

# Proposition 121: State Income Tax Rate Reduction

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

1 **Proposition 121 proposes amending the Colorado statutes to:**

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

4 **What Your Vote Means**

**YES** 5 A “yes” vote on  
6 Proposition 121 reduces  
7 the state income tax rate to 4.40 percent  
8 for tax year 2022 and future years.

**NO** A “no” vote on Proposition 121  
keeps the state income tax rate  
unchanged at 4.55 percent.

# Legislative Council Draft

## 1 **Summary and Analysis for Proposition 121**

2 Proposition 121 reduces the state income tax rate from 4.55 percent to  
3 4.40 percent for individuals and corporations for tax year 2022 and future years.

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

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

10 In some years, existing law temporarily reduces the state income tax rate to  
11 4.50 percent in order to pay back a portion of the amount the state collected over  
12 its revenue limit, which the state is required to return to taxpayers. The tax rate  
13 was reduced to 4.50 percent in 2020 and 2021, and is expected to be reduced to  
14 4.50 percent in each of 2022 through 2024, to return money to taxpayers.

### 15 **How does Proposition 121 change state income tax collections?**

16 Proposition 121 reduces the state individual and corporate income tax rate to  
17 4.40 percent for tax year 2022 and future years. The measure is expected to  
18 reduce state income tax collections by \$412.6 million in state budget  
19 year 2023-24. This amount represents a reduction in expected state General  
20 Fund revenue of approximately 2.4 percent.

### 21 **How are state income tax collections spent?**

22 State income tax collections are the main source of General Fund revenue. The  
23 General Fund is the main source of state revenue available to be allocated by the  
24 state legislature to pay for general government operations such as education,  
25 human services, and corrections. In state budget year 2020-21, the state income  
26 tax generated \$10.7 billion, which accounted for 68.4 percent of General Fund  
27 revenue. In addition to General Fund revenue, the state budget also includes  
28 money from federal funds and other taxes and fees. More information about the  
29 state budget can be found at: <https://leg.colorado.gov/explorebudget/>.

### 30 **How does Proposition 121 affect state spending?**

31 The measure's long-term effect on state spending depends on whether state  
32 revenue is above or below the constitutional revenue limit, which is called the  
33 Taxpayer's Bill of Rights (TABOR) limit. Money collected under the limit may be  
34 spent or saved, while money collected over the limit must be returned to  
35 taxpayers. The money that is returned is called the TABOR refund, and is  
36 different from the refund a taxpayer gets when they overpay their income taxes.

37 During years when the state collects money over the TABOR limit, Proposition  
38 121 will reduce the amount of money returned to taxpayers and will not change  
39 the amount of money available to pay for state operations. During years when  
40 the state collects less than the limit, Proposition 121 will reduce the amount of  
41 money available for state government operations. The state currently expects to  
42 return money collected above the TABOR limit through at least budget year  
43 2023-24.

# Legislative Council Draft

## 1 How does Proposition 121 affect taxpayers?

2 Table 1 shows the estimated decrease in state income tax owed for individual  
3 taxpayers with different levels of Colorado taxable income if the state income tax  
4 is reduced to 4.40 percent. Because Colorado taxable income is determined by  
5 applying additions and deductions to federal taxable income, the income shown  
6 in Table 1 may be less than the total amount of income earned by the taxpayer.

7 In addition to lowering the tax burden, the measure will also reduce the amount  
8 of money that is returned to taxpayers in any year that the state collects money  
9 above its constitutional revenue limit (TABOR). When this occurs, the taxpayers  
10 who would receive less money may be different than those that benefit from a  
11 reduced tax burden under Proposition 121.

12 **Table 1**  
13 **Estimated Impact of Proposition 121 on Individual Income Taxpayers**  
14 **by Income Category in State Budget Year 2023-24**  
15 *(Showing an Income Tax Rate Decrease from 4.55% to 4.40%)*

| <b>Colorado Taxable<br/>Income Category</b> | <b>Estimated<br/>Number<br/>of Taxpayers</b> | <b>Total Change<br/>in Taxes Owed</b> | <b>Average Change<br/>in Taxes Owed</b> |
|---|--|---------------------------------------|---|
| \$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                                |
| <b>Total</b>                                | <b>3,215,835</b>                             | <b>\$382.3 million</b>                | <b>-\$119</b>                           |

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>

# Legislative Council Draft

## 1 Arguments For Proposition 121

2 1) The state government currently collects more taxes than it uses for the  
3 programs it funds, and, in fact, more tax money than it is legally allowed to  
4 spend. By permanently lowering the tax rate, Proposition 121 cuts out the  
5 inefficiency of sending money to the government that just gets returned, while  
6 providing taxpayers with tax relief during future economic downturns.  
7 Families and businesses are better off when they can keep more of their own  
8 money.

