



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1419: OVER-REFUND OF EXCESS STATE REVENUES

**Prime Sponsors:**

Rep. Sirota; Brown  
Sen. Amabile; Bridges

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**Fiscal note status:** The fiscal note reflects the reengrossed bill.

### Summary Information

**Overview.** If the state does not collect a TABOR surplus in FY 2025-26, the bill requires the State Controller to determine the amount of the FY 2024-25 TABOR surplus that was over-refunded, and to reduce TABOR refund amounts for subsequent fiscal years beginning in FY 2026-27 by no more than one-half of any over-refund amount identified.

**Types of impacts.** The bill conditionally affects the following areas in FY 2026-27 and FY 2027-28:

- State Expenditures
- Minimal Workload
- TABOR Refunds

**Appropriations.** For FY 2026-27, the bill requires and includes an appropriation of \$18,021 to the Office of the State Auditor in the Legislative Department.

**Table 1**  
**Conditional State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$22,597	\$136.1 million
Transferred Funds	\$0	\$0
Change in TABOR Refunds	-\$136.1 million	-\$153.0 million
Change in State FTE	0.2 FTE	0.2 FTE

Under the March 2026 OSPB Forecast selected by the Joint Budget Committee for budget balancing, the bill increases the FY 2025-26 state TABOR refund obligation, decreasing the amount available for FY 2025-26 appropriations and decreasing FY 2026-27 General Fund expenditures for homestead exemption reimbursements. It is not projected to require \$136.1 million in General Fund expenditures in FY 2027-28, and the change in the FY 2026-27 TABOR refund obligation would be -\$153.0 million.

**Table 1A**  
**Conditional State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$18,021	\$136,118,021
Cash Funds	\$0	\$0
Federal Funds	\$0	\$0
Centrally Appropriated	\$4,576	\$4,576
<b>Total Expenditures</b>	<b>\$22,597</b>	<b>\$136,122,597</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>

Under the March 2026 OSPB Forecast selected by the Joint Budget Committee for budget balancing purposes, the bill would decrease FY 2026-27 General Fund expenditures for homestead exemption reimbursements, and would not increase FY 2027-28 General Fund expenditures for homestead exemption reimbursements.

**Table 1B**  
**Conditional Change in TABOR Refunds**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Property Tax Reimbursements to Local Gov'ts.	-\$136.1 million	\$0
Six-Tier Sales Tax Refunds	\$0	-\$153.0 million
<b>Net Change in TABOR Refunds</b>	<b>-\$136.1 million</b>	<b>-\$153.0 million</b>

Under the March 2026 OSPB Forecast selected by the Joint Budget Committee for budget balancing purposes, the bill would increase FY 2025-26 refunds via property tax reimbursements to local governments, and reduce six-tier sales tax refunds by \$153.0 million in FY 2026-27 and FY 2027-28, with no change to refunds via property tax reimbursements to local governments in those years.

## Summary of Legislation

If the state does not collect a TABOR surplus in the current FY 2025-26, the bill requires the State Controller to determine the amount of the FY 2024-25 TABOR surplus that was over-refunded. Under the bill, the over-refund amount for FY 2024-25 is equal to the difference between the amount of TABOR surplus that was certified in the State Controller's [annual comprehensive financial report for FY 2024-25](#), and the amount that would have been required to be refunded in FY 2024-25 as a result of the federal tax policy changes under 2025 H.R. 1, the One Big Beautiful Bill Act (OBBBA), as determined by the State Controller, the Office of State Planning and Budgeting (OSPB), and the Department of Revenue.

To account for the over-refund, the bill requires the State Controller to reduce the TABOR refund amount for subsequent fiscal years beginning in FY 2026-27 by no more than one-half of any over-refund amount identified for FY 2024-25.

If the state collects a TABOR surplus in FY 2025-26, as identified by the State Controller in the September 1, 2026, TABOR revenue certification for FY 2025-26, then the bill's substantive provisions have no effect.

## Background

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Section 20 of article X of the Colorado Constitution (TABOR) limits state fiscal year spending, the amount of state revenue from most sources that may be retained and spent each year. If state fiscal year spending exceeds that limit, the state is required to refund any excess amount (TABOR refund). TABOR refunds are distributed according to refund mechanisms in current law in the fiscal year after the year in which they are collected. The State Controller's audited schedule of computations for FY 2024-25, included in the [annual comprehensive financial report](#) for that year, indicates that state revenue exceed the TABOR limit by \$309.8 million, with a refund requirement of \$306.1 million after accounting for prior year over-refunds.

Under current law, if the state issues a TABOR refund for a state fiscal year, and the amount of that TABOR refund is greater than the amount of state fiscal year spending in excess of the limitation of state fiscal year spending for the state fiscal year (over-refund), the state reduces the amount of the next TABOR refund by the amount of the over-refund.

Changes in federal tax policy under the OBBBA are expected to reduce the amount of state tax revenue for the 2025 tax year, which would normally be accounted for in FY 2024-25 and FY 2025-26. Because the bill was signed into law after the close of the state fiscal year, these impacts were not accounted for in FY 2024-25. As a result, the revenue loss associated with the OBBBA for all of tax year 2025 affects state revenue for FY 2025-26 under current law.

