



**Legislative Council Staff**

*Nonpartisan Services for Colorado's Legislature*

**Demographic Note**

<b>Drafting Number:</b>	LLS 24-0384	<b>Date:</b>	August 15, 2024
<b>Prime Sponsors:</b>	Sen. Mullica; Lundeen Rep. deGruy Kennedy; Pugliese	<b>Analyst:</b>	Elizabeth Ramey   303-866-3522 elizabeth.ramey@coleg.gov
<b>Bill Topic:</b>	<b>TABOR REFUND MECHANISMS</b>		
<b>Demographics Analyzed:</b>	<ul style="list-style-type: none"> <li>• Socioeconomic Status</li> <li>• Race/Ethnicity</li> <li>• Sex</li> </ul>	<ul style="list-style-type: none"> <li>• Disability</li> <li>• Geography</li> </ul>	
<b>Direct Impact(s):</b>	<input checked="" type="checkbox"/> Economic <input type="checkbox"/> Employment	<input type="checkbox"/> Health <input type="checkbox"/> Education	<input type="checkbox"/> Public Safety
<b>Bill Impact:</b>	<p>The bill adjusts the mechanisms used to refund the state TABOR refund obligation starting with the FY 2023-24 surplus. It reinstates the temporary income tax rate reduction mechanism and adjusts the threshold for flat sales tax refund. The bill increases disparities in economic outcomes, on net, from tax years 2024 through 2026, including disparities by socioeconomic status, race, ethnicity, disability status, and geography.</p>		
<b>Report Status:</b>	The demographic note reflects the enacted bill.		

**Demographic Impact Summary**

This demographic note analyzes potential impacts of SB 24-228 on disparities in income based on available data, including by socioeconomic status, race, ethnicity, sex, disability status, and geography.<sup>1</sup> The bill adjusts the mechanisms used to refund the state TABOR refund obligation starting with the FY 2023-24 surplus. It reinstates the temporary income tax rate reduction mechanism and adjusts the threshold to trigger the flat sales tax refund. In doing so, the bill decreases the after-tax income on net across tax years 2024 through 2026 for lower-income households claiming these refunds. The bill will increase economic disparities by socioeconomic status, race, ethnicity, disability status, and geography for those who qualify for and claim TABOR refunds.

<sup>1</sup>Terminology used to distinguish demographic groups (e.g., black/African American, Hispanic or Latina/Latino) is based on the terminology used in the data sources referenced. These terms may differ from the self-identification of these populations.

Pursuant to Section 2-2-322.5, C.R.S., a Demographic Note is prepared by Legislative Council Staff upon request. The note uses available data to outline the potential impacts of proposed legislation on disparities within the state. Disparities are defined by statute as the difference in economic, employment, health, education, or public safety outcomes between the state population as a whole and subgroups of the population, as defined by socioeconomic status, race, ethnicity, sex, gender identity, sexual orientation, disability, geography, or any other relevant characteristic for which data are available. It is beyond the scope of this analysis to examine each of the varied causes contributing to a given disparity. For further information on the contents of Demographic Notes, visit <https://leg.colorado.gov/agencies/legislative-council-staff/demographic-notes>.

Demographic characteristics of Coloradans by income suggest that those most likely to experience after-tax income reductions as a result of the bill are Coloradans who are indigenous people of color, black or African American, of some other non-white race, multiracial, Spanish, Hispanic, or Latino, living with a disability, or living in a rural area.<sup>2</sup>

## **Key Provisions and Demographic Comparisons**

For tax years 2024 through 2034, the bill adjusts the mechanisms used to refund the state TABOR refund obligation for any state TABOR surplus collected for FY 2023-24 through FY 2033-34. The following analysis presents the demographic considerations raised by the bill and, where data are available, compares the populations affected by the bill to the statewide population across different demographic groups. Pursuant to statute and based on available data on demographic differences between affected and statewide comparison populations, this analysis identifies potential effects of the bill on existing disparities.

**TABOR refunds by federal adjusted gross income.** The bill reactivates the temporary income tax rate reduction as the second TABOR refund mechanism. The amount of the income tax rate reduction depends on the amount of the TABOR surplus remaining after reimbursements to local government for homestead and other property tax exemptions. The bill also raises the identical refund threshold for the sales tax refund mechanism from \$15 to one half of the lowest amount listed for a family size of two for Colorado in the most recent table published in the Internal Revenue Service instructions for Schedule A on itemized deductions. The most recent amount, for tax year 2023, is \$114, or one half of \$228.

