TABOR Primer

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COLORADO
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Introduction

Colorado's Taxpayer's Bill of Rights (TABOR), or Article X, Section 20, is a tax and expenditure limitation that governs nearly every revenue and spending decision made in the state. Importantly, TABOR is a part of the state constitution, meaning that it is harder to repeal or modify than statutory law. Since its introduction in 1992, this constitutional constraint has limited the ability of Colorado to distribute shared resources in a strategic,
forward-looking way—instead preserving a status quo that benefits very few people.

TABOR has been condemned repeatedly throughout its existence, but it is nonetheless worthwhile to examine the theory on which it rests and the deficiencies it shows in practice. In order to better understand how it came to be, how it functions, and how it impacts the state, this document will serve as a primer on TABOR. The rest of this primer is organized as follows: Section 2 briefly outlines the history of tax and expenditure limitations in the U.S., with a specific focus on Colorado; Section 3 provides a brief history of TABOR in Colorado; Section 4 describes the major provisions of TABOR; Section 5 discusses some notable impacts of TABOR; and Section 6 concludes.

Tax and Expenditure Limits

Tax and expenditure limitations (TELs) are self-imposed laws that limit the ability of a state, and often its localities, to tax and spend. Today's TELs often place limits on the growth of specific revenue sources, like the property tax, or on the overall size of government. Thus, they restrict the overall level or growth rate of government revenues or spending. Efforts to limit the size and scope of the government have been central to the U.S. experience since colonial times. The 19th century—with its coincident rise in state involvement in the economy and public life—brought about certain restrictions on state and local governments, including balanced budget requirements and restrictions on debt accumulation. This was the era in which the so-called "public purpose doctrine" arose and became a major factor in limiting the power of government to tax and spend.[1] By the last quarter of the 19th century, most states had constitutional provisions that required any taxes to be used for specific public expenditures. Colorado's first constitution, dating to 1876, reflected many of these 19th-century fiscal constraints.

States also made frequent use of "uniformity clauses" in the 19th century. Such constitutional clauses required that property be assessed based on its value, rather than by applying specific rates to specific properties (e.g., $5 for each residential property). While this might appear neutral, it essentially forbade progressive taxation—you couldn't, for example, apply a higher rate to luxury property or exempt small farms. As Einhorn (2001) has discussed, the uniformity clause first appeared in 16 states before the Civil War, emerging "from the explicitly anti-democratic demands of slaveholders in the South rather than from the egalitarian demands of frontier farmers" (p. 974).[2] In practice, uniformity clauses functioned as early tax and expenditure limitations: by constitutionally prohibiting differential rates or classifications, they constrained state legislatures' fiscal flexibility and preempted redistributive taxation, particularly taxation that would fall more heavily on wealth concentrated in enslaved persons. For a deeper look at the relationship between tax policy and structural racism, see "Structural Racism and State Tax Policy: A Walk Through History."

Twentieth-century movements to impose limitations on government were of a couple of different forms. Following the Great Depression, a small number of states imposed rate limits on property and income taxes, which were the cornerstones of state and local public finance at the time.[3] In the late 1970s, various "tax revolts" across the country led to significant changes in the way revenues were generated and how that burden was distributed. California's Proposition 13 and Massachusetts' Proposition 2½ are both considered property tax revolts and were adopted through citizen initiative. Most TELs, however, have been enshrined in law by legislative action.

According to the National Association of State Budget Officers, 26 states have at least one TEL, nine of which were created by ballot initiative.[4] Additionally, 14 states require at least a three-fifths vote to pass a tax increase, while one state, Colorado, requires voter approval for any tax or revenue increase.

