

Initiative 31: State Income Tax Rate Reduction

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

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • reduce the state income tax rate from 4.55 percent to 4.40 percent for tax year 2022
3 and future years.

4 **What Your Vote Means**

YES

5 A “yes” vote on
6 Proposition ? reduces the

7 state income tax rate from 4.55 percent to
8 4.40 percent for tax year 2022 and future
9 years.

NO

A “no” vote on Proposition ?
state income tax rate unchanged
at 4.55 percent.

1 **Summary and Analysis for Proposition ?**

2 Proposition ? reduces the state income tax rate from 4.55 percent to 4.40 percent for
3 individuals and corporations for tax year 2022 and future years.

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

5 Since 2020, Colorado’s income tax rate has been a flat 4.55 percent, which means
6 that all taxpayers pay the same tax rate regardless of their taxable income. The
7 income tax rate applies to the Colorado taxable income of both individuals and
8 corporate taxpayers. Colorado taxable income is equal to federal taxable income,
9 adjusted for any state additions and deductions.

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

11 State income tax collections are the main source of General Fund revenue. The
12 General Fund is the primary resource for financing state government operations,
13 including education, health care, human services, and corrections. In state budget
14 year 2020-21, the state income tax generated \$10.7 billion, which accounted for
15 74.5 percent of General Fund revenue.

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

17 Proposition ? reduces the state individual and corporate income tax rate from
18 4.55 percent to 4.40 percent for tax year 2022 and future years. The measure is
19 expected to reduce state income tax revenue by \$382 million in state budget
20 year 2023-24. This figure represents a reduction in expected state General Fund
21 revenue of approximately 3.1 percent.

22 **Taxpayer impacts.** Table 1 shows the estimated decrease in state income tax
23 owed for individual taxpayers with different levels of Colorado taxable income if the
24 state income tax is changed from 4.55 percent to 4.40 percent. Because Colorado
25 taxable income is determined by applying additions and deductions to federal taxable
26 income, the income shown in Table 1 may be less than the total amount of income
27 earned by the taxpayer.

1 **Table 1**
 2 **Estimated Impact on Individual Income Taxpayers by Income Category in**
 3 **State Budget Year 2023-24**

Colorado Taxable Income Category	Estimated Number of Taxpayers	Total Change in Tax Burden	Average Change in Tax Burden
\$14,999 or less	1,198,693	(\$4.3 million)	(\$7)
\$15,000 to \$29,999	477,377	(\$11.2 million)	(\$23)
\$30,000 to \$39,999	247,465	(\$9.1 million)	(\$37)
\$40,000 to \$49,999	197,402	(\$9.4 million)	(\$47)
\$50,000 to \$69,999	285,180	(\$17.9 million)	(\$63)
\$70,000 to \$99,999	267,148	(\$23.7 million)	(\$89)
\$100,000 to \$149,999	227,416	(\$29.3 million)	(\$129)
\$150,000 to \$199,999	106,782	(\$19.5 million)	(\$182)
\$200,000 to \$249,999	56,750	(\$13.4 million)	(\$236)
\$250,000 to \$499,999	89,206	(\$32.1 million)	(\$360)
\$500,000 to \$999,999	33,309	(\$24.1 million)	(\$725)
\$1,000,000 or more	29,109	(\$188.3 million)	(\$6,647)
Total	3,215,835	(\$382 million)	(\$119)

For information on those issue committees that support or oppose the measures on the ballot at the November 8, 2022, 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>

4 **Arguments For Proposition ?**

- 5 1) At a time when households and businesses are struggling to make ends
 6 meet, Proposition ? leaves more money in the pockets of taxpayers. Allowing
 7 taxpayers to keep more of their earnings will promote spending, business
 8 investment, and employment.
- 9 2) Even with the tax decrease under Proposition ?, the state budget is expected
 10 to increase in the next budget year; the measure only modestly slows the rate
 11 by which it will grow. Households that are struggling and foregoing basic
 12 purchases need their earnings more than the state government does.

13 **Arguments Against Proposition ?**

- 14 1) Most of the measure’s benefits will go to a small population of very wealthy
 15 taxpayers, including corporations. About 75 percent of taxpayers will receive
 16 a tax cut of less than \$63 per year. Comparatively, those with incomes over

1 \$500,000, representing less than 2 percent of taxpayers, will receive over half
2 of the total tax savings from the measure.

3 2) High inflation, the ongoing pandemic, and shifting international relations make
4 this a time of high economic uncertainty. Reducing state revenue will make it
5 harder for the state to respond to new challenges and to provide critical
6 services to those most impacted. Now is not the time to weaken the state's
7 safety net.

8 **Fiscal Impact for Proposition ?**

9 **State revenue.** Proposition ? reduces state General Fund revenue by an
10 estimated \$215 million in state budget year 2021-22 and \$422 million in state
11 budget year 2022-23. The first-year estimate is lower because the change in the
12 tax rate takes effect in the middle of the state budget year.

13 **State spending.** By reducing tax revenue, Proposition ? reduces the amount
14 available to be spent or saved beginning in state budget year 2021-22.
15 Implementation of the measure is expected to cost the state about \$11,000.

16 **Taxpayer impacts.** All taxpayers will pay 3.1 percent less in state income tax,
17 though the impact in dollar terms will vary by income. On average, individual
18 income taxpayers will pay \$93 less in individual income taxes for tax year 2022.

19 **TABOR.** The Taxpayer Bill of Rights Amendment (TABOR) limits the amount of
20 revenue that the state may spend and save each year. The revenue limit
21 increases each year to account for inflation and population growth. Revenue the
22 state collects over the limit must be refunded to taxpayers. Lowering the state
23 income tax rate will reduce the amount of future refunds.