For tax year 2024, the income tax rate is reduced from 4.40 percent to 4.25 percent, with the increment by which the tax rate is cut acting as a TABOR refund mechanism. Based on the June 2024 Legislative Council Staff forecast, the income tax rate reduction is not expected to be triggered for tax year 2025, but rather, the identical sales tax refunds are expected to be used to refund the surplus remaining after local government reimbursements for property tax exemptions. For tax year 2026, the income tax rate is expected to be reduced from 4.40 percent to 4.28 percent. The six-tier sales tax refund mechanism is expected to refund the remaining TABOR surplus in tax years 2024 and 2026. A forecast of the TABOR surplus beyond tax year 2026 is not available.

Table 1 presents the net impact of SB 24-228 on TABOR refund amounts for tax years 2024, 2025, and 2026, relative to the six-tier refund amounts that would have been used without the passage of this bill. On net across the three years for which a forecast is available, single taxpayers with incomes up to \$107,000 and joint taxpayers with incomes up to \$242,000 in tax year 2024 will experience a net decrease in refunds across the three years, while single and joint taxpayers with incomes above \$242,000 will experience a net increase in refunds across the three years. For amounts and changes in TABOR refunds for each tax year, see Appendix A.

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<sup>2</sup> The rural population estimated in this analysis includes Coloradans living in the following Public Use Microdata Areas (PUMA) as defined by the U.S. Census Bureau: Central Mountain, El Paso-Teller (excludes Colorado Springs), Foothills, Mid Mountain, Northeast Colorado, Northwest Colorado, Southeast Colorado, Southwest Colorado, Weld Rural, and West Central Colorado.

# SB 24-228

**Table 1**  
**Current TABOR Refund Amounts and Changes Under SB 24-228**  
Tax Years 2024 through 2026

<b>Adjusted Gross Income in 2024</b>	<b>Average Number of Taxpayers</b>	<b>Current Law Total TABOR Refund Single/Joint</b>	<b>SB 24-228 Change in Six-Tier Refund Single/Joint</b>	<b>SB 24-228 Average Income Tax Rate Reduction Single/Joint</b>	<b>SB 24-228 Combined TABOR Refund Single/Joint</b>	<b>Net Change in TABOR Refund with SB 24-228 Single/Joint</b>
Up to \$52,000	1,385,027	\$392/\$784	-\$144/-287	\$39/\$19	\$288/\$515	-\$104/-269
\$52,001 to \$107,000	1,066,873	\$523/\$1,046	-\$200/-400	\$159/\$101	\$482/\$747	-\$41/-299
\$107,001 to \$171,000	690,028	\$602/\$1,204	-\$234/-468	\$392/\$281	\$760/\$1,017	+\$158/-187
\$171,001 to \$242,000	359,892	\$715/\$1,430	-\$282/-564	\$589/\$508	\$1,022/\$1,374	+\$307/-56
\$242,001 to \$319,000	172,122	\$769/\$1,538	-\$306/-612	\$819/\$783	\$1,282/\$1,709	+\$513/+171
\$319,001 and up	285,425	\$1,238/\$2,476	-\$508/-1,016	\$2,614/\$2,475	\$3,344/\$3,935	+\$2,106/+1,459

**Coloradans receiving lower TABOR refunds under SB 24-228.** Colorado income tax return data are insufficient to identify the demographic characteristics of individual taxpayers. The following analysis uses data from the U.S. Census Bureau's American Community Survey (ACS) to approximate the population of taxpayers in Colorado most likely to receive lower TABOR refunds under SB 24-228. The estimate excludes people living in group quarters such as correctional facilities, nursing homes, university dormitories, and military quarters, and includes the population living in married couple households that have 2024 incomes of \$242,000 or less, along with people living in all other types of households that have 2024 incomes of \$107,000 or less.<sup>3 4</sup>

The estimate identified approximately 4.4 million people in 1.9 million households with income up to the specified threshold in 2022, or approximately 76 percent of Colorado's population in households, and 79 percent of Colorado households.

ACS data at the household level reflects the demographic characteristics of each member of the household. For example, a household with people of different races, ethnicities, sexes, or disability will appear in multiple demographic groups in the presented data. Meanwhile, geography and income, used to measure socioeconomic status, have a single value at the household level.