Tax and Expenditure Limitations in Colorado

Colorado has a long history of limiting the size and scope of government, whether through lawmaking or voter-approved ballot initiatives. Throughout the latter half of the twentieth century, Colorado voters saw a series of initiatives to amend the state constitution and establish a TEL. These attempts—in 1966, 1972, 1976, and 1978—all failed at the ballot. In 1977, though, the legislature enacted a General Fund expenditure limitation, codified at Section 24-75-201.1, Colorado Revised Statutes (C.R.S.). From that year forward, Colorado's General Fund spending was limited to 7% over the prior year's spending.[5] Additionally, any excess had to be allocated to a reserve fund and then to property tax relief. After 14 years, the legislature made this limitation even more restrictive. In 1991, the Arveshoug-Bird provision restricted annual appropriations to the lesser of 5% of Colorado personal income or 6% over the prior year's General Fund appropriations.[6]

Despite these spending limitations, a slew of TELs—this time targeting spending and revenue collections—appeared on the ballot. In 1986, 1988, and 1990, a comprehensive TEL (similar to TABOR) was presented to voters but failed to pass. In 1992, after tweaking the proposal, TABOR was finally approved by 54% of voters and enshrined in the Colorado Constitution as Art. X, Section 20.

TABOR History

The backdrop for the eventual passage of TABOR is the broader political economy of Colorado in the 1980s and early 1990s. The presidential election of 1992 included incumbent George H.W. Bush, who had failed voters in his pledge not to raise federal taxes. Texas businessman Ross Perot entered the race as an independent, and despite stumbling, performed well in Colorado—capturing over one in five votes. An advocate of reducing the federal deficit through reductions in spending, part of his policy platform was tax reform. As he put it:

Let's take away the right of Congress to raise taxes because they're acting irresponsibly. If they want to raise taxes, put it on the ballot, and if you think it's worthwhile we'll do it. Let's cut out the deficit spending—just right now, cut it. Expenditures cannot exceed revenues. When you start down this path, don't blink. You're going to have to eliminate the tricks, the loopholes, and the improper accounting procedures, but that can be done if you stay focused (Source: The Man Behind the Myth, by Ken Gross, p. 234, Sept. 20, 2000).

The timeliness of this message was a boon to Douglas Bruce, an anti-tax and anti-government zealot whose message was eerily similar: if elected representatives want to raise taxes, put it on the ballot and let the voters decide. Bruce led the failed campaigns (mentioned above) to establish a TABOR-like constitutional amendment in 1986, 1988, and 1990, but persuaded a small majority (53.7%) to vote in favor of the dramatic change in 1992.[7]

In 1992, Colorado collected less in state taxes per capita than the nearby states shown, while its per-capita personal income was higher.

1992 State Tax Revenues and Personal Income, Per Capita

State	State Tax Revenues	Personal Income
Colorado	$1,046	$21,600
Kansas	$1,123	$20,105
Utah	$1,123	$16,390
Nebraska	$1,186	$19,974
Arizona	$1,287	$18,287
Wyoming	$1,404	$19,565
New Mexico	$1,146	$16,784

Sources: U.S. Census Bureau 1992 Annual Survey of State Government Finances—Historical Tables; Bureau of Economic Analysis—GDP & Personal Income, SAINC50

TABOR Key Provisions

TABOR applies to every level of government in Colorado, from special library districts and municipalities to school districts, county governments, and, of course, the state. There are four major provisions of TABOR:

1. VOTER APPROVAL

Colo. Const. Art. X, Section 20(4) requires prior voter approval of any new tax or debt, tax or debt increase, increase in mill levy, or any tax policy change that will result in a net revenue gain for the government. Voter approval is also required for a "weakening" of other limits on government revenue, spending, or debt (Colo. Const. Art. X, Section 20(1)). This aspect of TABOR is responsible for shifting major fiscal decision-making away from the legislature and placing it directly in the hands of Colorado voters. Importantly, fees do not require prior voter approval, but the revenue generated from them is included in the spending limit, explained below.

