



## Fiscal Summary

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

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**Measure:** Initiative 189 – GRADUATED INCOME TAX

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### Fiscal Summary of Initiative 189

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at [leg.colorado.gov/bluebook](http://leg.colorado.gov/bluebook). This fiscal summary identifies the following impact.

#### State Revenue

By replacing the state flat income tax with a graduated income tax, the measure increases General Fund revenue from income taxes by an estimated \$1.3 billion in FY 2026-27, \$2.7 billion in FY 2027-28, and increasing amounts in future years based on income and population growth. The estimate for FY 2026-27 represents a half-year impact for tax year 2027. An additional amount of revenue will be diverted to the Healthy School Meals for All Cash Fund under Proposition MM. This amount has not been estimated. The revenue estimate does not account for the impacts of recent federal legislation due to insufficient data. The increased revenue is exempt from TABOR as a voter-approved revenue change.

#### Maximum Dollar Change

The estimates in the previous paragraph represent the revenue impact of the measure under the current LCS 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 FY 2027-28 is preliminarily estimated as an increase of \$3.6 billion.

#### State Expenditures

The measure increases the amount of state General Fund revenue available to spend for the purposes identified in the measure in FY 2026-27 and future fiscal years. To administer the tax rate change, the measure is expected to increase one-time General Fund expenditures for the Department of Revenue by \$100,000.

# Initiative 189

## Economic Impacts

Depending on their incomes, taxpayers will have either more or less after-tax income available to spend or save. On net, total after-tax household and business incomes in Colorado will be less than under current law, potentially decreasing consumption of goods and services. Any overall change in economic activity will depend on the net economic impact of changes to after-tax household and business income and the level of investment in public services.

## Taxpayer Impacts

The table below shows the estimated decrease in state income tax owed for individual income taxpayers with different levels of adjusted gross income if the state flat income tax rate is replaced with a graduated income tax rate.

### Initiative 189 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	\$34,386	+\$4,954
\$2,000,001 - \$5,000,000	\$41,196	\$56,697	+\$15,502

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