



HOUSE RESOLUTION 17-1010

BY REPRESENTATIVE(S) Foote, Bridges, Garnett, Hamner, Hansen, Herod, Jackson, Lee, Leonard, Lontine, McLachlan, Michaelson Jenet, Mitsch Bush, Pabon, Pettersen, Rankin, Rosenthal, Salazar, Singer, Van Winkle, Weissman, Winter, Young, Duran.

CONCERNING THE IMPACT OF FEDERAL TAX REFORM ON THE STATE AND AN ENCOURAGEMENT TO THE STATE'S CONGRESSIONAL DELEGATION TO PASS REFORMS THAT MAKE THE FEDERAL TAX SYSTEM SIMPLE, EASY TO UNDERSTAND, AND NOT PRONE TO TAX AVOIDANCE EFFORTS.

WHEREAS, Well-designed tax systems provide the money needed to support government institutions, services, and programs that protect people and promote general public welfare, and the money to make investments in infrastructure and other public goods that ensure equal economic opportunity, reward entrepreneurship, and promote job growth; and

WHEREAS, The current federal individual income tax system originated with the 16th Amendment to the United States Constitution, granting the federal government the authority to levy a tax on income; and

WHEREAS, Congress codified the modern legal foundation for income taxation in 1939 in the first formal Internal Revenue Code; and

WHEREAS, The Internal Revenue Code was updated in 1954 in the first wide-sweeping tax reform, and that Code remained the primary framework of the income tax system, but became increasingly complex

through a combination of high tax rates and a wide range of tax deductions and tax shelters; and

WHEREAS, The Tax Reform Act of 1986 eliminated many deductions in exchange for simplifying and reducing tax rates; and

WHEREAS, The Internal Revenue Code has a steady pattern of growing complexity with once-every-generation action to reform and simplify the process; and

WHEREAS, Federal tax law spans 70,000 pages and as a result, the current tax system is widely regarded as complex, unfair, unwieldy, and inefficient. The sheer volume alone reflects many bargains made over time, thus moving away from anyone's concept of an ideal way to raise revenue fairly and efficiently; and

WHEREAS, This is a bipartisan issue. "A Better Way for Tax Reform", the Republican blueprint snapshot for tax reform, says "Our tax code is a mess, and that's putting it lightly. Multiple brackets. High rates. Special interest breaks everywhere. Rules and regulations that are too complicated to understand. It costs more and more each year just to do your taxes, let alone pay them. All of this drags people down and leaves businesses buried in paperwork and compliance problems."; and

WHEREAS, In 2016, the *USA Today* editorial board said, "The U.S. corporate tax system is an unholy mess. This is evident in the piles of cash that U.S. companies hoard overseas . . . five top tech companies alone - Alphabet, Apple, Cisco Systems, Microsoft and Oracle - collectively held \$504 billion in cash at the end of last year, 87.5% of which was parked abroad . . . The mess is also evident in so-called corporate inversions, a favored ruse whereby a U.S.-based company buys a smaller overseas company and claims its country (with its lower tax rates) as its new corporate home."; and

WHEREAS, Congressional leadership has indicated it will focus on tax reform, both for corporations and individuals, this year so as to correct and simplify the Internal Revenue Code; and

WHEREAS, As taxes are levied now, tax planning allows individuals and companies to divert taxable earning and assets to minimize the tax owed in a multitude of ways. This leaves less money for important government priorities such as public safety, roads, and education; and

WHEREAS, Over the past several decades, corporations have been paying a smaller and smaller share of the total federal tax burden. In 1952, corporate income taxes funded about 32% of the federal tax burden. By 2015, this had fallen to 10.6%; and

WHEREAS, The current tax code also provides many ways to avoid paying individual income tax, but such methods are out of reach for almost all average individual income taxpayers. Since 1992, the percentage of income tax paid by the 400 highest earning taxpayers was 27%. By 2012, that figure had fallen to 17%; and

WHEREAS, In what is called an "inversion", the current tax code rewards companies for relocating their legal domicile to a lower-tax nation while the company continues its operations in the United States, imposing the same public costs and using the same infrastructure as before the inversion; and

WHEREAS, Sheltering income, in addition to reducing federal income taxes collected, also reduces the state's income tax revenues; and

WHEREAS, Federal tax reform is a critical issue for Colorado; now, therefore,

Be It Resolved by the House of Representatives of the Seventy-first General Assembly of the State of Colorado:

That we, the members of the Colorado House of Representatives, believe:

(1) The federal tax system should be simple and easy to understand, with minimum compliance cost and complexity. The system should not be prone to exploitation for the purpose of tax avoidance, as today's system is;

(2) The tax system should be transparent so that the public will know that the tax system meets standards of fairness and will be assured that individuals and corporations are all meeting their obligations; and

(3) Any tax reform that occurs should adhere to the above considerations.

Be It Further Resolved, That copies of this House Resolution be sent to each member of Colorado's congressional delegation.

Marilyn Eddins
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Crisanta Duran
SPEAKER OF THE HOUSE
OF REPRESENTATIVES