***2.* SPENDING LIMITS**

Colo. Const. Art. X, Section 20(7) limits annual growth in fiscal-year spending. However, the definition of fiscal-year spending includes all expenditures and reserve increases, and exempts from the calculation of allowable growth various revenue sources such as gifts, federal funds, pension earnings, damage awards, and the proceeds of property sales. This means that the spending limit acts more like a revenue limit.[8]

The amount of revenue that the state can retain and spend each year is restricted by a formula of inflation plus the annual change in state population, applied to the prior year's allowable revenue.[9] For example, if inflation, measured by the Consumer Price Index for the Denver metro area, was 2.2% and the state's population grew by 2.5%, the state is allowed to collect and retain 4.7% more revenue than it was allowed to keep the prior year. Any revenue collected above the allowable limit must be returned to taxpayers in the form of refunds or credits, unless voters approve a measure allowing the government to retain and spend it. Elections to allow the state to keep money above the limit are called "de-Brucing" elections, named for Douglas Bruce, TABOR's author.

Most state General Fund and cash fund revenue that voters have not exempted is subject to the TABOR limit. Federal funds, litigation settlements, certain intergovernmental transfers, enterprise revenues, and voter-approved changes are classified as exempt funds, meaning that they are not included when computing revenue subject to TABOR's revenue limit.

3. LIMITS ON TYPES OF TAXES

Colo. Const. Art. X, Section 20(8) prohibits certain taxes and revenue-raising options, even if local voters approve them. TABOR prevents Colorado communities from creating any new or increased real estate transfer taxes, a local income tax, a state real property tax, or a graduated state income tax. For example, if a local community wanted a real estate transfer tax to fund local services, it would first need to amend the state constitution and then vote locally to approve the tax. TABOR, in effect, creates a constitutional bias against certain revenue measures. These wholesale prohibitions create complications for enacting region-specific taxes, like a metro-area real estate transfer tax for affordable housing in a high-need area like Denver or Aurora. They also hinder efforts to balance the overall equity of the tax system since tools like a progressive income tax are constitutionally prohibited.

4. ELECTION PROVISIONS

Colo. Const. Art. X, Section 20(3) prescribes specific language for ballot titles for all revenue-increase initiatives and requires publication of estimates of the amount of money raised by a proposed increase as well as the total amount of revenue, not related to the increase, raised by the district. Section 3 also creates new statewide elections in odd-numbered years to address issues arising from TABOR. In particular, each ballot title for a new tax or debt requires that it begin with:

"SHALL (DISTRICT) TAXES BE INCREASED (first, or if phased in, final, full fiscal year dollar increase) ANNUALLY…?" or "SHALL (DISTRICT) DEBT BE INCREASED (principal amount), WITH A REPAYMENT COST OF (maximum total district cost)."

The combination of constitutional revenue limits, voter-approval requirements, restrictions on certain taxes, and detailed election rules sharply restricts Colorado lawmakers' ability to respond to changing needs and budget priorities. These restrictions have created a number of negative consequences for Coloradans.

TABOR Impacts

Complexity and Workarounds

Did TABOR constrain the size of government, as intended by its authors? There are a number of published works examining exactly that. In one widely cited paper, James and Wallis (2004) found that even during the boom years of the 1990s, TABOR caused government funding for certain public services to slip, causing widespread pain when the economy fell into a recession.[10] This dynamic highlights one of the first major problems with TABOR, the so-called "ratchet-down effect." In certain years, tax revenue may decline due to a worsening economy, but when the economy improves, tax revenues cannot rise along with it as the following year's revenue limit increases from a smaller base amount.[11] Colorado experienced this phenomenon in the aftermath of the dot-com bust, which led to the first of multiple tweaks to TABOR. Recognizing this flaw in TABOR's formula, voters approved Referendum C in 2005. The measure allowed the state to retain and spend all revenue collected during a five-year timeout from fiscal years 2005-06 through 2009-10. It also established an ongoing Referendum C cap for subsequent years, allowing the state to retain revenue up to a limit that grows with inflation and population.

