

Proposition ? : State Income Tax Rate Reduction

- 1 **Proposition ? proposes amending the Colorado statutes to:**
2 • reduce the state income tax rate from 4.63 percent to 4.55 percent for tax
3 year 2020 and future years.

4 **What Your Vote Means**

YES A “yes” vote on Proposition ? reduces the state income tax rate to 4.55 percent for tax year 2020 and future years.

NO A “no” vote on Proposition ? keeps the state income tax rate unchanged at 4.63 percent.

1 **Summary and Analysis for Proposition ?**

2 Proposition ? reduces the state income tax rate from 4.63 percent to 4.55 percent for
 3 tax year 2020 and future years. This analysis provides information on the current
 4 state income tax and the changes proposed in the measure.

5 **What is the state’s current income tax rate?**

6 Since 2000, Colorado’s income tax rate has been a flat 4.63 percent, which means
 7 that all taxpayers pay the same tax rate regardless of their taxable income. The
 8 income tax rate applies to the Colorado taxable income of both individuals and
 9 corporate taxpayers. Colorado taxable income is equal to federal taxable income,
 10 adjusted for any state additions and deductions.

11 **How are state income tax collections spent?**

12 State income tax collections are the main source of General Fund revenue, which is
 13 the primary resource for financing state government operations. In the 2019-20
 14 budget year, the state income tax generated \$X.XX billion* and accounted for
 15 XX percent* of General Fund revenue. Currently, most of the money in the General
 16 Fund is spent on health care, education, human services, and other state programs.

17 **How does Proposition ? change the state’s income tax rate?**

18 Proposition ? reduces the state individual and corporate income tax rate from
 19 4.63 percent to 4.55 percent for tax year 2020 and future years. The measure is
 20 expected to reduce state income tax revenue by \$XXX million* for the 2020-21
 21 budget year, equal to XX percent* of expected income tax revenue for that year.

22 **Taxpayer impacts.** Table 1 shows the reduction in state income tax owed for
 23 taxpayers of different levels of Colorado taxable income.

24 **Table 1**
 25 **Income Taxes Under Current Law and Proposition ?**

Taxable Income	Tax Owed at Current Rate of 4.63%	Tax Owed Under Proposition ?	Change in Tax Owed Under Proposition ?
\$10,000	\$463	\$455	-\$8
\$25,000	\$1,158	\$1,138	-\$20
\$50,000	\$2,315	\$2,275	-\$40
\$125,000	\$5,788	\$5,688	-\$100
\$250,000	\$11,575	\$11,375	-\$200
\$1,000,000	\$46,300	\$45,500	-\$800

*These amounts will be filled in for the second draft of this ballot analysis.

For information on those issue committees that support or oppose the measures on the ballot at the November 3, 2020, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Argument For Proposition ?**

- 2 1) Proposition ? leaves more money in the pocket of every taxpayer, which is
3 especially important during this time of economic crisis. Allowing taxpayers to
4 keep more of their earnings will promote spending, business investment, and
5 broader economic gains. This measure is expected to reduce state revenue by
6 \$XXX million,* just X.X percent* of the \$XX.X billion* the state General Fund is
7 expected to collect in the next budget year. At a time of economic difficulty, the
8 state government should reduce the tax burden on families and businesses and
9 cut back its spending. Households that are struggling and foregoing basic
10 purchases need their earnings more than the state government does.

11 **Argument Against Proposition ?**

- 12 1) Reducing state revenue will compound the impact of significant budget cuts
13 already being made to education, health care, transportation, and other state
14 programs as a result of the current economic crisis. Additional cuts to state
15 revenue will cause job losses and reduce critical state services, further hurting
16 Colorado's economy and quality of life. This cost is much greater than the small
17 tax savings that most Colorado households will see. About 75 percent of
18 taxpayers will receive a tax cut of less than \$50 per year, and over half of the
19 total tax savings statewide will be allowed to those with incomes over \$500,000.
20 With significant cuts already being made to critical state programs, now is not the
21 time to reduce state revenue further.

22 **Estimate of Fiscal Impact of Proposition ?**

- 23 An estimate of fiscal impact will appear in future drafts of this analysis.

**These amounts will be filled in for the second draft of this ballot analysis.*