Initiative 195: Graduated Income Tax

Placed on the ballot by citizen initiative • Passes with a majority vote

Initiative 195 proposes amending the Colorado Constitution and Colorado statutes to:

- remove the constitutional requirement that the state income tax be set at a single flat rate;
- replace the current flat income tax with a graduated state income tax that sets lower rates for lower incomes and higher rates for higher incomes;
- spend the additional revenue collected from these income tax rate changes on K-12 education, health care, and early childhood care and education; and
- exempt additional revenue collected under the measure from the state's constitutional revenue limit.

What Your Vote Means

YES

A "yes" vote on Initiative 195 creates a graduated state income tax that increases revenue; uses the additional money for K-12 education, health care, and early childhood care and education; and exempts additional revenue collected from the state's constitutional revenue limit.

NO

A "no" vote on Initiative 195 keeps the current constitutional requirement for a flat state income tax rate.

Summary and Analysis of Initiative 195

What does Initiative 195 do?

The measure replaces the state's current flat income tax rate for individuals and businesses with a graduated income tax that lowers taxes for taxable income below $500,000 and raises taxes for taxable income above $500,000. It requires that the additional money collected from this change be spent on K-12 education, health care, and early childhood care and education, and exempts this money from the state's constitutional revenue limit, also known as the Taxpayer's Bill of Rights (TABOR) limit. The state must produce an audited annual report on how much additional revenue was collected and how it was spent.

What is the state's current income tax structure?

Since 1987, Colorado has had a flat income tax rate, in which all taxpayers, including individuals and businesses, pay the same income tax rate on their income. The state's current flat income tax rate is 4.4 percent. The majority of state income tax revenue is used for general state programs and services. The TABOR amendment in the state constitution requires that income be taxed at a flat rate.

Income tax is paid on a portion of a household's or business's income, which is called taxable income. For example, a married couple earning $42,000 in income per year may have about $10,000 in taxable income and owe $440 in taxes annually. A married couple earning $130,000 in income per year may have about $100,000 in taxable income and owe $4,400 in taxes annually.

What is the graduated income tax structure proposed in Initiative 195?

Initiative 195 removes the constitutional requirement that income be taxed at a flat rate and creates a graduated income tax starting in 2027. In this graduated tax system, an individual's or business's income is split into six ranges—called brackets—with the lowest income tax bracket taxed at the lowest rate and each higher bracket taxed at increasing rates, as shown in Table 1.

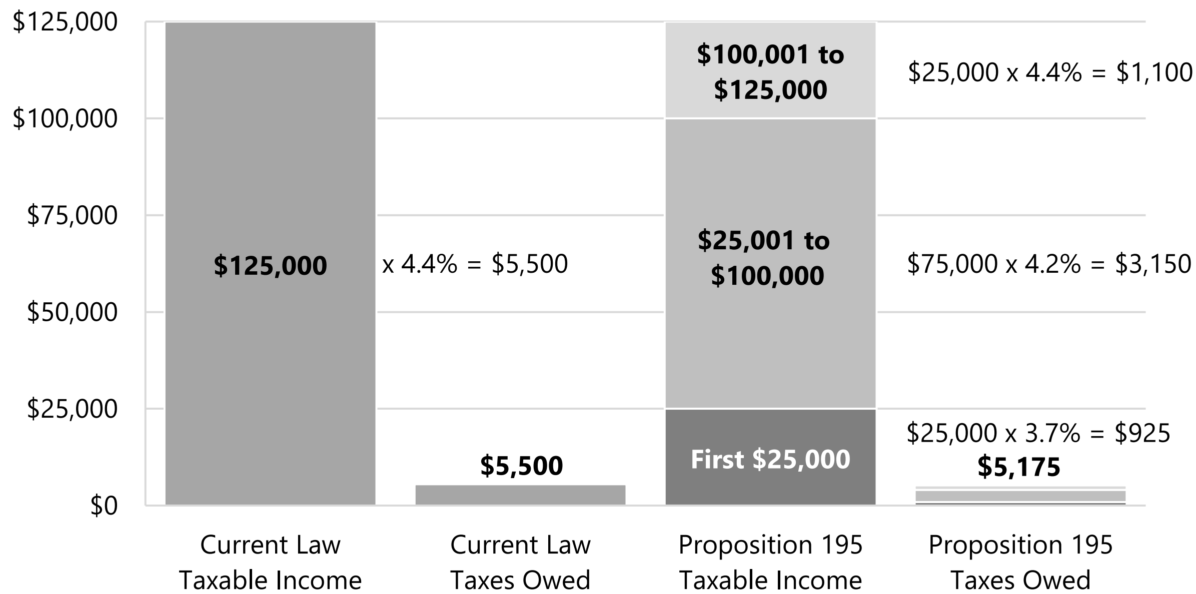
This is similar to how the federal income tax works. Unlike the federal income tax, the new state income tax brackets are not adjusted for inflation, so more of taxpayers' incomes will fall into the higher brackets over time. Each tax rate is only applied to the portion of taxable income that falls into that bracket.

Table 1
Graduated Income Tax Rates by Income Bracket Under Initiative 195

Taxable Income Bracket	Current Tax Rate	Initiative 195 Tax Rate	Difference
$25,000 or less	4.4%	3.7%	-0.7
$25,001 to $100,000	4.4%	4.2%	-0.2
$100,001 to $500,000	4.4%	4.4%	0.0
$500,001 to $750,000	4.4%	7.4%	+3.0
$750,001 to $1,000,000	4.4%	7.9%	+3.5
More than $1,000,000	4.4%	8.4%	+4.0

For example, as shown in Figure 1 below, an individual or business earning $125,000 a year in taxable income is taxed at a rate of 3.7 percent for the first $25,000. The next portion of taxable income between $25,000 and $100,000 is taxed at a rate of 4.2 percent. The remaining $25,000 is taxed at the rate of 4.4 percent. The total tax owed under the measure would be $5,175, or $325 less than the $5,500 they would owe under current law.

Figure 1
Tax Rates and Taxes Owed for a Taxpayer with $125,000 in Taxable Income



How does Initiative 195 change the amount of taxes owed?

For individuals and businesses with taxable incomes of less than $500,000, the measure decreases the amount of income taxes owed, up to a maximum reduction of $325 per taxpayer. For taxpayers with incomes of about $500,000 and above, the measure increases the amount of income taxes owed.

Table 2 shows an example of taxes owed under the measure and under current law for seven hypothetical taxpayers with different levels of taxable income.

Table 2
Taxes Owed Under Current Law and Initiative 195

Example Taxable Income	Current Income Tax Owed	Initiative 195 Income Tax Owed	Difference in Income Tax Owed
$25,000	$1,100	$925	-$175
$62,500	$2,750	$2,500	-$250
$125,000	$5,500	$5,175	-$325
$300,000	$13,200	$12,875	-$325
$550,000	$24,200	$25,375	+$1,175
$625,000	$27,500	$30,925	+$3,425
$875,000	$38,500	$50,050	+$11,550
$2,000,000	$88,000	$143,925	+$55,925

How does Initiative 195 change state revenue?