9 2) There is no better time to cut the tax rate. The measure is a modest change  
10 that, according to the state's own forecasts, won't change the amount of  
11 money available for state spending for at least the next three years. The  
12 state legislature just approved the largest budget in state history and the  
13 budget is only expected to grow, even with the tax decrease under  
14 Proposition 121.

## 15 Arguments Against Proposition 121

16 1) Most of the measure's benefits will go to a small population of very wealthy  
17 taxpayers, including corporations. About 75 percent of taxpayers will receive  
18 a tax cut of less than \$63 per year. Comparatively, those with incomes over  
19 \$1 million, representing less than 1 percent of taxpayers, will receive nearly  
20 half of the total tax savings from the measure. On average, these taxpayers  
21 are expected to save almost \$7,000 per year. In addition, corporations  
22 outside of Colorado will keep more money, which they may choose to invest  
23 elsewhere or pay as profits to out-of-state shareholders.

24 2) High inflation, the ongoing pandemic, and chaotic international relations have  
25 elevated the risk of an economic recession. If a recession occurs, the  
26 measure will likely reduce the amount of money available for the state  
27 budget, making it harder for the state to respond to economic challenges and  
28 provide critical services to those most impacted. Now is not the time to  
29 weaken the state's safety net.

## 30 Fiscal Impact for Proposition 121

31 **State revenue.** Proposition 121 reduces state General Fund revenue by an  
32 estimated \$638 million in state budget year 2022-23 and \$413 million in state  
33 budget year 2023-24. The estimate for budget year 2022-23 represents a  
34 full-year impact for tax year 2022 and a half-year impact for tax year 2023,  
35 because the measure takes effect after completion of budget year 2021-22.

36 **State spending.** Implementation of the measure is expected to cost the state  
37 about \$11,000. Based on state economic forecasts, the measure would not  
38 affect the amount of General Fund available for the state to spend or save in  
39 budget year 2022-23 or budget year 2023-24.

40 **TABOR refunds.** The Taxpayer's Bill of Rights Amendment, or TABOR, limits  
41 the amount of revenue that the state may spend and save each year. The  
42 revenue limit increases each year to account for inflation and population growth.  
43 Revenue the state collects over the limit must be returned to taxpayers.  
44 Proposition 121 lowers the state income tax rate, which will reduce the amount to  
45 be returned.

# Legislative Council Draft

1 **Taxpayer impacts.** All taxpayers will pay 3.3 percent less in state income tax,  
2 though the impact in dollar terms will vary by income. On average, individual income  
3 taxpayers will pay \$93 less in individual income taxes for tax year 2022. In years  
4 where a refund is required by the Taxpayer's Bill of Rights including budget year  
5 2022-23, lower income households may experience a net decrease, since the  
6 amount returned to them as a result of TABOR may fall by more than the amount  
7 they owe in income taxes.

# Proposition ? : 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 for individuals and corporations from  
3 4.55 percent to 4.40 percent for tax year 2022 and future years.

4 **What Your Vote Means**

**YES**

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

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

**NO**

A “no” vote on Proposition ?  
keeps the 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  
3 for individuals and corporations for tax year 2022 and future years.

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

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

10 In some years, the state income tax rate is temporarily reduced to 4.50 percent in  
11 order to pay back a portion of the amount the state collected over its revenue  
12 limit, which the state is required to return to taxpayers. The tax rate was reduced  
13 to 4.50 percent in 2020 and 2021, and is expected to be reduced to 4.50 percent  
14 in each of 2022 through 2024, to return money to taxpayers.

15 **How does Proposition ? change state income tax collections?**

16 Proposition ? reduces the state individual and corporate income tax rate to  
17 4.40 percent for tax year 2022 and future years. The measure is expected to  
18 reduce state income tax collections by \$412.6 million in state budget  
19 year 2023-24. This amount represents a reduction in expected state General  
20 Fund revenue of approximately 2.4 percent.

