



AMERICANS FOR TAX REFORM

LEGISLATIVE ALERT

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Proposal to Keep TABOR Surpluses for Five Years is a Tax Increase, and is a Violation of the Pledge

The deal announced yesterday between Gov. Bill Owens (R) and legislative leaders is a tax increase because it keeps TABOR overpayments that would ordinarily be returned to taxpayers and spends them on healthcare, transportation, education, and other government expansions.

Gov. Owens, state Treasurer Mike Coffman, and twenty legislators have signed the Taxpayer Protection Pledge, committing to their voters to **“oppose and vote against/veto any and all efforts to increase taxes.”** **Supporting this deal, voting for it, or promoting it is a violation of that Pledge.**

On behalf of the 1600 members of Americans for Tax Reform in Colorado, and all the taxpayers of the state, ATR urges legislators to vote against this tax-and-spend proposal, and all political leaders to campaign against it.

TABOR has been a resounding success, giving Colorado one of the most fiscally prudent public finances in the nation. When the stock markets crashed, the terrorists struck, and the economy dropped into recession, every state entered tough budgetary times.

But Colorado suffered a much less severe budget problem than other states due to the spending restraint during the 1990s imposed by TABOR.

States without TABOR used budget surpluses in the 1990s to raise spending baselines to unsustainable levels. When the inevitable slowdown came, most states were left with spending commitments that were billions of dollars too high. California had a \$36 billion problem, Texas a \$10 billion problem, and Minnesota a \$4.3 billion problem as examples. But spending restraint due to TABOR limited Colorado’s problem to a relatively minor \$100-200 million – a much better position than that faced by virtually any other state. **Removing TABOR protections against overspending will make Colorado more vulnerable to future budget crises.**

The current budget problem is a spending problem. Amendment 23 forces education spending – roughly half the budget – to grow faster than inflation, squeezing every other spending program. The proposal announced yesterday includes commitments to raise spending on education, transportation, health, and debt above TABOR limits.

Clearly, the motivation is to keep more of taxpayers’ money in order to raise spending dramatically. TABOR guarantees that tax overpayments are returned to taxpayers. Coloradans have come to expect this refund. **Any elected official who decides to keep tax overpayments in order to fund more spending has just increased taxes on the families and businesses of Colorado.**

TABOR is the key that has helped Colorado avoid the most severe budget problems while contributing to Colorado's record of highest gross state product growth in the nation and second highest personal income growth in the nation. Allowing the state to keep and spend all tax revenues beyond the spending limit, and then tacking another \$100 million on to the spending baseline after five years, eviscerates spending restraint. It raises taxes on all Colorado families and businesses. And a tiny promised temporary reduction in the income tax rate five years in the future, conditional on surpluses existing after a five year spending binge, is little more than a bait and switch to sucker people into voting for a tax increase.

It was a decision just like this by California Gov. George Deukmejian (R) in the 1980s that gutted California's Gann Amendment spending limit, set off a spending binge, and created California's current budget crises.

Keeping TABOR surpluses is a tax increase and a violation of the Pledge.