By changing tax rates for individuals and businesses, Initiative 195 is expected to increase state income tax revenue by an estimated $2 billion in the first full year and more in later years. However, actual revenue collections may be more or less than this estimate depending on economic conditions and other factors.

The change in state revenue under the measure is calculated as the difference between the actual income tax revenue collected under the measure's graduated income tax rates and the income tax revenue that would have been collected under the state's current rate of 4.4 percent. See the Fiscal Impact section below for additional detail.

Does Initiative 195 impact TABOR refunds?

The measure has no impact on current TABOR refunds or TABOR refund mechanisms. Under current law, the state is expected to collect $15 billion in income tax revenue in 2028. Under this measure, it is expected to collect $2 billion more in income tax revenue, for a total of $17 billion. The additional $2 billion is exempt from the TABOR limit. The TABOR limit and the amount of revenue subject to the limit remain the same, and estimated TABOR refunds will not change. For additional information, see the LCS memorandum titled, "A Brief Overview of the TABOR Revenue Limit."[1]

How will the additional revenue be spent?

The increased revenue collected under Initiative 195 must be spent on K-12 education, health care, and early childhood care and education. It must add to, and not replace, spending on those services. The state legislature will decide what specific programs will receive additional funding and how much.

What happens if Initiative 195 and Proposition 136 both pass?

Proposition 136 limits the state income tax rate at the current law rate of 4.4 percent. If both Initiative 195 and Proposition 136 are approved by voters, the proposed tax rates for income over $500,000 in Initiative 195 would be higher than the 4.4 percent limit in Proposition 136.

Generally, when parts of voter-approved measures conflict, the policy outcome is determined by the measure that received more votes. However, if both measures are approved by voters, the exact outcome is unclear. The state legislature or a court will need to determine how to resolve any conflicts.

Arguments For Initiative 195

1) Initiative 195 cuts taxes for 97 percent of taxpayers, including most households and small businesses, while increasing taxes only for top earners who have the ability to pay. A graduated income tax is more equitable than a flat tax because it recognizes a fundamental economic reality: each dollar taxed on someone earning $30,000 imposes a far greater

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[1] Online at: https://leg.colorado.gov/bluebook

hardship than each dollar taxed on someone earning $1 million. By aligning tax rates with taxpayers' financial means, a graduated tax distributes the burden more justly across all income levels, lowers taxes for most households and small businesses, and puts more money in the hands of working families who will spend it in their local communities.

2) The measure funds critical services at a time when additional funding is desperately needed. Crucial programs are at risk of further cuts because of changes in federal policy. Revenue from the graduated tax will fund education, health care, and child care, public services that many Colorado households rely on. Colorado public schools are significantly underfunded, and constraints on the state budget make Medicaid cuts increasingly likely. Additional funding will provide more security for the people who depend on these services.

3) The graduated income tax is not an experiment, but a proven approach for funding essential public services. The federal government and 27 other states already have a graduated income tax. This tax structure lessens rising wealth inequality and increases funding for state programs. Sales and property taxes place greater burdens on lower-income households, and a graduated income tax corrects for this inequity while also funding services for all Coloradans.

Arguments Against Initiative 195

1) The measure is a multibillion-dollar tax increase, and hiking taxes on higher incomes will harm Colorado's economy. Higher tax rates make Colorado a less competitive place to start and grow a business, and may encourage some high earners to leave the state entirely. When businesses and high-earning individuals relocate, people at all income levels may lose their jobs. Further, because the brackets do not increase with inflation, more and more taxpayers will pay these higher taxes each year. Colorado cannot risk employers and jobs fleeing the state because our taxes are too high. Keeping taxes competitive for everyone fuels economic activity and builds a stronger, more prosperous Colorado for all.

2) The measure is an attack on the fair and predictable tax system that TABOR currently guarantees. The state's current flat tax is fair because everyone has equal access to state services, high-income earners already pay more taxes, and low-income earners qualify for more tax deductions and credits. The state should better prioritize the tens of billions of dollars it already collects, rather than switch to a new, complicated tax system.

3) The measure will permanently expand the size of government, increase careless and wasteful spending of taxpayer dollars, and hinder economic growth. Instead of spending billions of dollars more on broadly defined government services, state policy should focus on lowering taxes for everyone or funding specific programs that are proven to help Colorado's residents.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

www.coloradosos.gov/pubs/elections/Initiatives/ballot/contacts/2026.html

Fiscal Impact of Initiative 195

Taxpayer Impacts

Initiative 195 will decrease the amount of income tax owed by taxpayers with Colorado taxable income of less than $510,834 and increase the amount of income tax owed by taxpayers with Colorado taxable income of $510,834 and above. State law requires Legislative Council Staff to estimate the potential tax burden on affected taxpayers within specified federal adjusted gross income categories. Federal adjusted gross income is total income from all sources, with certain adjustments, as determined when filing federal income taxes. Colorado taxable income, calculated when filing state income taxes, is based on federal adjusted gross income with additional adjustments required or allowed under state law. Table 3 shows the expected change in tax burden by federal adjusted gross income category. The measure has no impact on current TABOR refunds or TABOR refund mechanisms.

Table 3
Estimated Impact on Taxpayers by Income

Income Category	Estimated Number of Taxpayers	Total Change in Tax Burden	Average Change in Tax Burden
$14,999 or less	579,309	-$638,951	-$1
$15,000 to $29,999	408,924	-$16,093,434	-$39
$30,000 to $39,999	272,616	-$29,611,480	-$109
$40,000 to $49,999	238,539	-$38,651,945	-$162
$50,000 to $69,999	443,000	-$85,925,358	-$194
$70,000 to $99,999	408,912	-$93,232,609	-$228
$100,000 to $149,999	408,912	-$115,554,178	-$283
$150,000 to $199,999	238,532	-$77,522,900	-$325
$200,000 to $249,000	102,228	-$33,224,100	-$325
$250,000 to $499,999	204,456	-$66,448,200	-$325
$500,000 to $999,999	55,900	-$15,893,609	-$284
$1,000,000 or more	46,328	$1,208,468,497	+$26,085

Income is federal adjusted gross income, not Colorado taxable income; therefore, the income ranges and tax rates do not align with those in Table 2. The estimated number of taxpayers column counts joint filers as one taxpayer. Estimates are based on Colorado Department of Revenue data for all residents for tax year 2023 and Legislative Council Staff estimates.