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

22 State income tax collections are the main source of General Fund revenue. The  
23 General Fund is the main source of state revenue used to pay for general  
24 government operations such as education, health care, human services, and  
25 corrections. In state budget year 2020-21, the state income tax generated  
26 \$10.7 billion, which accounted for 68.4 percent of General Fund revenue. In  
27 addition to General Fund revenue, the state budget also includes money from  
28 federal funds and other taxes and fees. More information about the state budget  
29 can be found here: <https://leg.colorado.gov/explorebudget/>

30 **How does Proposition ? affect state spending?**

31 The measure’s effect on state spending depends on whether state revenue is  
32 above or below the constitutional revenue limit, which is called the Taxpayer’s Bill  
33 of Rights (TABOR) limit. Money collected under the limit may be spent or saved,  
34 while money collected over the limit must be returned to taxpayers. The money  
35 that is returned is called the TABOR refund, and is different from the refund a  
36 taxpayer gets when they overpay their income taxes. During years when the  
37 state collects money over this limit, Proposition ? will reduce the amount of  
38 money returned to taxpayers and will not change the amount of money available  
39 to pay for state operations. During years when the state collects less than the  
40 limit, Proposition ? will reduce the amount of money available for state  
41 government operations. The state currently expects to return money collected  
42 above the limit through at least budget year 2023-24.

1 **How does Proposition ? affect taxpayers?**

2 Table 1 shows the estimated decrease in state income tax owed for individual  
3 taxpayers with different levels of Colorado taxable income if the state income tax  
4 is reduced to 4.40 percent. Because Colorado taxable income is determined by  
5 applying additions and deductions to federal taxable income, the income shown  
6 in Table 1 may be less than the total amount of income earned by the taxpayer.

7 In addition to lowering the tax burden, the measure will also reduce the amount  
8 of money that is returned to taxpayers in any year that the state collects money  
9 above its constitutional revenue limit. When this occurs, the taxpayers who  
10 would receive less money may be different than those that benefit from a  
11 reduced tax burden under Proposition ?.

12 **Table 1**  
13 **Estimated Impact of Proposition ? on Individual Income Taxpayers**  
14 **by Income Category in State Budget Year 2023-24**  
15 *(Showing an Income Tax Rate Decrease from 4.55% to 4.40%)*

| <b>Colorado Taxable<br/>Income Category</b> | <b>Estimated<br/>Number<br/>of Taxpayers</b> | <b>Total Change<br/>in Taxes Owed</b> | <b>Average Change<br/>in Taxes Owed</b> |
|---|--|---------------------------------------|---|
| \$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                                |
| <b>Total</b>                                | <b>3,215,835</b>                             | <b>\$382.3 million</b>                | <b>-\$119</b>                           |

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>

1 **Arguments For Proposition ?**

- 2 1) Proposition ? permanently lowers the tax burden on families and businesses.  
3 The state government currently collects more taxes than it uses for the  
4 programs it funds, and, in fact, more tax money than it is legally allowed to  
5 spend. Proposition ? ensures that this money remains with families and  
6 businesses in the future rather than paying for a larger government  
7 bureaucracy.
- 8 2) Even with the tax decrease under Proposition ?, the state budget is expected  
9 to increase in the next budget year, thus resulting in no overall decrease in  
10 the state budget in the near future. The measure is a modest change and is  
11 not expected to reduce funds available for state operations for at least the  
12 next few years. Households that are struggling and foregoing basic  
13 purchases need their earnings more than the state government does.

14 **Arguments Against Proposition ?**

- 15 1) Most of the measure’s benefits will go to a small population of very wealthy  
16 taxpayers, including corporations. About 75 percent of taxpayers will receive  
17 a tax cut of less than \$63 per year. Comparatively, those with incomes over  
18 \$1 million, representing less than 1 percent of taxpayers, will receive nearly  
19 half of the total tax savings from the measure. On average, these taxpayers  
20 are expected to save almost \$7,000 per year. In addition, corporations  
21 outside of Colorado will keep more money, which they may choose to invest  
22 elsewhere or pay as profits to out-of-state shareholders.
- 23 2) High inflation, the ongoing pandemic, and chaotic international relations have  
24 elevated the risk of an economic recession. If a recession occurs, the  
25 measure will likely reduce the amount of money available for the state  
26 budget, making it harder for the state to respond to economic challenges and  
27 provide critical services to those most impacted. Now is not the time to  
28 weaken the state’s safety net.