Figure 1 shows the share of the total population and the population within each demographic group that is living in either married couple households that have 2024 incomes of \$242,000 or less or all other types of households that have 2024 incomes of \$107,000 or less households, or those most likely to experience a reduction in TABOR refunds on net under SB 24-228.<sup>5</sup> For example, among all Coloradans, 76.4 percent live in households likely to receive lower TABOR refunds, while 75.4 percent of men, and 77.6 percent of women live in such households. Among the demographic groups for which data are available, those who have a substantially greater share of those living in households likely to experience a reduction in TABOR refunds under the bill than the statewide population include those who are:

- American Indian or Alaskan Native (87.7 percent), black or African American (83.6 percent), of some other non-white race alone (82.6 percent), or multiracial (80.0 percent);
- Spanish, Hispanic, or Latino (82.4 percent);
- living with a disability (86.3 percent); and
- living in a rural area (81.8 percent).<sup>6</sup>

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<sup>3</sup> The income thresholds were deflated to the 2022 levels (\$99,000 and \$224,000) using the Denver-Aurora-Lakewood inflation rate, to correspond with the most recent year for which data are available. Median income for all Colorado households in 2022 was \$89,000, or \$96,000 adjusted for inflation to the 2024 level.

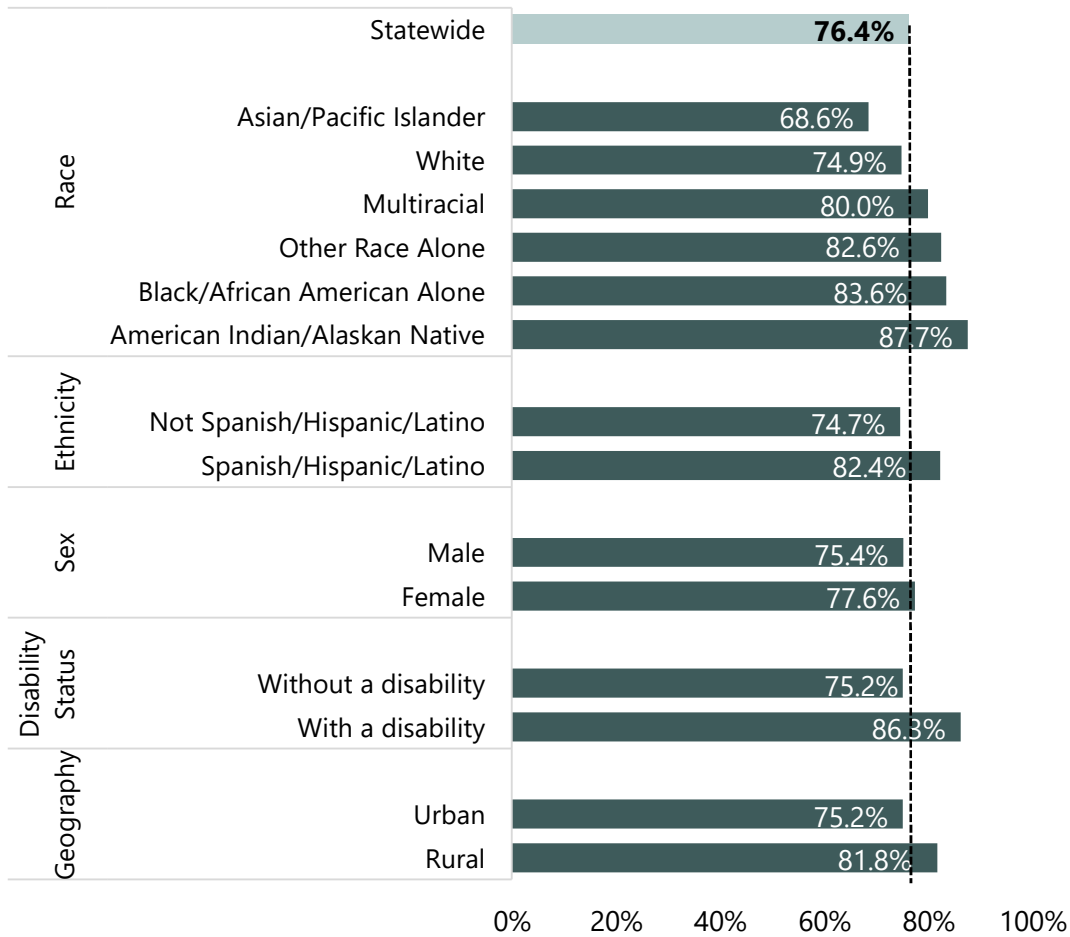
<sup>4</sup> Household types include married couple households; other family, male or female householder, no spouse present; and non-family household, male or female householder, living alone or not living alone.