State Revenue

By replacing the state flat income tax with a graduated income tax, the measure increases revenue from income taxes by an estimated $958.4 million in budget year 2026-27, $1.972 billion in budget year 2027-28, and increasing amounts in future years based on income and population growth. The estimate for budget year 2026-27 represents a half-year impact for tax year 2027. The additional revenue will be credited to the Colorado Future's Account created in the measure. The increased revenue is exempt from TABOR as a voter-approved revenue change. The state budget year begins each July 1 and ends on June 30.

State law requires Legislative Council Staff to include an estimate of the maximum dollar amount of the change in state government revenue for the first full fiscal year of a proposed tax increase. This is the number that appears in the ballot question. The estimates in the previous paragraph represent the revenue impact of the measure under the current Legislative Council Staff revenue forecast. Based on forecast error that could occur, the maximum dollar amount of the change in state government revenue and fiscal year spending for budget year 2027-28 is estimated as an increase of $2.7 billion.

State Spending

The measure increases the amount of state revenue available to spend for the purposes identified in the measure, including K-12 education, health care, and early childhood care and education, in FY 2026-27 and future fiscal years. To administer the tax rate change, the measure is expected to increase one-time spending in the Department of Revenue by $98,000.

School District Revenue and Spending

The measure increases available state funding to school districts. The exact amount distributed to school districts will depend on decisions made by the General Assembly when allocating money from the Colorado Future's Account.

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What Your Vote Means

YES

A "yes" vote on Initiative 195 creates a graduated state income tax that increases revenue; uses the additional money for K-12 education, health care, and early childhood care and education; and exempts additional revenue collected from the state's constitutional revenue limit.

NO

A "no" vote on Initiative 195 keeps the current constitutional requirement for a flat state income tax rate.

Summary and Analysis of Initiative 195

What does Initiative 195 do?

The measure replaces the state's current flat income tax rate for individuals and businesses with a graduated income tax that lowers taxes for taxable income below $500,000 and raises taxes for taxable income above $500,000. It requires that the additional money collected from this change be spent on K-12 education, health care, and early childhood care and education, and exempts this money from the state's constitutional revenue limit, also known as the Taxpayer's Bill of Rights (TABOR) limit. The state must produce an audited annual report on how much additional revenue was collected and how it was spent.

What is the state's current income tax structure?

Since 1987, Colorado has had a flat income tax rate, in which all taxpayers, including individuals and businesses, pay the same income tax rate on their income. The state's current flat income tax rate is 4.4 percent. The majority of state income tax revenue is used for general state programs and services. The TABOR amendment in the state constitution requires that income be taxed at a flat rate.

Income tax is paid on a portion of a household's or business's income, which is called taxable income. For example, a married couple earning $42,000 in income per year may have about $10,000 in taxable income and owe $440 in taxes annually. A married couple earning $130,000 in income per year may have about $100,000 in taxable income and owe $4,400 in taxes annually.

What is the graduated income tax structure proposed in Initiative 195?

Initiative 195 removes the constitutional requirement that income be taxed at a flat rate and creates a graduated income tax starting in 2027. In this graduated tax system, an individual's or business's income is split into six ranges—called brackets—with the lowest income tax bracket taxed at the lowest rate and each higher bracket taxed at increasing rates, as shown in Table 1.

This is similar to how the federal income tax works. Unlike the federal income tax, the new state income tax brackets are not adjusted for inflation, so more of taxpayers' incomes will fall into the higher brackets over time. Each tax rate is only applied to the portion of taxable income that falls into that bracket.

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Graduated Income Tax Rates by Income Bracket Under Initiative 195

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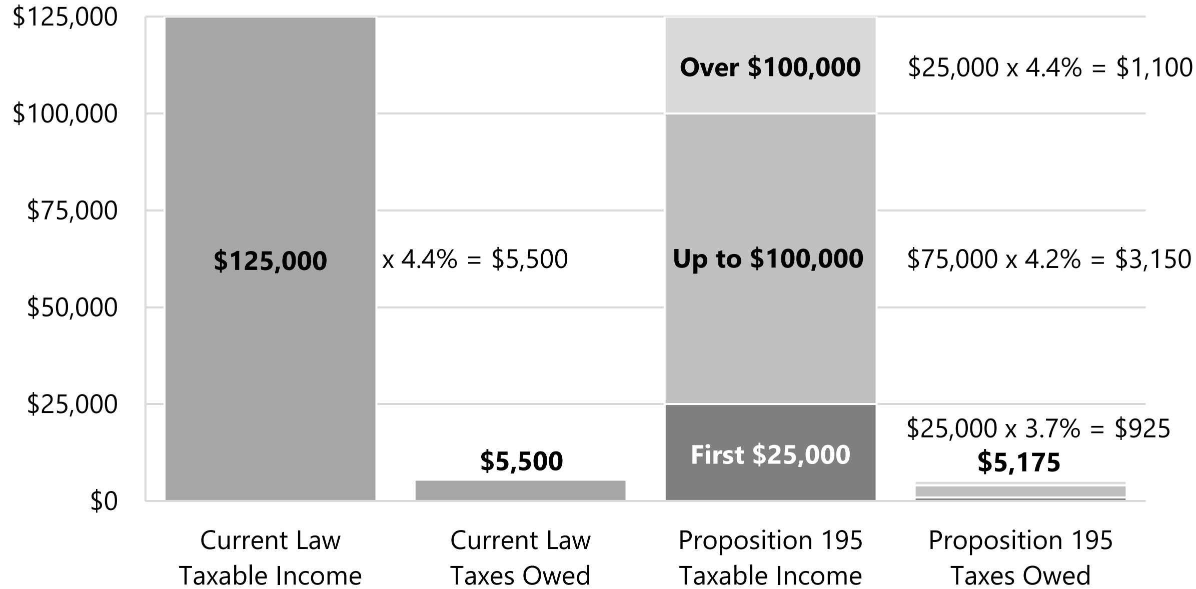
$25,000 or less	4.4%	3.7%	-0.7
$25,001 to $100,000	4.4%	4.2%	-0.2
$100,001 to $500,000	4.4%	4.4%	0.0
$500,001 to $750,000	4.4%	7.4%	+3.0
$750,001 to $1,000,000	4.4%	7.9%	+3.5
More than $1,000,000	4.4%	8.4%	+4.0

For example, as shown in Figure 1 below, an individual or business earning $125,000 a year in taxable income is taxed at a rate of 3.7 percent for the first $25,000. The next portion of taxable income between $25,000 and $100,000 is taxed at a rate of 4.2 percent. The remaining $25,000 is taxed at the rate of 4.4 percent. The total tax owed under the measure would be $5,175, or $325 less than the $5,500 they would owe under current law.

Figure 1
Tax Rates and Taxes Owed for a Taxpayer with $125,000 in Taxable Income



How does Initiative 195 change the amount of taxes owed?