A related concern with the way TABOR is formulated has to do with inflation, the rate of which is added to the growth rate in population to determine the state's spending limit in the following year. The definition of inflation that appears in TABOR is the Consumer Price Index for All Urban Consumers (CPI-U) in the Denver-Aurora-Lakewood area. The CPI-U is a good gauge of the price changes experienced by the average urban consumer, but is arguably not an appropriate gauge of the price changes experienced by the government, which faces a fundamentally different set of day-to-day or month-to-month purchases. For example, while the Denver-Aurora-Lakewood CPI increased by 151.4% from 1992 to 2024, the national price indices for medical care and for educational books and supplies have increased by 196.7% and 273.6%, respectively. Given that the government's primary spending areas are in medical care and education, tying spending growth to a consumer-focused price index has greatly constrained the overall budget. Put another way, if medical care and education remain priorities of the government, which is a "price-taker," then financing those expenditures must necessarily come at the expense of other spending priorities, such as infrastructure replacements or Colorado Parks and Wildlife.

Together, these features suggest that TABOR may suppress long-run government spending, even when demand for services increases.

Such suppression does not and cannot eliminate fiscal need; it simply alters how those needs can be met. As is now becoming clearer, TABOR has shifted fiscal decisions to less transparent venues, such as enterprises ("off-budget, government-run business entities") and special districts (Mullins & Wallin, 2004).[12] Enterprise funds, like public authorities, are more difficult for the public to track or influence. Complexity reduces both transparency and accountability—inverting TABOR's stated democratic intent.

Equity

If state and local governments are limited in generating revenue or making expenditures, it is logically sound to suggest that fewer funds will be available for government services and programs. This can have wider equity impacts than intended. As Archibald and Feldman (2004) suggest, diminishing quality of a public good can be expected with fewer funds available for that public good—something the authors suggest has occurred in the case of higher education.[13] TABOR may also entrench horizontal inequalities across jurisdictions, as wealthier areas can maintain services through local overrides or alternative revenue sources. Relatedly, limitations of the TABOR variety shift burdens downward, increasing reliance on regressive user fees and fines. In their 2007 study, Yuan and coauthors found that the presence of TELs has "constrained local spending on public schools, as measured by a variety of indicators such as student-teacher ratios, teacher salaries, and teacher quality" (p. 33).[14] Mullins (2004) found that TELs hit poor communities the hardest because, with lower tax bases and higher service needs (health care, education, housing), revenue or expenditure caps weaken their ability to deliver adequate services. The author argues that "blunt instruments intended to impose an externally derived definition of fiscal responsibility on local governments and populations" thus take the "greatest toll on the jurisdictions and populations which can least afford a relative decline in resources and in the availability of public services" (p. 147).[15]

In their study of TABOR, James and Wallis (2004) describe Colorado's limited capacity to adjust to recessions. Countercyclical fiscal policy is an important tool in a modern tax system. Although state governments have less capacity than the federal government to respond to economic downturns, many can still draw on reserves or adjust revenue. Colorado's options are more constrained. According to the National Association of State Budget Officers, in fiscal year 2024, Colorado's rainy day fund (called the "General Fund Statutory Reserve") totaled just $1.9 billion, or roughly 10.7% of total General Fund expenditures, the fifth-lowest percentage in the nation. In the event of a severe crisis, the entirety of this fund might not be enough to maintain an adequate level of government expenditures.

Further, TABOR excludes economic conditions and revenue shortfalls from its definition of an emergency. State legislators therefore cannot use TABOR's emergency-tax provisions to address a recession-driven budget shortfall.

Recent work by Deller et al. (2021) examines the restrictiveness of TELs in relation to state governments' ability to respond to growing inequality. They find that TELs are indeed associated with higher levels of income inequality, with more restrictive TELs exacerbating inequality. TABOR, as the most restrictive TEL in the country, limits the ability of Colorado to implement policies that could reduce inequality. In other words, TABOR constrains redistributive capacity because it limits key revenue-raising vehicles, including the graduated income tax.[16]

Ultimately, TABOR is preventing the state from allocating resources where they are most needed and responding quickly and painlessly to changing conditions. This reduces efficiency (poor resource use) and responsiveness (failure to meet community needs).