<sup>5</sup> Comparing the percentage in a particular outcome for a disaggregated subgroup to the percentage for the overall population, which is called the percentage point gap, is one method for measuring disproportionate impact. A gap of at least 3 percent is the generally accepted standard for indicating disproportionate impact for large sample sizes.

<sup>6</sup> Women also have a higher share of people living in households with income of \$107,000 or less, but the percentage point gap between the statewide share and the share within this group, while statistically significant, does not exceed the 3 percent threshold that is the standard to indicate disproportionate impact. Statistical significance was measured by comparing the percentage point gap between the statewide share and each demographic group with the margin of error for the sample at a 95 percent level of confidence, using the unweighted number of survey respondents in each group.

For more detailed information on the data used, see Appendix B.

**Figure 1**  
**Household Population in Married Couple Households with Income up to \$242,000 and All**  
**Other Household Types with Income up to \$107,000**  
 Share by Demographic Group and Statewide



Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2022.

**Analysis and Findings**

The bill is expected to decrease after-tax income for many taxpayers who qualify for and claim TABOR refunds and whose incomes fall below the thresholds identified in this analysis. Demographic characteristics of married Coloradans who live in households with income of \$242,000 or less, along with Coloradans who live in other types of households with income of \$107,000 or less, those most likely to experience a reduction in TABOR refunds under SB 24-228, suggest that they are more likely to be indigenous people of color, black or African American, some other non-white race, multiracial; Spanish, Hispanic, or Latino; living with a disability; or living in a rural area. Based on the share of those most likely to experience a reduction in TABOR refunds under SB 24-228 among demographic groups compared to their share in the statewide population, this analysis suggests that the bill will increase existing economic disparities by race, ethnicity, disability status, geography, and socioeconomic status, as measured by income, which

is correlated with other demographic characteristics. The bill's impacts on disparities are limited to those filing tax returns.

**Dynamic impacts.** This bill may result in dynamic economic impacts, which may offset the static impacts identified in this demographic note for some populations or may exacerbate the impacts identified. A bill's dynamic impacts include its downstream effects throughout the economy and can take several years to fully materialize. A reduced state income tax rate may stimulate economic activity that generates additional tax revenues and additional incomes for individuals and businesses. For example, a reduction in the state income tax rate results in lower tax liability for affected taxpayers. With higher post-tax income, these individuals may spend more on goods and services, increasing income to certain businesses. Corporations may invest tax savings on research and development or hire more employees. A reduced TABOR refund may have offsetting impacts for lower income taxpayers, who have a higher propensity to spend.

### **Demographics Not Analyzed**

Some demographic groups have not been included in the analysis due to data limitations. Data on the relevant populations delineated by gender identity and sexual orientation were not available at the time of the analysis. Should data become available, this analysis may be updated.

### **Data Sources and Agencies Contacted**

IPUMS USA

Revenue

U.S. Census Bureau

**Appendix A**  
**Estimated TABOR Refunds**  
Amounts and changes under SB 24-228

**Tax Year 2024**

Adjusted Gross Income	Number of Taxpayers	Before SB 24-228	Under SB 24-228			
		TABOR Refund Single/Joint	Change in Six-Tier Refund Single/Joint	Average Income Tax Rate Reduction Single/Joint	Combined Net Change in TABOR Refund Single/Joint	Combined TABOR Refund Single/Joint
Up to \$52,000	1,368,538	\$225/\$450	-\$83/-166	\$20/\$9	-\$63/-157	\$162/\$293
\$52,001 to \$107,000	1,054,172	\$300/\$600	-\$110/-220	\$79/\$51	-\$31/-169	\$269/\$431
\$107,001 to \$171,000	681,814	\$345/\$690	-\$126/-252	\$196/\$141	+\$70/-111	\$415/\$579
\$171,001 to \$242,000	355,608	\$410/\$820	-\$150/-300	\$295/\$254	+\$145/-46	\$555/\$774
\$242,001 to \$319,000	170,073	\$441/\$882	-\$162/-324	\$409/\$392	+\$247/+68	\$688/\$950
\$319,001 and up	282,027	\$710/\$1,420	-\$260/-520	\$1,307/\$1,238	+\$1,047/+718	\$1,757/\$2,138