29 **Fiscal Impact for Proposition ?**

30 **State revenue.** Proposition ? reduces state General Fund revenue by an  
31 estimated \$638 million in state budget year 2022-23 and \$413 million in state  
32 budget year 2022-23. The estimate for budget year 2022-23 represents a  
33 full-year impact for tax year 2022 and a half-year impact for tax year 2023,  
34 because the measure takes effect after completion of budget year 2021-22.

35 **State spending.** Implementation of the measure is expected to cost the state  
36 about \$11,000. Based on state economic forecasts, the measure would not  
37 affect the amount of General Fund available for the state to spend or save in  
38 state budget year 2022-23.

39 **TABOR.** The Taxpayer’s Bill of Rights Amendment, or TABOR, limits the  
40 amount of revenue that the state may spend and save each year. The revenue  
41 limit increases each year to account for inflation and population growth.  
42 Revenue the state collects over the limit must be returned to taxpayers.  
43 Lowering the state income tax rate will reduce the amount returned.

1     **Taxpayer impacts.** All taxpayers will pay 3.3 percent less in state income tax,  
2     though the impact in dollar terms will vary by income. On average, individual  
3     income taxpayers will pay \$93 less in individual income taxes for tax year 2022.  
4     In years where a refund is required by the Taxpayer’s Bill of Rights (TABOR),  
5     which include budget year 2022-23, lower income households may experience a  
6     net decrease, since the amount returned to them as a result of TABOR may fall  
7     by more than the amount they owe in income taxes.

# Last Draft Comments from Interested Parties

## Proposition 121 State Income Tax Reduction

Ben Murrey, representing Colorado Independence Institute:

Starting on page 2, line 10, the current draft reads—

***In some years, the state income tax rate is temporarily reduced to 4.50 percent in order to pay back a portion of the amount the state collected over its revenue limit, which the state is required to return to taxpayers. The tax rate was reduced to 4.50 percent in 2020 and 2021, and is expected to be reduced to 4.50 percent in each of 2022 through 2024, to return money to taxpayers.***

- I have no problem with this being added for context, but I think it's important to note that this change is at the legislature's discretion. In general, LCS could provide more relevant details to the paragraph simply by avoiding passive voice. For example, rather than saying, "...the state income tax rate is temporarily reduced...", say "the legislature temporarily reduced the income tax rate." If done well, changing to active voice would both provide more information to readers and allow LCS to reduce the total word count, as in my suggestion below.
- Suggested Language: "When state revenue exceeds the TABOR limit, the state constitution requires the legislature to refund the surplus dollars to taxpayers. The legislature chose to issue a portion of the TABOR refund through a tax rate reduction to 4.50 percent in 2020 and 2021. It may use this and/or other methods to administer any future refunds."

Starting on page 2, line 19, the current draft reads—

***This amount represents a reduction in expected state General Fund revenue of approximately 2.4 percent.***

- As I noted in my comments on the 1<sup>st</sup> draft, it's misleading to voters to talk about General Funds only. LCS and policy wonks know that GF revenue is the smallest of the state's three major revenue streams: GF, cash funds, federal funds. To a voter, however, leaving out this context is misleading via omission.
- Suggested Language: "This amount represents a reduction in expected state General Fund revenue of approximately 2.4 percent and a reduction of approximately XX percent of total state revenue."

Starting on page 2, line 22, the current draft reads—

***State income tax collections are the main source of General Fund revenue. The General Fund is the main source of state revenue used to pay for general government operations such as education, health care, human services, and corrections. In state budget year 2020-21, the state income tax generated \$10.7 billion, which accounted for 68.4 percent of General Fund revenue. In addition to General Fund revenue, the state budget also includes money from federal funds and other taxes and fees. More information about the state budget can be found here: <https://leg.colorado.gov/explorebudget/>***

## Last Draft Comments from Interested Parties

### Ben Murrey, representing Colorado Independence Institute (Cont.):

- I appreciate that LCS took some of my comments on the 1<sup>st</sup> draft under consideration here. That's reflected in the addition of the sentence regarding other state revenue sources. With the change, however, this paragraph continues to obscure the true impact of a 0.15% reduction in income tax. The current draft still conveys the falsehood that GF revenues are the main source of state revenue.