For individuals and businesses with taxable incomes of less than $500,000, the measure decreases the amount of income taxes owed. For taxpayers with incomes of about $500,000 and above, the measure increases the amount of income taxes owed.

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$62,500	$2,750	$2,500	-$250
$125,000	$5,500	$5,175	-$325
$300,000	$13,200	$12,875	-$325
$550,000	$24,200	$25,375	+$1,175
$625,000	$27,500	$30,925	+$3,425
$875,000	$38,500	$50,050	+$11,550
$2,000,000	$88,000	$143,925	+$55,925

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By changing tax rates for individuals and businesses, Initiative 195 is expected to increase state income tax revenue by an estimated $2 billion in the first full year and more in later years.

However, actual revenue collections may be more or less than this estimate depending on economic conditions and other factors.

The change in state revenue under the measure is calculated as the difference between the actual income tax revenue collected under the measure's graduated income tax rates and the income tax revenue that would have been collected under the state's current rate of 4.4 percent. See the Fiscal Impact section below for additional detail.

Does Initiative 195 impact TABOR refunds?

The measure has no impact on current TABOR refunds or TABOR refund mechanisms. Under current law, the state is expected to collect $15 billion in income tax revenue in 2028. Under this measure, it is expected to collect $2 billion more in income tax revenue, for a total of $17 billion. The additional $2 billion is exempt from the TABOR limit. The TABOR limit and the amount of revenue subject to the limit remain the same, and estimated TABOR refunds will not change. For additional information on TABOR refunds and refund mechanisms, see this LCS memorandum, which provides a brief overview.

How will the additional revenue be spent?

The increased revenue collected under Initiative 195 must be spent on K-12 education, health care, and early childhood care and education. It must add to, and not replace, spending on those services. The state legislature will decide what specific programs will receive additional funding and how much.

What happens if Initiative 195 and Initiative 232 both pass?

Initiative 232 limits the state income tax rate at the current law rate of 4.4 percent. If both Initiatives 195 and 232 are approved by voters, the proposed tax rates for income over $500,000 in Initiative 195 would be higher than the 4.4 percent limit in Initiative 232.

Generally, when parts of voter-approved measures conflict, the policy outcome is determined by the measure that received more votes. However, if both measures are approved by voters, the exact outcome is unclear. The state legislature or a court will need to determine how to resolve any conflicts.

Arguments For Initiative 195

1) Initiative 195 cuts taxes for 97 percent of taxpayers, including most households and small businesses, while increasing taxes only for top earners who have the ability to pay. A graduated income tax is more equitable than a flat tax because it recognizes a fundamental economic reality: each dollar taxed on someone earning $30,000 imposes a far greater hardship than each dollar taxed on someone earning $1 million. By aligning tax rates with taxpayers' financial means, a graduated tax distributes the burden more justly across all income levels, lowers taxes for most households and small businesses, and puts more money in the hands of working families who will spend it in their local communities.

2) The measure funds critical services at a time when additional funding is desperately needed. Crucial programs are at risk of further cuts because of changes in federal policy. Revenue from the graduated tax will fund education, health care, and child care, public services that many Colorado households rely on. Colorado public schools are significantly underfunded, and constraints on the state budget make Medicaid cuts increasingly likely. Additional funding will provide more security for the people who depend on these services.

3) The graduated income tax is not an experiment, but a proven approach for funding essential public services. The federal government and 27 other states already have a graduated income tax. This tax structure lessens rising wealth inequality and increases funding for state programs. Sales and property taxes place greater burdens on lower-income households, and a graduated income tax corrects for this inequity while also funding services for all Coloradans.

Arguments Against Initiative 195

1) The measure is a multibillion-dollar tax increase, and hiking taxes on higher incomes will harm Colorado’s economy. Higher tax rates make Colorado a less competitive place to start and grow a business, and may encourage some high earners to leave the state entirely. When businesses and individuals relocate and take their businesses and jobs with them, this drains the tax base that funds our state and slows economic growth. Because the brackets do not increase with inflation, more and more taxpayers will pay these higher taxes each year. Colorado cannot risk high earners leaving the state because our taxes are too high. Keeping taxes competitive for everyone fuels economic activity and builds a stronger, more prosperous Colorado for all.

2) The measure is an attack on the fair and predictable tax system that TABOR currently guarantees. The state’s current flat tax is fair because everyone has equal access to state services, high-income earners already pay more taxes, and low-income earners qualify for more tax deductions and credits. The state should better prioritize the tens of billions of dollars it already collects, rather than switch to a new, complicated tax system.

3) The measure will permanently expand the size of government, increase careless and wasteful spending of taxpayer dollars, and hinder economic growth. Instead of spending billions of dollars more on broadly defined government services, state policy should focus on lowering taxes for everyone or funding specific programs that are proven to help Colorado’s residents.

Information about the organizations supporting and opposing this measure is available on the Colorado Secretary of State's website:

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Fiscal Impact of Initiative 195

Taxpayer Impacts

Initiative 195 will decrease the amount of income tax owed by taxpayers with Colorado taxable income of less than $510,834 and increase the amount of income tax owed by taxpayers with Colorado taxable income of $510,834 and above. State law requires Legislative Council Staff to estimate the potential tax burden on affected taxpayers within specified federal adjusted gross income categories. Federal adjusted gross income is total income from all sources, with certain adjustments, as determined when filing federal income taxes. Colorado taxable income, calculated when filing state income taxes, is based on federal adjusted gross income with additional adjustments required or allowed under state law. Table 3 shows the expected change in tax burden by federal adjusted gross income category. The measure has no impact on current TABOR refunds or TABOR refund mechanisms.

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$50,000 to $69,999	443,000	-$85,925,358	-$194
$70,000 to $99,999	408,912	-$93,232,609	-$228
$100,000 to $149,999	408,912	-$115,554,178	-$283
$150,000 to $199,999	238,532	-$77,522,900	-$325
$200,000 to $249,000	102,228	-$33,224,100	-$325
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Income is federal adjusted gross income, not Colorado taxable income; therefore, the income ranges and tax rates do not align with those in Table 2. The estimated number of taxpayers column counts joint filers as one taxpayer. Estimates are based on Colorado Department of Revenue data for all residents for tax year 2023 and Legislative Council Staff estimates.

State Revenue

By replacing the state flat income tax with a graduated income tax, the measure increases revenue from income taxes by an estimated $958.4 million in budget year 2026-27, $1.972

billion in budget year 2027-28, and increasing amounts in future years based on income and population growth. The estimate for budget year 2026-27 represents a half-year impact for tax year 2027. The additional revenue will be credited to the Colorado Future's Account created in the measure. The increased revenue is exempt from TABOR as a voter-approved revenue change. The state budget year begins each July 1 and ends on June 30.

