



# TABOR in Minnesota (HF3840)

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## TABOR Comes to Minnesota

TABOR, the so-called Taxpayers Bill of Rights, was introduced in the Minnesota House of Representatives on March 22, 2006 as House File 3840 (HF3840). The bill never received a hearing during the 2006 Legislative Session and no Senate companion was introduced, but TABOR could be reintroduced in future sessions.

Minnesota's TABOR proposal is very similar to the TABOR passed in Colorado in 1992. However, although Colorado's TABOR is extremely restrictive, the Minnesota version manages to include some elements that are even more prohibitive.

For more information about TABOR, please visit [www.mncn.org/tabor.htm](http://www.mncn.org/tabor.htm).

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**TABOR proposes to amend the Minnesota Constitution.** If HF3840 had been approved by a majority of both houses of the state legislature during the 2006 Legislative Session, TABOR would have appeared on the ballot in the November 2006 election. If a majority of all those voting in the election voted in support of the measure, TABOR would have taken effect July 1, 2007. *Colorado's TABOR also amended the state constitution.*

**TABOR would place strict limitations on government spending at the state and local level.** The restrictions in HF3840 would apply to state government and all local governments except school districts, which would be subject to a separate set of highly restrictive spending limits. TABOR's strict spending limits would apply to all government expenditures and reserve increases, with some very narrow exceptions. *Colorado's TABOR also limits spending growth at both the state and local level and applies the limits to most revenue sources.*

**TABOR would limit increases in spending to inflation plus population growth.** At the state level, HF3840 would limit growth in spending to inflation plus population growth, adjusted for revenue changes approved by voters. At the local level, TABOR would limit growth in spending to inflation plus annual local growth, adjusted for voter approved revenue changes. Annual local growth is not measured using population, but is defined as the net change in the actual value of real property due to new construction. TABOR would not allow any increase in school district tax rates or levies — even to adjust for inflation or enrollment growth — without voter approval. *Colorado's TABOR uses the same formulas to limit state and local spending, but allows school districts to adjust spending for inflation and enrollment growth.*

**TABOR would not allow spending to keep pace with inflation and population growth following economic downturns.** To determine the level of allowable spending, HF3840 would use the previous year's spending adjusted for inflation and population growth (or local growth). However, during an economic downturn, the state or local government might not collect sufficient revenues to spend up to the allowed level. This leads to what is called TABOR's "ratchet effect." The following year, even if the economy has improved and revenue collections recover, TABOR would calculate the level of allowable spending starting with the lower, actual level of spending in the prior year, permanently ratcheting down the allowable level of spending. *Colorado's TABOR also has a "ratchet effect."*

**TABOR would place revenues that exceed the formula limits into a reserve account and a tax reduction account.** Under HF3840, whatever revenues exceed the formula limits would be placed in a "reserve and cash flow account" until that account reaches an unspecified level. Thereafter, any additional revenues would be deposited in an account dedicated to tax reform and tax and debt reduction and must be used for those purposes within two fiscal years. *Colorado's TABOR requires an emergency reserve equal to 3% of fiscal year spending and specifies that revenues exceeding the formula must be refunded in the next fiscal year.*

**TABOR includes a restrictive override mechanism.** In order to override TABOR and keep revenues that exceed the formula, enact any tax policy change with a net tax revenue gain, extend an expiring tax, increase an existing tax, or create a new tax, HF3840 would require 3/4ths of the members of each house or governing body to vote to refer the measure to the ballot for voter approval in the next general election. Ballot measures to override TABOR could only retain money from the prior year and are prohibited from retaining current or future excess revenues. *Colorado's TABOR requires a majority vote of the governing body to refer a measure to the ballot and does allow measures to retain current and future excess revenues.*

**TABOR would create significant barriers to responding to emergency situations.** Under HF3840, a 3/4ths majority of the members of each house or governing body could declare an emergency and impose a tax to respond to the situation. Economic conditions and revenue shortfalls, however, would not be allowable grounds for an emergency. The emergency tax revenue could only be spent after reserves are depleted and must be refunded if not used on the emergency. If voters do not approve the emergency tax in the next election, the tax would end that month. *Colorado's TABOR has a similar provision, but requires a 2/3rds majority to declare an emergency.*