**Tax Year 2025**

Adjusted Gross Income	Number of Taxpayers	Before SB 24-228	Under SB 24-228			
		TABOR Refund Single/Joint	Change in Six-Tier Refund Single/Joint	Average Income Tax Rate Reduction Single/Joint	Combined Net Change in TABOR Refund Single/Joint	Combined TABOR Refund Single/Joint
Up to \$54,000	1,384,961	\$18/\$36	+\$8/+\$17	\$0	+\$8/+\$16	\$26/\$52
\$54,001 to \$110,000	1,066,822	\$24/\$48	+\$2/+\$4	\$0	+\$2/+\$4	\$26/\$52
\$110,001 to \$177,000	689,995	\$28/\$56	-\$2/-4	\$0	-\$2/-4	\$26/\$52
\$176,001 to \$249,000	359,875	\$33/\$66	-\$7/-14	\$0	-\$7/-14	\$26/\$52
\$249,001 to \$328,000	172,113	\$35/\$70	-\$9/-18	\$0	-\$9/-18	\$26/\$52
\$328,001 and up	285,411	\$57/\$114	-\$31/-62	\$0	-\$31/-62	\$26/\$52

**Tax Year 2026**

Adjusted Gross Income	Number of Taxpayers	Before SB 24-228	Under SB 24-228			
		TABOR Refund Single/Joint	Change in Six-Tier Refund Single/Joint	Average Income Tax Rate Reduction Single/Joint	Combined Net Change in TABOR Refund Single/Joint	Combined TABOR Refund Single/Joint
Up to \$55,000	1,401,580	\$149/\$298	-\$69/-138	\$20/\$9	-\$49/-129	\$100/\$169
\$55,001 to \$113,000	1,079,624	\$199/\$398	-\$92/-184	\$79/\$51	-\$13/-133	\$186/\$265
\$113,001 to \$180,000	698,275	\$229/\$458	-\$106/-212	\$196/\$141	+\$90/-71	\$319/\$387
\$180,001 to \$255,000	364,194	\$272/\$544	-\$125/-250	\$295/\$254	+\$170/+4	\$442/\$548
\$255,001 to \$336,000	174,179	\$293/\$586	-\$135/-270	\$409/\$392	+\$274/+122	\$567/\$708
\$336,001 and up	288,836	\$471/\$942	-\$217/-434	\$1,307/\$1,238	+\$1,090/+804	\$1,561/\$1,746

**Appendix B  
Demographic Profiles:  
Statewide Household Population and Population in Households  
with 2024 Income of \$107,000 or Less**

		Statewide Household Population		Household Population in Married Couple Households with Income up to \$242,000 and All Other Household Types with Income up to \$107,000	
		Population	Share of Total	Population	Share of Total
<b>Total</b>		<b>5,718,342</b>		<b>4,371,608</b>	
<b>Race</b>	White	4,023,036	70.4%	3,014,706	69.0%
	Black/African American	222,444	3.9%	185,853	4.3%
	American Indian/Alaskan Native	65,927	1.2%	57,805	1.3%
	Asian/Pacific Islander	194,171	3.4%	133,293	3.0%
	Other race	361,069	6.3%	298,220	6.8%
	Multiracial	851,695	14.9%	681,731	15.6%
<b>Ethnicity</b>	Spanish/Hispanic/Latino	1,290,524	22.6%	1,063,268	24.3%
	Not Spanish/Hispanic/Latino	4,427,818	77.4%	3,308,341	75.7%
<b>Sex</b>	Female	2,835,188	49.6%	2,198,826	50.3%
	Male	2,883,154	50.4%	2,172,782	49.7%
<b>Disability Status</b>	With a Disability	652,961	11.4%	563,809	12.9%
	Without a Disability	5,065,381	88.6%	3,807,799	87.1%
<b>Geography</b>	Rural	1,071,901	18.7%	877,298	20.1%
	Urban	4,646,441	81.3%	3,494,310	79.9%

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates, 2022