State law requires Legislative Council Staff to include an estimate of the maximum dollar amount of the change in state government revenue for the first full fiscal year of a proposed tax increase. This is the number that appears in the ballot question. The estimates in the previous paragraph represent the revenue impact of the measure under the current Legislative Council Staff revenue forecast. Based on forecast error that could occur, the maximum dollar amount of the change in state government revenue and fiscal year spending for budget year 2027-28 is estimated as an increase of $2.7 billion.

State Spending

The measure increases the amount of state revenue available to spend for the purposes identified in the measure, including K-12 education, health care, and early childhood care and education, in FY 2026-27 and future fiscal years. To administer the tax rate change, the measure is expected to increase one-time spending in the Department of Revenue by $98,000.

School District Revenue and Spending

The measure increases available state funding to school districts. The exact amount distributed to school districts will depend on decisions made by the General Assembly when allocating money from the Colorado Future's Account.

Note from Legislative Council Staff:

The Secretary of State is still verifying signatures for Initiative 195 and Initiative 232. If Initiative 195 qualifies for the ballot and Initiative 232 does not, we will remove the section about how the two measures interact from our analysis.

Last Draft Comments from Interested Parties

Initiative 195

Graduated Income Tax

Nash Herman, representing the Independence Institute:

Hello,

I am Nash Herman, policy analyst at Independence Institute. Here are my comments and suggestions for the third draft of Initiative 195. Thank you.

Title – The title for Initiative 195 currently reads: *Initiative 195: Graduated Income Tax*

As I explained in my comments on the first and second drafts, I think this title is incomplete. While I appreciate that you created a separate point in the first section to explain the preemptive revenue exemption, I think the title should make it clear as well, given the popularity of TABOR's requirement that the legislature usually ask voters again if a tax measure exceeds revenue expectations.

Suggested title: Initiative 195: Graduated Income Tax and Permanent TABOR Exemption for New Revenue

Page 2, starting on line 49 – This sentence currently reads: *Unlike the federal income tax, the new state income tax brackets are not adjusted for inflation, so more of taxpayers' incomes will fall into higher brackets over time.*

As mentioned in my comments for the second draft, I appreciate that you added this sentence to the analysis. However, as before, I must stress that the changes made to this sentence for the third draft are still unlikely to be enough to help voters grasp what this means for taxes and the economy in the long term. For example, a tax filer with an $81,800 federal taxable income (Colorado's average as of 2023 CODOR SOI tables) in the first year of the measure would pay a top rate of 4.2 percent. However, in five years, assuming a 3 percent inflation rate and 1.7 percent real wage growth (Colorado's historical averages), that filer will have crossed into the next bracket (4.4 percent) with a federal taxable income of about $103,000. Despite being in a higher bracket, the filer would have only about $89,000 in purchasing power based on 2023 dollars. If 195's brackets were indexed for inflation, it would take the filer 12 years instead of 5 to reach the next bracket. Given enough time, 195 is a de facto tax increase for *all* Coloradans, especially in terms of purchasing power.

Page 3, under How does Initiative 195 change the amount of taxes owed? And Table 2 – This section currently reads: *For individuals and businesses with taxable incomes of less than $500,000, the measure decreases the amount of income taxes owed. For taxpayers with incomes of about $500,000 and above, the measure increases the amount of income taxes owed.*

I must continue to stress that Initiative 195 is not indexed to inflation and can very quickly result in certain tax filers no longer receiving the permanent tax cut they might expect when voting for the measure. While it should not be expected that the Blue Book forecast explicit numbers several years into the future, I think it should be clarified again that as wages and inflation increase, the decrease in taxes (which is a key selling point for the measure) will only become less pronounced over time, so that (assuming no other changes) a growing share of Coloradans would actually experience higher effective taxes relative to purchasing power.

Page 4, starting at line 74 – This sentence currently reads: *However, actual revenue collections may be more or less than this estimate depending on economic conditions and other factors.*

It may be worth expanding on here that actual revenue collections may be directly impacted by the change to the tax structure, potentially resulting in worse-than-expected collections in the long term. While not certain, a slower-growing economy in the long term due to increased taxes on Colorado's job creators remains a risk that voters would likely want to know about.

Page 4, starting at line 91 – This sentence currently reads: *The state legislature will decide what specific programs will receive additional funding and how much.*

While I do think this sentence is slightly improved from the previous draft, I still believe it should make it clearer that there is no guarantee the money goes to all of these categories. As mentioned in my comments for the first and second drafts, there is no minimum allocation for the categories. Meaning, a voter may approve the measure assuming that a greater portion of the new revenue goes to K-12 education, but the legislature is not guaranteed to spend it on K-12 education (especially if Proposition NN passes) and may instead direct the money to health care.

Page 4, starting at line 102 – This sentence currently reads: *Initiative 195 cuts taxes for 97 percent of taxpayers, including most households and small businesses, while increasing taxes only for top earners who have the ability to pay.*

The statement that 97 percent of taxpayers will receive a tax cut reflects short-term, static estimates. Because the tax brackets are not indexed for inflation, the share of taxpayers receiving a net tax cut will shrink over time as nominal incomes rise. Voters should understand that the long-term distributional effects will differ significantly from the first-year snapshot.

Starting on Page 5, under Fiscal Impacts of Initiative 195 – As I explained in my comments on the previous drafts, I think this analysis warrants a dedicated "Economic Impacts" section. As explained in this Literature Review from the nonpartisan Tax Foundation, "Taxes on income and wages reduce the incentive to work. Progressive income taxes, where higher income is taxed at higher rates, reduce the returns to education, since high incomes are associated with high levels of education, and so reduce the incentive to build human capital. Progressive taxation also reduces investment, risk taking, and entrepreneurial activity since a disproportionately large share of these activities is done by high income earners." These are significant risks to Colorado's economy that are not currently presented in the analysis.

Best,

Nash Herman
Policy Analyst
Independence Institute

Kevin Joyce, representing himself:

Hello,

I have reviewed the third draft of the ballot analysis for Initiative 195. I have two comments.

First, the draft does not state the size of the tax reduction. Under the rates shown in Table 1, the maximum reduction is $325 per year for any taxpayer, regardless of income. Table 2 includes examples showing a $325 reduction, but nothing in the draft explains that this is the maximum reduction available rather than a result specific to the examples chosen. The summary states only that the measure lowers taxes for taxable income below $500,000, which does not convey the magnitude of the reduction. The summary should state that the maximum reduction under the proposed tax schedule is $325 per year so voters can understand both who receives a tax reduction and the size of that reduction.

Second, Figure 1 illustrates only a taxpayer whose taxes decrease under the measure. Because the measure both decreases taxes for some taxpayers and increases taxes for others, the analysis should also include a figure illustrating a taxpayer whose taxes increase. A reader who skims the analysis will see a single illustration, and that illustration shows a tax reduction. The existing $875,000 example from Table 2 would work for this purpose and would not require any additional calculations.

Thank you for your work on this analysis.

