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THE ECONOMIC CONSEQUENCES OF \$306 MILLION IN LOST TABOR REFUNDS

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INTRODUCTION

The 2026–27 Long Bill is expected to pass with a provision, authored by the Office of the Governor, that would cancel \$306.1 million in TABOR refunds over the next two budget cycles.ⁱ The Joint Budget Committee staff expressed concerns and expectations of legal challenge should the budget be approved. The governor’s office rationalizes the proposal, which would authorize an unprecedented retention of excess revenue without voter approval,ⁱⁱ the current fiscal year. Although threats of lawsuits and unease within the ranks of the state government might scupper this version of the Long Bill, it represents a continuation of an ongoing effort to suppress TABOR by subverting its ordinary refund mechanisms, thereby seizing state control of money that would normally be returned to taxpayers to be spent at their own discretion.ⁱⁱⁱ This report attempts to quantify the economic impacts that would result from its enactment.

KEY FINDINGS

The state government’s decision to retain \$306.1 million over the next two budgets, rather than refunding it to taxpayers in 2028 and 2029, would cause the following annual economic impacts, on average, between 2027 and 2031:

- An employment impact between a loss of 483 jobs and a gain of 44 jobs
- Between \$1.6 million and \$35.8 million of lost GDP
- A loss of economic output between \$7.4 million and \$64.8 million
- An impact on personal income of between -\$52 million and \$6.4 million

ECONOMIC CONSEQUENCES OF TABOR-REFUND RETENTION

When nonexempt state revenue exceeds the TABOR cap, a refund is triggered to be paid out in the following year. Because of this staggering, the state economy experiences the positive effects of increased government spending one year before the negative effects of reduced personal income. In the case of this proposal, the aggregate economic impact would be positive through either the first or first two years then negative through 2031.

The following table displays REMI Tax-PI modeling results of increasing state-government output by \$153.05 million in 2027 and 2028 (\$306.1 million retained over two years) while increasing personal taxes by the same amounts in 2028 and 2029. CSI presents two scenarios to outline a range of possible impacts: a high-benefit scenario, in which increased state spending generates direct investment in jobs and employee compensation, and a low-benefit scenario, whereby new state spending serves priorities that are less economically fecund. The former class of spending includes activities like infrastructure projects and effective grant programs, whereas spending on public health insurance and certain other forms of social assistance are examples of the latter. The true impacts would likely fall somewhere between the extremes.

Economic Impacts of Retaining \$306.1 Million in TABOR Refunds						
	2027	2028	2029	2030	2031	Annual Average
Scenario 1: State-government Output with Employment and Compensation						
Employment	1,994	370	-1,687	-306	-149	44
Population	694	353	-577	-503	-424	-91
GDP	\$250M	\$66M	-\$228M	-\$68M	-\$28M	-\$1.6M
Output	\$416M	\$102M	-\$390M	-\$117M	-\$48M	-\$7.4M
Personal Income	\$173M	\$55M	-\$138M	-\$37M	-\$21M	\$6.4M
Scenario 2: State-government Output without Employment and Compensation						
Employment	795	-872	-1,818	-370	-150	-483
Population	276	-385	-1,166	-968	-773	-603
GDP	\$204M	-\$4M	-\$264M	-\$83M	-\$32M	-\$35.8M
Output	\$340M	-\$15M	-\$452M	-\$143M	-\$54M	-\$64.8M
Personal Income	\$68M	-\$68M	-\$170M	-\$58M	-\$32M	-\$52M

In both scenarios, the boost to government spending in 2027 results in temporary economic benefits—between 795 and 1,994 jobs and up to \$250 million in GDP, depending on the state’s use of resources. When the first year of lost refunds hits taxpayers’ earnings in 2028, however, the benefit diminishes under the first scenario and reverses under the second. By 2029, when the lost refunds are fully realized and the spending boost has expired, job losses peak between 1,687 and 1,818 and economic output bottoms out between \$117 million and \$143 million below its baseline. Afterwards, the impacts stay negative for another two years before the economy fully recovers from the disturbance.

CONCLUSION

The cancellation and reclamation by the Colorado state government of \$306 million of would-be TABOR refunds would generate net-negative economic outcomes over time. Though there would be an initial boost to employment and production from increased government spending that could last as long as two years, losses would accumulate in the subsequent three years. Declines in state population, economic productivity, GDP, and statewide personal income would accrue. Potential legal challenges aside, the net impact of this proposal would be negative on the whole.

ⁱ <https://leg.colorado.gov/bills/HB26-1410>

ⁱⁱ <https://www.coloradopolitics.com/2026/04/15/colorado-budget-plan-seeks-to-keep-306-million-by-canceling-tabor-refunds>

ⁱⁱⁱ <https://www.common senseinstitute.us.org/colorado/research/taxes-and-fees/the-legislative-assault-on-tabor-how-colorado-lawmakers-are-rewriting-the-rules>