Democracy

Finally, TABOR may impede democracy, not by bypassing voters, but by displacing democratic control from representative institutions and impairing deliberation. State legislatures must respond to changing needs or emergencies, but in Colorado, they are unable to do so. Instead, highly complicated fiscal decisions are pushed onto voters without informed public deliberation. So, despite the many instances in which a legislative majority might support a revenue-raising policy, a relatively small group of voters can block that policy, shifting power away from majoritarian institutions.

This can create a minority veto when turnout is low or uneven. Major fiscal measures may be decided in elections with widely varying participation.[17] As Hajnal and Trounstine (2005) demonstrate, low voter turnout can bias electoral outcomes and policy decisions, disproportionately affecting underrepresented communities.[18] Although TABOR is often presented as a democratic mechanism that allows the people to decide, it can shift important fiscal decisions away from representative institutions without ensuring broad public participation.

Conclusion

TABOR emerged from a particular political moment and an anti-tax movement led in Colorado by Douglas Bruce. Over time, its structural limitations have become clear: It constrains representative government, encourages governments to find workarounds, exacerbates gaps in public investment between wealthy and low-income communities, and weakens the state's ability to meet future challenges.

Although TABOR was intended to safeguard taxpayers, it can undermine democratic accountability and the public investments that help government function effectively. As Colorado confronts rising costs, growing inequality, and new public demands, TABOR's limitations deserve renewed scrutiny for both their technical design and their democratic consequences.

References

1. See Sharpless v. Mayor of Philadelphia, 21 Pa. 147 (1853), which legitimized government spending on infrastructure projects that involve private companies but left legislatures across the country with broad discretion to define "public purpose."
2. Einhorn, R. L. (2001). Species of property: The American property-tax uniformity clauses reconsidered. The Journal of Economic History, 61(4), 974–1008.
3. This is also the era of widespread adoption of the sales tax.
4. See Budget Processes in the States 2021: https://www.nasbo.org/reports-data/budget-processes-in-the-states.
5. See https://law.justia.com/codes/colorado/2022/title-24/article-75/part-2/section-24-75-201-1/ at paragraph I.
6. See https://law.justia.com/codes/colorado/2022/title-24/article-75/part-2/section-24-75-201-1/ at paragraph II.
7. Smith, D. A. (1996). Populist entrepreneur: Douglas Bruce and the tax and government limitation moment in Colorado, 1986–1992. Great Plains Research, 6(2), 269–294.
8. We use revenue limit and spending limit interchangeably.
9. The revenue limits applying to school districts (inflation plus growth in student population) and all other local governments (inflation plus net growth in taxable property due to construction) are different from those applied to the state and are not discussed in this memo.
10. James, F. J., & Wallis, A. (2004). Tax and spending limits in Colorado. Public Budgeting & Finance, 24(4), 16–33.
11. This occurs not only with revenue decreases but also if revenue increases less quickly than inflation plus population growth.
12. Mullins, D. R., & Wallin, B. A. (2004). Tax and expenditure limitations: Introduction and overview. Public Budgeting & Finance, 24(4), 2–15.
13. Archibald, R. B., & Feldman, D. H. (2004). State higher education spending and the tax revolt. College of William and Mary, Department of Economics, Working Paper No. 10. Retrieved from http://economics.wm.edu/wp/cwm_wp10.pdf.
14. Yuan, B., Cordes, J., Brunori, D., & Bell, M. (2007). Tax and expenditure limitations and their effects on local public finances. George Washington Institute of Public Policy.
15. Mullins, D. R. (2004). Tax and expenditure limitations and the fiscal response of local government: Asymmetric intra-local fiscal effects. Public Budgeting & Finance, 24(4), 111–147.
16. Deller, S., Maher, C., & Stallmann, J. (2021). Do tax and expenditure limitations exacerbate rising income inequality? Economics & Politics, 33(3), 611–643.
17. See https://www.electproject.org/election-data/voter-turnout-data for turnout data and definitions.
18. Hajnal, Z. L., & Trounstine, J. (2005). Where turnout matters: The consequences of uneven turnout in city politics. The Journal of Politics, 67(2), 515–535.

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