



# Retain State Government Revenue

## Proposition CC proposes amending the Colorado statutes to:

- allow the state government to keep all of the money it collects from existing sources every year beginning in the 2019-20 state budget year; and
- require that any money the state government keeps over its existing revenue limit be spent for public schools, higher education, and transportation projects, rather than refunded to taxpayers.

## What Your Vote Means

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**YES** A “yes” vote on Proposition CC changes state law and means the state can keep all of the money it collects over its revenue limit to spend on education and transportation.

**NO** A “no” vote on Proposition CC means that any money the state collects over its revenue limit must be refunded to taxpayers, as required under current law.



### **Summary and Analysis for Proposition CC**

#### **What is the state revenue limit?**

The Colorado Constitution includes a section, titled “The Taxpayer’s Bill of Rights” and commonly known as TABOR, that limits the amount of money that the state government can collect and spend or save each year. The limit is adjusted each year to account for inflation, state population growth, and voter-approved changes to the limit. In the 2019-20 state budget year, the limit is about \$15 billion.

Currently, about one-third of the money that the state government collects is subject to the limit, including most taxes and some fees. The remaining two-thirds of revenue not subject to the limit includes money from voter-approved tax increases, government-owned businesses, and the federal government.

#### **What happens to money collected above the limit?**

Money collected above the state revenue limit must be refunded to taxpayers. This is sometimes called a TABOR refund.

State law sets how the money is refunded. Currently, a portion of this money is refunded through property tax benefits that local governments provide. In years when refunds are not made, these benefits remain available and are funded from other sources. The remaining money is refunded via state income tax returns.

#### **What happens if Proposition CC passes?**

Proposition CC permanently allows the state government to keep all the money it collects above the state revenue limit and spend it on public schools; higher education; and roads, bridges, and transit. If Proposition CC passes, state law requires that the additional money be divided equally among these three areas. The State Auditor is required to publish a financial audit of money kept and spent as a result of Proposition CC each year.

#### **What happens if Proposition CC fails?**

Money collected above the state revenue limit will continue to be refunded to taxpayers as required under current law.

#### **Will Proposition CC affect refunds for overpayment of income taxes?**

No. Taxpayers who pay more income tax than they owe receive an income tax refund after they file their annual tax returns. These refunds are issued at the same time as TABOR refunds, and their amounts may be combined on checks sent by the Department of Revenue. While Proposition CC eliminates future state TABOR refunds, it does not affect refunds for overpayment of income taxes.



### How much money is affected by Proposition CC?

Proposition CC affects all money the state government collects above its current revenue limit beginning in the 2019-20 state budget year. Since the limit was created in 1992, the state has collected revenue above the limit in 9 of 26 budget years. Assuming no other changes to law, legislative economists estimated in June that the state government would collect \$310 million above the limit in the 2019-20 budget year and \$342 million above the limit in the 2020-21 budget year, representing about 2 percent of state government revenue subject to the limit for these years. The amounts affected could be greater or less than estimated depending on actual collections.

If these amounts are refunded to taxpayers, refunds are estimated to be between \$26 and \$90 per taxpayer per year, depending on the taxpayer's income, and double these amounts for joint filers. If Proposition CC passes, state law will direct the money to public schools; higher education; and roads, bridges, and transit in the year after it is collected. Each of these programs is expected to receive \$103 million in the 2020-21 budget year and \$114 million in the 2021-22 budget year.

Estimates of money collected above the limit are not available beyond the 2020-21 budget year. Over the long term, Proposition CC will increase government spending and eliminate TABOR refunds. The amounts affected in future years will depend on economic conditions and policy decisions.

*For information on those issue committees that support or oppose the measures on the ballot at the November 5, 2019, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:*

<https://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>