Regards,
Kevin

Caroline Nutter, representing Protect Colorado's Future Coalition, proponents:

August 19, 2026
To: Legislative Council Staff
From: Protect Colorado's Future Coalition

Comments on Initiative 195 Blue Book Draft #3

● There should be a fifth bullet at the very top – page 1, below line 9 – that mentions the audit requirement. Voters have been very clear that accountability for spending is an important issue, and the fact that this measure includes an audit and annual report should be among the primary purposes of the measure. We suggest the bullet read: "there will be an annual audited report available to the public that will detail how much additional revenue was raised and where the money was spent."

● On pg 4, line 91, in the "How will the additional revenue be spent" section, it needs to be clearer that the state legislature will decide "within these three issue areas." While the first sentence in the section says it, we suggest adding "within the above programmatic areas" in the third sentence so that it reads: "The state legislature will decide what specific program, within the three above broader issue areas, will receive additional funding and how much."

● On page 4, lines 93-100, there is a section describing the impacts if both Initiative 195 and Initiative 232 pass. There are two things missing from that section if 232 gets more votes than

195. First, there will be no new funding for K-12 education, health care, and early childhood care and education. It is crucial that voters recognize this fact. Second, while we appreciate the description of the ambiguity of possible outcomes, we believe it needs to be more clear that a likely outcome is that none of the tax rate changes from initiative #195 will take effect, including the rate reductions for lower income brackets. This is because the various tax rates are all part of a new income tax system and are not severable from one another. As such, we request the following addition at the end of line 100: If Initiative 195 receives more votes than Initiative 232, the latter will have no effect. If Initiative 232 receives more votes than Initiative 195, it is clear that there will be no new funding for K-12 education, health care, or early childhood care and education, and it is likely that none of the tax rate changes from initiative 195 will take effect, including the tax rate reductions for lower income brackets."

● On page 7 we suggest adding a section titled "Local Government Impacts". This section would highlight that the measure would also support available state general funds being spent on county-administered state programming, including but not limited to jail standards compliance, human services caseloads (SNAP and Medicaid), and other unfunded or underfunded state mandates currently being absorbed by county budgets.

Penn Pfiffner, representing the TABOR Committee:

My suggested edit to the 2nd draft was deemed unworthy and not used. I ask you to revisit that decision, because most people care little if an unfamiliar millionaire or business moves to another state, but those same people care very much if they lose their jobs because of it. You need to speak to what matters to the voter.

Line 125 on page 5, I suggested, after "grow a business" put a period and then insert, "Businesses are fleeing high tax states for lower tax locations, and your company may take your paycheck with them. Some ranchers, farmers, professionals like doctors and independent businesses will be affected, and" [continue with] "some high earners may leave the state entirely."

Penn Pfiffner
TABOR Committee
720-646-8329

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Initiative 195

Graduated Income Tax

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Initiative 195

Graduated Income Tax

Ballot Title: SHALL STATE TAXES BE INCREASED $2.7 BILLION ANNUALLY, IN ORDER TO INCREASE OR IMPROVE LEVELS OF PUBLIC SERVICES, INCLUDING K-12 PUBLIC SCHOOL EDUCATION, HEALTH CARE, AND EARLY CHILD CARE AND EDUCATION SERVICES, BY AN AMENDMENT TO THE COLORADO CONSTITUTION AND A CHANGE TO THE COLORADO REVISED STATUTES REPEALING EXISTING LAW AND CREATING NEW LAW TO REPLACE THE UNIFORM STATE INCOME TAX RATE WITH A GRADUATED INCOME TAX STRUCTURE, AND, IN CONNECTION THEREWITH, AMENDING THE TAXPAYER'S BILL OF RIGHTS TO ELIMINATE THE CONSTITUTIONAL REQUIREMENT FOR ALL TAXABLE NET INCOME TO BE TAXED AT ONE RATE WITH NO ADDED TAX ON INCOME; ESTABLISHING VARIOUS INCOME TAX RATES BASED ON THE AMOUNT OF TAXABLE INCOME EARNED BY INDIVIDUALS, ESTATES, TRUSTS, AND CORPORATIONS, WHILE MAINTAINING THE CURRENT 4.4% TAX ON INCOME FROM THE SALE OF A PRINCIPAL RESIDENCE, WHICH WILL RESULT IN THE ESTIMATED CHANGE IN INCOME TAXES OWED BY INDIVIDUALS AS IDENTIFIED IN THE FOLLOWING TABLE; AND AUTHORIZING THE STATE TO RETAIN AND SPEND ANY INCREASED REVENUE FROM THE NEW TAX STRUCTURE, AS A VOTER-APPROVED REVENUE CHANGE, TO SUPPLEMENT CURRENT LEVELS OF FUNDING FOR K-12 PUBLIC SCHOOL EDUCATION, HEALTH CARE, AND EARLY CHILD CARE AND EDUCATION PROGRAMS?

Amendment 88
Change in Income Taxes Owed by Income Category

Income Categories	Current Average Income Tax Owed	Proposed Average Income Tax Owed	Proposed Change in Average Income Tax Owed if Passed + or -
$25,000 or less	$59	$50	-$9
$25,001 - $50,000	$751	$632	-$119
$50,001 - $100,000	$1,877	$1,666	-$210
$100,001 - $200,000	$4,126	$3,828	-$298
$200,001 - $500,000	$9,344	$9,019	-$325
$500,001 - $1,000,000	$19,288	$18,963	-$325
$1,000,001 - $2,000,000	$29,432	$34,196	+$4,764
$2,000,001 - $5,000,000	$41,196	$55,110	+$13,914

Income categories use adjusted gross income reported to the federal Internal Revenue Service.

Text of Measure:

Be it Enacted by the People of the State of Colorado:

SECTION 1. Legislative Declaration

(1) The people of the state of Colorado find, determine, and declare that:

(a) Colorado taxpayers are entitled to a fair and equitable tax system that recognizes the affordability challenges facing working families, promotes a vibrant statewide economy, and adequately supports our public education, health care, and child care systems and other essential public services available to all Coloradans;

(b) Colorado's current flat income tax system, unlike the graduated income tax system at the federal level and in 27 other states, taxes millionaires and corporations at the same rate as regular working people;

(c) Combining state income, sales, and property taxes, the wealthiest 1% of Coloradans–those making over $850,000 per year–pay only 7% of their income in state and local taxes every year, whereas the 60% of Coloradans making between $25,000 and $150,000 per year pay between 9-10%.

(d) The 97% of Colorado taxpayers making less than $500,000 would benefit from a tax cut to help them afford the high cost of living;

(e) The Taxpayer's Bill of Rights, or the TABOR amendment, has significantly limited the ability of state and local governments to invest in supporting teachers and care workers, building infrastructure, and keeping up with a changing economy;

(f) TABOR can be amended to allow a graduated income tax without impacting TABOR refunds or the voters' right to approve any future tax increases;

(g) As demonstrated by recent state-commissioned adequacy studies, Colorado's public schools have been underfunded for decades, and despite the elimination of the Budget Stabilization Factor in 2024, teacher wage competitiveness is still 50th in the country.

