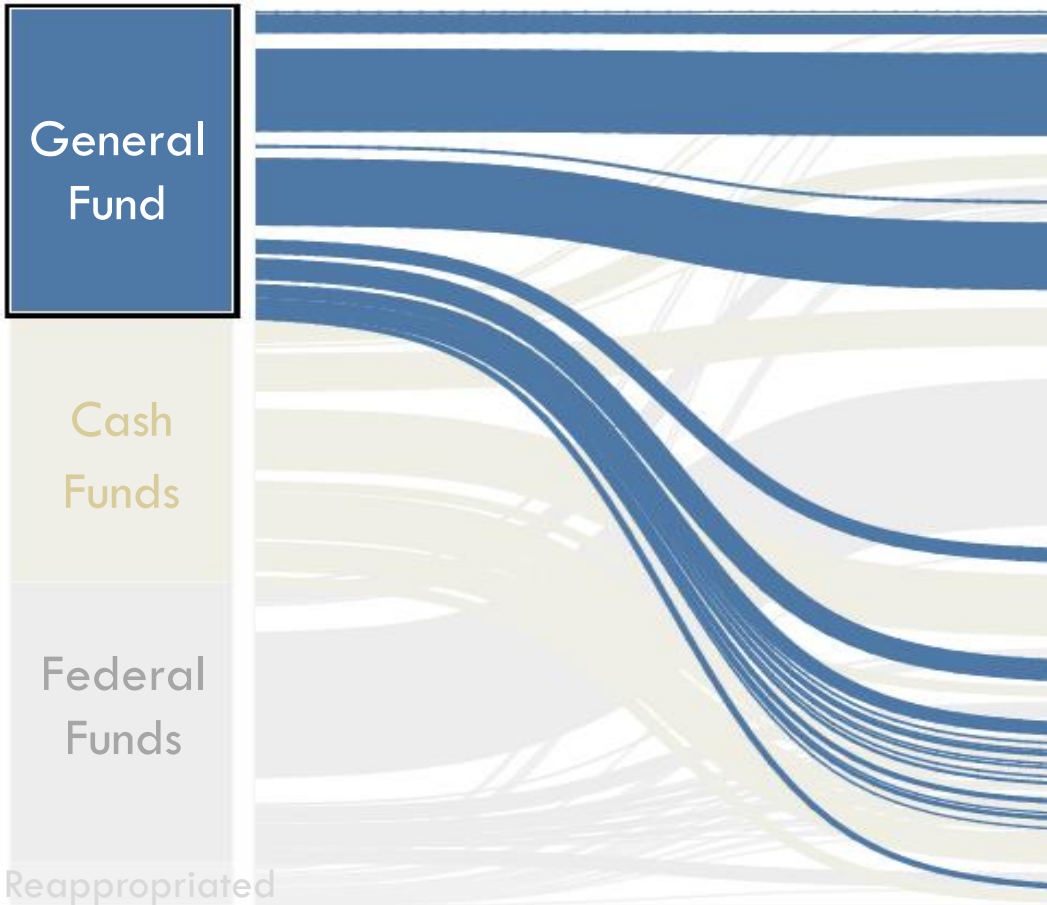


Cash Fund dollars in = General Fund dollars out

The State General Fund Budget

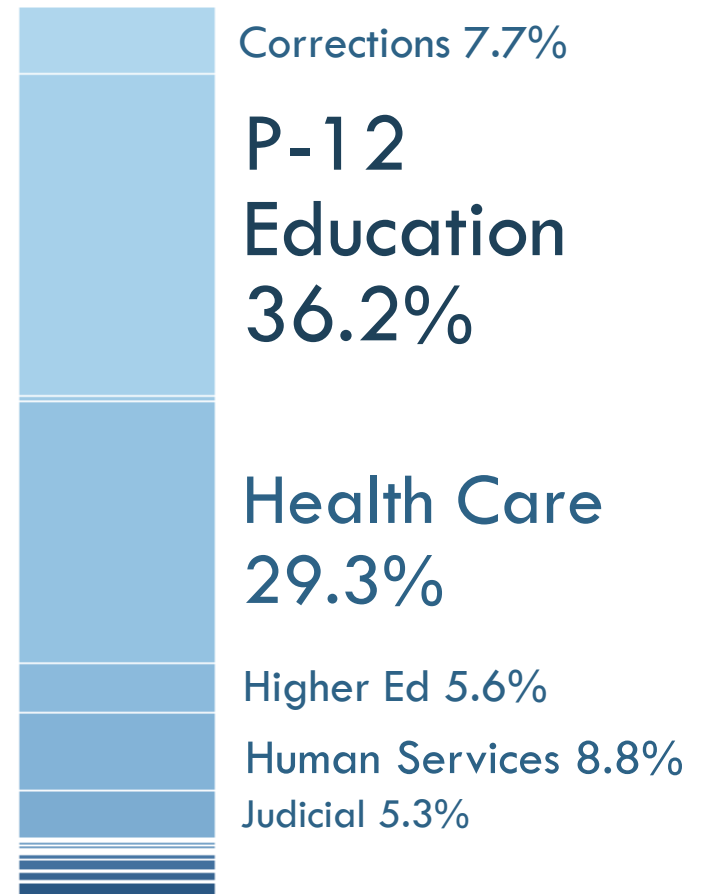
FY 2020-21: \$10.9 Billion*

Fund Source



General Fund

Spending by Department



School Finance Formula

$$\begin{array}{l} \text{Total Program} \\ \text{Funding} \end{array} = \begin{array}{l} \text{Local Share} \\ \text{Property Taxes} \\ \text{Specific Ownership} \\ \text{Taxes} \end{array} + \begin{array}{l} \text{State Funding} \\ \text{General Fund} \\ \text{- Income \& Sales Taxes} \\ \\ \text{State Education Fund} \\ \text{- 1/3 of 1\% of federal} \\ \text{taxable income} \\ \text{- Other transfers} \end{array}$$

For more information on the school finance formula, see:
https://leg.colorado.gov/sites/default/files/final_-_2021_booklet.pdf

State Fiscal Policy Resources

- Explore the State Budget
leg.colorado.gov/explorebudget/
- Fiscal Policy & Tax Research
leg.colorado.gov/agencies/legislative-council-staff/budget-taxes
- Joint Budget Committee Staff Documents
leg.colorado.gov/content/budget
- Economic Forecasts
leg.colorado.gov/EconomicForecasts

Questions?

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