Starting on page 2, line 22, the current draft reads—

#### ***State income tax collections are the main source of General Fund revenue.***

- As I noted in my comments on the 1<sup>st</sup> draft, this is true but misleading via omission. State income tax collections are the main source of General Fund revenue, but nowhere near the main source of state revenue. This wording makes the impact of this income tax rate reduction appear larger than it is to anyone who does not have a thorough understanding of how the state generates revenue. According to LCS's own [data](#), the General Fund made up only a quarter (24.9%) of state revenue in FY2020-21. That compares with 31.3% from Cash Funds and 43.8% from Federal Funds.
- Suggested language: "State income tax collections are the main source of General Fund revenue, which accounts for less than a quarter of all state revenue."

Starting on page 2, line 11, the current draft reads—

#### ***The General Fund is the primary resource for financing state government operations, including education, health care, human services, and corrections.***

- The 1<sup>st</sup> draft said: "The General Fund is the main source of state revenue used to pay for general government operations such as education, health care, human services, and corrections." In response to my comments on the first draft, LCS appears to have changed "source" to "resource" and "revenue" to "financing." These are merely semantic differences and did not change the facts of what I commented regarding the 1<sup>st</sup> draft—that the statement is patently false. The General Fund was the smallest of the three main sources of state revenue (or "resources for financing state government operations"). It appears that—rather than objectively providing useful and accurate information to voters—LCS is bending over backwards to distort voters' perceptions and make the impact of this small tax rate reduction appear larger than it is.
- As I commented on the first draft, this sentence still falsely implies that the state relies mostly or exclusively on General Fund revenue to finance education, health care, human services, and corrections in the state when, in fact, state revenue from Cash Funds and Federal Funds contribute a significant portion of the financing of these state activities.
- Suggested language: "The General Fund is the smallest of the three main revenues sources for financing state government operations such as education, health care, human services, and corrections."

Starting on page 2, line 13, the current draft reads—

## Last Draft Comments from Interested Parties

**Ben Murrey, representing Colorado Independence Institute (Cont.):**

***In state budget year 2020-21, the state income tax generated \$10.7 billion, which accounted for 74.5 percent of General Fund revenue.***

- I'm disappointed that LCS did not take my comment on this sentence into consideration. The intent of the Blue Book is to inform voters and provide accurate and useful context for the measures on their ballot. Like the two sentences before it, this sentence distorts the context of the measure by cherry picking data and omitting other relevant information. A voter who is not already an expert on the state budget, looking to the Blue Book for objective context to inform their vote, would likely conclude from this that three-quarters of state revenue would take a hit if this measure were adopted.
- Suggested language: "In state budget year 2020-21, the state income tax generated \$10.7 billion, which accounted for 74.5 percent of General Fund revenue, or 18.6 percent of all state revenue."

Starting on page 2, line 26, the current draft reads—

***In addition to General Fund revenue, the state budget also includes money from federal funds and other taxes and fees. More information about the state budget can be found here: <https://leg.colorado.gov/explorebudget/>***

- I appreciate the addition of this context to address my comments on the previous draft. Together with my other suggested changes for this paragraph, voters will have sufficient context to understand how income tax collections are spent as a part of the whole of state spending. With this addition alone, however, it appears that LCS is continuing to engineer a particular perception from voters by providing certain details in the text that might put the measure in a bad light, while delegating the full context to a link.

Starting on page 2, line 30, the current draft reads—

***How does Proposition ? affect state spending?***

***The measure's effect on state spending depends on whether state revenue is above or below the constitutional revenue limit, which is called the Taxpayer's Bill of Rights (TABOR) limit. Money collected under the limit may be spent or saved, while money collected over the limit must be returned to taxpayers. The money that is returned is called the TABOR refund, and is different from the refund a taxpayer gets when they overpay their income taxes. During years when the state collects money over this limit, Proposition ? will reduce the amount of money returned to taxpayers and will not change the amount of money available to pay for state operations. During years when the state collects less than the limit, Proposition ? will reduce the amount of money available for state government operations. The state currently expects to return money collected above the limit through at least budget year 2023-24.***

- I appreciate the inclusion of this section in response to some of my comments from the 1<sup>st</sup> draft. As written, however, it provides an overly verbose and complicated explanation, rendering it of little use to voters. If LCS wants a reader to read and absorb the information they present,

## Last Draft Comments from Interested Parties

### Ben Murrey, representing Colorado Independence Institute (Cont.):

making the most important points up front and using clear concise language is key. If LCS is committed to keeping this language as is, however, they could add tremendous clarity by answering the question in clear simple terms at the beginning of the paragraph before going into a more detailed explanation. As is, the paragraph never directly answers the question. A voter looking for a clear answer to a simple question would not find it here. I provide it below as a suggested addition.