(h) Health care in Colorado is too expensive, and the cuts in the federal budget bill are expected to exceed $2 billion per year by 2032, with rural hospitals and clinics facing the greatest risks for closing or limiting services; and

(i) Child care in Colorado is too expensive, making it harder for parents to work while raising their families, and yet wages are so low that 46 percent of early childhood workers in the state rely on social welfare programs like Medicaid and SNAP;

(2) The people of the state of Colorado find, therefore, that:

(a) A graduated income tax system will:

(I) Better support Colorado's children and families, working people, and older adults by cutting taxes for individuals and small businesses making less than $500,000 per year while only increasing taxes on individuals and corporations making more than $500,000 per year;

(II) Increase Colorado's ability to adequately invest in our public schools, health care, and child care systems and programs to improve the affordability of health care and child care;

(b) A graduated income tax system will not:

(I) Change the Constitutional requirement that the state government cannot raise any tax rates without another vote of the people;

(II) Reduce or otherwise impact TABOR refunds, because any revenue raised from Colorado's current 4.4% flat income tax, 2.9% sales tax, and various other taxes and fees that exceeds the TABOR spending limit will be required to be refunded to taxpayers;

(c) All new revenue from graduated income tax that exceeds what would have otherwise been collected under Colorado's current tax rates will be transferred into the Colorado's Future Fund, with spending limited to the following purposes:

(I) Improving our public education system, increasing pay to attract and retain great teachers, reducing class sizes, supporting rural schools, and supporting affordable pathways to higher education and workforce training;

(II) Improving our health care system, making health care more affordable, replacing federal Medicaid funds that were cut by the federal budget bill, implementing new requirements in the federal budget bill, increasing access to mental and behavioral health care and primary care, supporting services for older adults and people with disabilities, increasing access to nutritious food, supporting our health care workforce, and supporting rural hospitals and clinics;

(III) Improving our early child care and education systems, helping families afford child care, and increasing pay to attract and retain great child care providers;

(d) New revenues are intended to supplement rather than supplant existing funding;

(e) Taxpayers will be able to monitor and assure responsible and effective usage of all new revenue based on the following requirements:

(I) The nonpartisan office of legislative council will produce an annual report on all spending of new revenue that will be accessible to the public in various formats including the general assembly's website with plain language descriptions and understandable data visualizations;

(II) The nonpartisan and independent office of the state auditor will annually audit this report and present findings to the Joint Budget Committee and the public;

SECTION 2 In the constitution of the state of Colorado, section 20 of article X, **amend** (8)(a) as follows:

(8) Revenue limits. (a) New or increased transfer tax rates on real property are prohibited. No new state real property tax or local district income tax shall be imposed. Neither an income tax rate increase nor a new state definition of taxable income shall apply before the next tax year. Any income tax law change after July 1, 1992 shall also require all taxable net income to be taxed ~~at one rate, excluding refund tax credits or voter-approved tax credits,~~ with no added ~~tax or~~ surcharge.

SECTION 3. In Colorado Revised Statutes, 39-22-104, **amend** (1.7)(c) and (2); and **add** (1.8) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - report - tax preference performance statement - legislative declaration - definitions - repeal. (1.7)(c) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, a tax of four and forty one-hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust.

(1.8)(a) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A GRADUATED TAX IS IMPOSED ON FEDERAL TAXABLE INCOME, AS DETERMINED BY SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST, AS FOLLOWS:

(I) FOR FEDERAL TAXABLE INCOME LESS THAN OR EQUAL TO TWENTY FIVE THOUSAND DOLLARS, THE TAX IS THREE AND SEVENTY ONE-HUNDREDTHS PERCENT;

(II) FOR FEDERAL TAXABLE INCOME GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, THE TAX IS (A) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS AND (B) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND

DOLLARS;

(III) FOR FEDERAL TAXABLE INCOME GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, THE TAX IS (A) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (B) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, AND (C) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS;

(IV) FOR FEDERAL TAXABLE INCOME GREATER THAN FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, THE TAX IS (A) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (B) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (C) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, AND (D) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN FIVE HUNDRED THOUSAND DOLLARS;

(V) FOR FEDERAL TAXABLE INCOME GREATER THAN SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE MILLION DOLLARS, THE TAX IS (A) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (B) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (C) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, (D) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, AND (E) SEVEN AND NINETY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS; AND

(VI) FOR FEDERAL TAXABLE INCOME GREATER THAN ONE MILLION DOLLARS, THE TAX IS (A) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (B) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (C) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, (D) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, (E) SEVEN AND NINETY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE MILLION DOLLARS; AND (F) EIGHT AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE MILLION DOLLARS.

(b) FOR PURPOSES OF SUBSECTION (1.8)(a) OF THIS SECTION, TAXABLE NET INCOME FROM THE SALE OR EXCHANGE OF A PRINCIPAL RESIDENCE EXCEEDING THE AMOUNT EXCLUDED FROM FEDERAL TAXABLE INCOME UNDER SECTION 121 OF THE INTERNAL REVENUE CODE SHALL BE SUBJECT TO TAX UNDER THIS SECTION AT THE RATE OF FOUR AND FORTY ONE-HUNDREDTHS PERCENT.

(2) Prior to the application of the rate of tax prescribed in subsection (1), (1.5), ~~or~~ (1.7), OR (1.8) of this section, the federal taxable income shall be modified as provided in subsections (3) and (4) of this section.

SECTION 4. In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(K) and **add** (1)(d)(I)(L) as follows:

39-22-301. Corporate tax imposed – repeal. (1)(d)(I)(K). Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, four and forty one-hundredths percent of the Colorado net income.

