Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

August 6, 2026

TO: Interested Persons

FROM: Legislative Council Staff Economists

SUBJECT: A Brief Overview of the Taxpayer's Bill of Rights' Revenue Limit

What is TABOR?

The Colorado Constitution includes an amendment called the "The Taxpayer's Bill of Rights," also known as TABOR.[1] Voters approved the TABOR amendment at the 1992 General Election. TABOR limits the authority of state and local governments to do certain things, like raise taxes or keep and spend the revenue they collect. It requires the state government to get voter approval to create a new tax or increase tax rates. It prohibits certain levels of government from collecting certain types of taxes, so there cannot be a state property tax or local income tax. It requires that income be taxed at a single tax rate.

This memorandum presents introductory information on TABOR as it impacts state government, including the TABOR revenue limit, and mechanisms for retaining or refunding revenue collected above that limit.

What is the TABOR limit?

TABOR limits the amount of revenue the state government can collect and either save or spend each year. The limit is equal to the prior year's limit, adjusted for inflation plus population growth. This is known as the **TABOR limit**. When revenue collected is greater than the TABOR limit, the excess must be refunded to taxpayers, unless the state government puts a measure on the ballot seeking voter approval to keep and spend the revenue, and voters approve it.

Not all revenue the state government collects is limited by TABOR. For example, money that the state government receives from the federal government does not count toward the TABOR limit. Voters have also approved measures to exclude some kinds of revenue from the limit, including

[1] Colo. Const. art. X, § 20.

some portions of income tax revenue. Most recently, voters approved Proposition MM in 2025, which raised income tax revenue for school meals and food assistance programs and exempted that revenue from the TABOR limit.

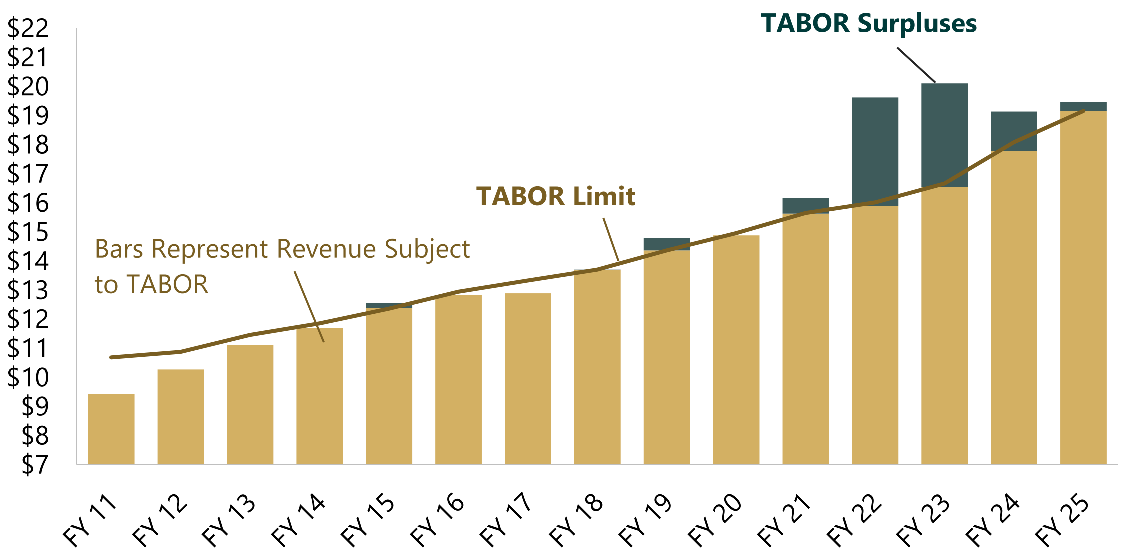
Most state income tax revenue collected from Colorado taxpayers counts as TABOR revenue and is subject to the TABOR limit.

What is a TABOR surplus?

When the state government collects TABOR revenue above the TABOR limit, this is known as a **TABOR surplus**. TABOR requires that the state return a TABOR surplus to taxpayers through **TABOR refunds**. TABOR refunds are distributed to taxpayers in several ways, as described below.

A history of state revenue subject to TABOR and the amount of TABOR surplus revenue is shown in Figure 1.

Figure 1
TABOR Revenue and the TABOR Limit
Dollars in Billions



Source: Office of the State Controller. FY = fiscal year, or state budget year, which runs from July through June.

What are TABOR refunds?

TABOR allows the state to refund TABOR surpluses to taxpayers using "any reasonable method."[2] Since 1992, the General Assembly has used many different mechanisms to refund TABOR surplus revenue. There are currently four refund mechanisms in state law, which are used in a particular order, depending on how large the TABOR surplus is in a given year:

1. The first refund mechanism is **reimbursements to local governments for homestead property tax exemptions** for seniors, veterans with a disability, and Gold Star spouses and the qualified-senior primary residence property tax benefit.
2. Next, **a temporary income tax rate reduction** is triggered, if the amount of the TABOR surplus is large enough. The amount of the rate reduction depends on the amount of TABOR surplus remaining after property tax refunds. It is calculated as a percentage point reduction in the current income tax rate.
3. Third, a **temporary sales and use tax rate reduction** may be used to distribute refunds if the TABOR surplus is more than $1.5 billion above homestead property tax refunds and the income tax rate reduction.
4. Any remaining amount is refunded through **the six-tier sales tax refund**. For instance, if there is surplus revenue remaining after property tax refunds, but not enough to trigger an income tax rate reduction, the revenue is refunded through the six-tier sales tax refund mechanism. Likewise, if there is surplus revenue after a temporary income tax rate reduction but not enough to trigger a sales tax rate reduction, the remaining surplus is refunded through six-tier sales tax refunds. This method sends refunds to each taxpayer in an amount that depends on their adjusted gross income. Although this is a refund of sales taxes, taxpayers receive it by claiming it on their income tax return.

Under the current Legislative Council Staff revenue forecast, TABOR refunds in tax year 2028 are expected to range between $150 million and $200 million refunded through each refund mechanism, including property tax reimbursements, the income tax rate reduction, and the six-tier sales tax refund mechanism. The TABOR refund obligation is not expected to be large enough to trigger the sales tax rate reduction. Actual refund amounts may vary considerably from the forecast as economic, policy, and revenue conditions change.

[2] Colo. Const. art. X, §20 (1).

How do TABOR refunds interact with the state budget?

The state budget includes the General Fund and many cash funds, which collect revenue from specific sources to be used for specific purposes. Revenue from both types of funds may count toward the TABOR limit, but the state pays TABOR refunds from the General Fund. For this reason, increases or decreases in cash fund revenue have different impacts on the state budget than increases or decreases in General Fund revenue.

In a TABOR surplus situation, if cash fund revenue increases, and voters have not given approval to keep the additional revenue, the state is required to refund an amount equal to the increase from the General Fund. Therefore, the amount of General Fund revenue available for the general operating budget decreases. Conversely, a reduction in cash fund revenue will increase available General Fund revenue in a TABOR surplus situation because it reduces the General Fund obligation for TABOR refunds.