## Assumptions

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### **OBBBA-Related Changes to FY 2024-25 and FY 2025-26 TABOR Accounting**

LCS estimates that the OBBBA would have reduced state General Fund revenue in FY 2024-25 by \$386.2 million if half-year income tax revenue impacts had been accrued to that fiscal year. Since the estimated OBBBA impact is at least as large as the TABOR surplus in FY 2024-25, the fiscal note assumes that the over-refund amount will be equal to the FY 2024-25 TABOR refund obligation, or \$306.1 million.

Based on discussions with the Office of the State Controller and the Office of the State Auditor, the bill is expected to correspondingly increase the amount of revenue accounted as subject to TABOR for FY 2025-26. Under the March 2026 LCS forecast, the fiscal note assumes that state revenue subject to TABOR will remain below the TABOR limit in that year. Under the March 2026 OSPB forecast used by the Joint Budget Committee (JBC) for budget balancing, FY 2025-26 revenue could exceed the Referendum C cap by up to \$202.2 million.

## FY 2026-27 State TABOR Situation

The fiscal note incorporates the March 2026 LCS revenue forecast and the FY 2026-27 budget package approved by the JBC for balancing, including JBC-approved placeholders for non-orbital legislation other than this bill. The March 2026 forecast anticipated a state TABOR surplus of \$276.4 million for FY 2026-27. The budget package reduces that surplus expectation by \$140.4 million, due to a \$120.5 million decrease in state revenue subject to TABOR<sup>1</sup> and a \$19.9 million increase in the level of the FY 2026-27 TABOR limit.<sup>2</sup> Therefore, the surplus is expected to be \$136.1 million, to which the over-refund adjustment under this bill would be applied. Under current law, this entire amount would be refunded via property tax exemptions, reducing General Fund expenditures to reimburse local governments for these exemptions in FY 2027-28.

## TABOR Refunds

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The bill conditionally decreases the amount of state revenue required to be refunded to taxpayers by \$136.1 million in FY 2026-27 and \$153.0 million in FY 2027-28. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. The remaining \$17 million of the estimated over-refund amount will reduce TABOR refunds in a future fiscal year. Reduced refunds occur via the mechanisms shown in Table 1B.

These changes in TABOR refunds occur due to the expected identification of over-refund amounts for the FY 2024-25 TABOR surplus. 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. Decreasing refunds made via property tax exemptions will increase General Fund obligations for property tax exemption reimbursements in the following year, as explained in the State Expenditures section below.

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<sup>1</sup> Incorporates [HB 26-1377](#), [HB 26-1382](#), [HB 26-1384](#), [HB 26-1401](#), a reduction in Unclaimed Property Trust Fund payments to the Adult Dental Fund in [HB 26-1410](#), and a \$30 million JBC-approved placeholder for [SB 26-042](#).

<sup>2</sup> Incorporates [HB 26-1364](#).

## State Expenditures

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The bill conditionally increases state expenditures by about \$23,000 and 0.2 FTE annually beginning in FY 2026-27 to conduct TABOR-related accounting for the changes in the bill. Under the LCS forecast, the bill also increases General Fund expenditures for property tax reimbursements in FY 2027-28, and increases the amount of General Fund revenue available to spend or save in FY 2026-27 and FY 2027-28. These impacts are discussed below.

### TABOR Accounting

The bill conditionally requires changes to how revenue is accounted for TABOR purposes, beginning in FY 2024-25, for which the bill identifies an over-refund, and in all subsequent fiscal years. This will cause TABOR accounting reports to differ from other regular reports for General Fund and cash fund revenue.

### Office of the State Auditor

The Office of the State Auditor (OSA) will have conditional General Fund expenditures of about \$23,000 and 0.2 FTE annually to audit these ongoing changes. Current law requires that the OSA audit all over-refund calculations. OSA expenditures are shown in Table 2.

**Table 2**  
**State Expenditures**  
**Office of the State Auditor**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$18,021	\$18,021
Centrally Appropriated Costs	\$4,576	\$4,576
<b>Total Costs</b>	<b>\$22,597</b>	<b>\$22,597</b>
<b>Total FTE</b>	<b>0.2 FTE</b>	<b>0.2 FTE</b>

### Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

## Executive Branch

Conditional on the bill taking effect, workload will minimally increase for the State Controller, the Governor’s Office, and the Department of Revenue to make the required calculations under the bill. This work can be accomplished within existing appropriations.

## Property Tax Reimbursements

For FY 2027-28, the bill conditionally increases General Fund expenditures by \$136.1 million as a result of the reduced TABOR surplus in FY 2026-27. Under the March 2026 LCS forecast and the adopted budget package, the FY 2026-27 TABOR refund obligation, reduced by half of the expected over-refund amount, is expected to fall to zero. The fiscal note assumes that General Fund expenditures will be required to fully fund the reimbursements. Under the March 2026 OSPB forecast selected by the Joint Budget Committee for budget balancing, the bill would not require these expenditures.

## General Fund Budget

By reducing the TABOR refund obligation in FY 2026-27 and FY 2027-28, the bill conditionally increases the amount available to spend or save by \$136.1 million in FY 2026-27 and \$153.0 million in FY 2027-28.

## Effective Date

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The bill takes effect upon signature of the Governor, or upon becoming law without his signature. The bill’s substantive provisions are effective only if the September 1, 2026, TABOR certification indicates that the state did not collect a TABOR surplus in FY 2025-26.

## State Appropriations

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For FY 2026-27, the bill requires and includes an appropriation of \$18,021 to the Office of the State Auditor in the Legislative Department.

## State and Local Government Contacts

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Governor	Revenue
Law	State Auditor
Personnel	Treasury

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).