- Suggested language: Add to the beginning of the paragraph, “Based on current state estimates, the measure would not impact the state budget for at least the first three budget years that it is in effect.”

### **Under Arguments For Proposition ?**

Starting on page 4, line 2, the current draft reads—

***Proposition ? permanently lowers the tax burden on families and businesses. The state government currently collects more taxes than it uses for the programs it funds, and, in fact, more tax money than it is legally allowed to spend. Proposition ? ensures that this money remains with families and businesses in the future rather than paying for a larger government bureaucracy.***

- This is the first argument voters will see from the proponents. It should be the most compelling argument and end with an impactful statement. This does not do that. The last sentence in particular reads like a strawman argument inserted into the proponent statement by the opposition. My suggestion incorporates LCS’s changes from the 2<sup>nd</sup> draft but strengthens the argument.
- The second sentence repeats the second proponent point. Let’s stick to one argument per point and make each the strongest it can be. The argument in the first point is that a tax cut would help struggling Coloradans. The argument in the second is that the state can afford a small income tax rate reduction.
- Suggested language: “At a time when historic inflation has made it increasingly difficult for families and small businesses to make ends meet, Proposition ? puts more money in Coloradans’ pockets by providing all taxpayers with an equal income tax rate cut. Particularly during difficult times, individuals, families, and small businesses do better when they can keep a little more of their own money rather than giving those dollars away to politicians and bureaucrats to spend for them.”

Starting on page 4, line 8, the current draft reads—

***Even with the tax decrease under Proposition ?, the state budget is expected to increase in the next budget year, thus resulting in no overall decrease in the state budget in the near future. The measure is a modest change and is not expected to reduce funds available for state operations for at least the next few years. Households that are struggling and foregoing basic purchases need their earnings more than the state government does.***

## Last Draft Comments from Interested Parties

### Ben Murrey, representing Colorado Independence Institute (Cont.):

- The first two sentence make the argument well, but they're simply not as compelling as the language I suggested in my comments on the 1<sup>st</sup> draft. Again, that last sentence sounds like a stale proponent argument inserted by the opposition. My suggested language below combines the strongest arguments from the LCS 2<sup>nd</sup> draft with some compelling facts. It also eliminates the final sentence included in the 2<sup>nd</sup> draft.
- Suggested language: "Over the last 20 years, the state budget has nearly tripled, increasing every year with two exceptions. This year the legislature passed the largest budget in state history. Even with the tax decrease under Proposition ?, the state budget is expected to increase in the next budget year, thus resulting in no overall decrease in the state budget in the near future. The measure is a modest change and is not expected to reduce funds available for state operations for at least the next few years. The state has sufficient funds to finance its operations. Many households that are struggling and foregoing basic purchases do not."

### Penn Piffner, representing himself:

Louis,

I was disappointed to find that you have disregarded the issue of proportionality. Your readers want tax policy to be fair. You focused heavily on the benefits to the wealthy, as if lowering a flat rate must be seen as disproportionate. It also is the main thrust of the proponents' synopsis. Where is your intellectual argument to balance honestly the view that citizens with low incomes and those with high incomes will benefit proportionately? People will want to weigh that consideration as part of the fairness argument, but you so far have excluded it.  
Penn Piffner