(1)(d)(I)(L) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A GRADUATED TAX IS IMPOSED ON COLORADO NET INCOME, AS DETERMINED UNDER THIS SECTION, OF EVERY DOMESTIC C CORPORATION, FOREIGN C CORPORATION, AND COMBINED GROUP, AS DEFINED IN SECTION 39-22-

303(12)(a.3), DOING BUSINESS IN COLORADO ANNUALLY IN AN AMOUNT OF THE NET INCOME OF SUCH C CORPORATION DURING THE YEAR DERIVED FROM SOURCES WITHIN COLORADO AS SET FORTH IN THE FOLLOWING SCHEDULE OF RATES, AS FOLLOWS:

(i) FOR COLORADO NET INCOME LESS THAN OR EQUAL TO TWENTY FIVE THOUSAND DOLLARS, THE TAX IS THREE AND SEVENTY ONE-HUNDREDTHS PERCENT;

(ii) FOR COLORADO NET INCOME GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, THE TAX IS (I) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS AND (II) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS;

(iii) FOR COLORADO NET INCOME GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, THE TAX IS (I) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (II) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, AND (III) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS;

(iv) FOR COLORADO NET INCOME GREATER THAN FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, THE TAX IS (I) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (II) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (III) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, AND (IV) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN FIVE HUNDRED THOUSAND DOLLARS;

(v) FOR COLORADO NET INCOME GREATER THAN SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE MILLION DOLLARS, THE TAX IS (I) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (II) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (III) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, (IV) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, AND (V) SEVEN AND NINETY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS; AND

(vi) FOR COLORADO NET INCOME GREATER THAN ONE MILLION DOLLARS, THE TAX IS (I) THREE AND SEVENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING TWENTY FIVE THOUSAND DOLLARS, (II) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN TWENTY FIVE THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE HUNDRED THOUSAND DOLLARS, (III) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO FIVE HUNDRED THOUSAND DOLLARS, (IV) SEVEN AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN FIVE HUNDRED THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO SEVEN HUNDRED FIFTY THOUSAND DOLLARS, (V) SEVEN AND NINETY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT LESS THAN OR EQUAL TO ONE MILLION DOLLARS; AND (VI) EIGHT AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT GREATER THAN ONE MILLION DOLLARS.

SECTION 5. In Colorado Revised Statutes, **add** 24-77-103.3 as follows:

24-77-103.3. Voter approved revenue change – retention and use of revenue – accountability. (1) NOTWITHSTANDING ANY PROVISION OF LAW TO THE CONTRARY, FOR EACH STATE FISCAL YEAR COMMENCING ON OR AFTER JANUARY 1, 2026, ALL REVENUE COLLECTED UNDER THE INCOME TAX RATES ESTABLISHED BY SECTION 39-22-104(1.8) and section 39-22-301(1)(d)(I)(L) IN EXCESS OF THE REVENUE THAT WOULD BE GENERATED IN ANY SUCH STATE FISCAL YEAR BY APPLYING THE INCOME TAX RATE THAT EXISTED AS OF DECEMBER 31, 2026 ("EXCESS REVENUE"), SHALL CONSTITUTE A VOTER

APPROVED REVENUE CHANGE UNDER SECTION 20(7)(d) OF ARTICLE X OF THE COLORADO CONSTITUTION, AND MAY BE COLLECTED, KEPT, AND SPENT NOTWITHSTANDING ANY OTHER LIMITS IN SUBSECTION (20)(7)(d).

(2) FOR PURPOSES OF ADMINISTERING THE DEDICATION OF THE EXCESS REVENUE SPECIFIED IN SUBSECTION (1) OF THIS SECTION, THERE IS HEREBY CREATED IN THE GENERAL FUND THE COLORADO FUTURE'S ACCOUNT, WHICH SHALL CONSIST OF AN AMOUNT OF MONEYS EQUAL TO THE AMOUNT OF THE EXCESS REVENUE SPECIFIED IN SUBSECTION (1) OF THIS SECTION. THE MONEYS IN THE ACCOUNT SHALL BE APPROPRIATED OR TRANSFERRED BY THE GENERAL ASSEMBLY FOR THE FOLLOWING PROGRAMS AND PURPOSES AND MUST SUPPLEMENT AND NOT SUPPLANT CURRENT LEVELS OF APPROPRIATIONS THERETO:

(a) K-12 PUBLIC SCHOOL EDUCATION, INCLUDING:

(I) IMPROVING KINDERGARTEN THROUGH 12TH GRADE;

(II) INCREASING ACCESS TO CAREER AND TECHNICAL EDUCATION PROGRAMS;

(III) INCREASING TEACHER PAY;

(b) HEALTH CARE, INCLUDING:

(I) PROGRAMS TO HELP FAMILIES AFFORD HEALTH CARE;

(II) REPLACING MEDICAID FUNDING LOST DUE TO RECENT FEDERAL LEGISLATION, AND PAYING FOR IMPLEMENTATION OF NEW FEDERAL REQUIREMENTS;

(III) INCREASING FUNDING FOR PRIMARY CARE, BEHAVIORAL HEALTH AND RURAL HEALTH CARE;

(IV) SUPPORTING HEALTH CARE, LONG-TERM CARE, AND OTHER SUPPORTS FOR OLDER ADULTS AND PEOPLE WITH DISABILITIES;

(V) PROGRAMS THAT INCREASE ACCESS TO NUTRITIOUS FOOD; AND

(c) EARLY CHILD CARE AND EDUCATION, INCLUDING:

(I) PROGRAMS TO HELP FAMILIES AFFORD CHILD CARE;

(II) INCREASING PAY AND SUPPORT FOR THE CHILD CARE WORKFORCE;

(III) IMPROVING ACCESS TO HIGH-QUALITY EARLY CHILDHOOD EDUCATION PROGRAMS;

(3)(a) FOR EACH FISCAL YEAR COMMENCING ON OR AFTER JANUARY 1, 2026, THAT THE STATE RECEIVES EXCESS REVENUE AS DEFINED IN SUBSECTION (1) OF THIS SECTION, THE DIRECTOR OF RESEARCH OF THE NONPARTISAN STAFF OF THE LEGISLATIVE COUNCIL SHALL PREPARE A REPORT, TO BE TRANSMITTED TO THE GENERAL ASSEMBLY AND MADE PUBLICLY AVAILABLE AND EASILY ACCESSIBLE ON OR VIA A LINK FROM THE GENERAL ASSEMBLY'S WEBSITE, SPECIFYING THE USES TO WHICH SUCH REVENUE HAS BEEN APPROPRIATED OR TRANSFERRED AND TO ENSURE THAT SUCH REVENUE IS APPROPRIATED, TRANSFERRED, AND SPENT, AS DIRECTED BY THE PEOPLE OF COLORADO, IN ACCORDANCE WITH THIS SECTION. THE OFFICE OF THE STATE AUDITOR SHALL ANNUALLY AUDIT THE REPORT, WHICH MUST AT A MINIMUM CONTAIN THE FOLLOWING INFORMATION:

(I)THE AMOUNT OF SUCH EXCESS REVENUE; AND

(II)A SPECIFICATION AND DESCRIPTION OF THE AMOUNTS, PROGRAMS AND PURPOSES TO WHICH SUCH REVENUE HAS BEEN ALLOCATED AND APPROPRIATED OR TRANSFERRED.

(b) THE REPORT SHALL INCLUDE A PLAIN LANGUAGE SUMMARY AND, WHERE POSSIBLE, EASILY UNDERSTANDABLE VISUALIZATIONS OF THIS INFORMATION, AND SHALL BE MADE REASONABLY AVAILABLE IN OTHER FORMATS WHEN REQUESTED.