**Proposition 121  
State Income Tax Rate Reduction  
Contact List**

| <b>Interested Party</b>  | <b>Organization Name</b>                 | <b>Email Address</b>                                       |
|--------------------------|--|--|
| Josh Abram               | Self                                     | yuraochrimenko1@gmail.com<br>joshabram@msn.com             |
| Cathy Alderman           | Colorado Coalition for the Homeless      | calderman@coloradocoalition.org                            |
| Geoffrey Alexander       | OSPB                                     | geoff.alexander@state.co.us                                |
| William Alsdorf          | Brighton Elks Home Inc                   | brightonelks1586@gmail.com                                 |
| Kevin Amirehsani         | Colorado OSPB                            | kevin.amirehsani@state.co.us                               |
| Natasha Berwick          | New Era Colorado                         | natasha@neweracolorado.org                                 |
| Matt Bishop              | Legislative Council Staff                | matt.bishop@state.co.us                                    |
| Carla Blanc              |  | cablanc@mix.wvu.edu  |
| Jennifer Brundin         | Colorado Public Radio                    | jbrundin@cpr.org   |
| Steven Byers             | CSI                                      | steven@csinstitute.org                                     |
| Alex Carlson             | Colorado Governor's Office               | alex.carlson@state.co.us                                   |
| Mary Lou Chapman         | Rocky Mountain Food Industry Association | rmfoodindustry@gmail.com                                   |
| James Coleman            | Office of Sen. James Coleman             | colemanforcolorado@gmail.com                               |
| Nick Coltrain            | Denver Post                              | ncoltrain@denverpost.com                                   |
| Leslie Colwell           |  | leslie@coloradokids.org                                    |
| Matt Cook                | Colorado Association of School Boards    | mcook@casb.org   |
| Bryce Cooke              | Governor's Office                        | bryce.cooke@state.co.us                                    |
| Kyra deGruy Kennedy      | Young Invincibles                        | kyra.degruy@younginvincibles.org                           |
| Dominic DelPapa          | iQu Strategies                           | ddp@iqustrategies.com                                      |
| Brenda Dickhoner         |  | brenda@readycolo.org                                       |
| Debby Dover              | Self                                     | cogirl5419@gmail.com                                       |
| Amber Egbert             |  | amber.egbert@state.co.us                                   |
| Cathy Eslinger           |  | Cathy.eslinger@state.co.us<br>catherinedeslinger@gmail.com |
| Michael Fields           | CO Rising State Action                   | mikefields22@yahoo.com                                     |
| Dawn Fritz               | Colorado PTA                             | dawnfritz@copta.org  |
| Erik Gamm                | Common Sense Institute                   | erik@csinstitute.org                                       |
| Sam Gilchrist            | NRDC                                     | sgilchrist@nrdc.org  |
| Joan Andrew Green Turner | J. Andrew Green & Assoc., Inc.           | joangreen@me.com   |
| Micki Hackenberger       | Husch Blackwell Strategies               | mickih@hbstrategies.us                                     |
| Allison Hiltz            | AARP Colorado                            | ahiltz@aarp.org  |
| Megan Ives               | Colorado Children's Campaign             | megan@coloradokids.org                                     |
| Josette Jaramillo        | CO AFLCIO                                | jjaramillo@coaficio.org                                    |
| Paul Kennedy             | Jessie MArtinez DAV Chapter 50           | pkennedy746@gmail.com                                      |
| Cathy Kipp               | Colorado House of Representatives        | cathy.kipp.house@state.co.us                               |
| Riley Kitts              |  | riley@coloradokids.org                                     |
| Andrea Kuwik             |  | kuwik@bellpolicy.org                                       |
| Pierce Lively            | Office of Legislative Legal Services     | pierce.lively@state.co.us                                  |
| Becky Long               | Siegel Long Public Affairs               | Becky@slpublicaffairs.com                                  |

**Proposition 121  
State Income Tax Rate Reduction  
Contact List (Cont.)**

| <b>Interested Party</b> | <b>Organization Name</b>   | <b>Email Address</b>                              |
|-------------------------|--|---|
| Linda Longenecker       | City of Grand Junction   | lindal@gjcity.org                                 |
| Meghan Lopez            | KMGH   | meghan.lopez@thedenverchannel.com                 |
| John Magnino            | Colorado Secretary of State's Office   | john.magnino@coloradosos.gov                      |
| Joshua Mantell          | The Bell Policy Center   | mantell@bellpolicy.org                            |
| Shawn Martini           | Colorado Farm Bureau   | shawn@coloradofb.org                              |
| Rich Mauro              | DRCOG  | rmauro@drcog.org                                  |
| Kayla McCarnes          |  | kmdenver@msn.com                                  |
| Julia McCorvey          | Colorado Children's Campaign   | julia@coloradokids.org                            |
| Mike McGinnis           | Fraternal Order of Eagles  | mike_mcginis@outlook.com                          |
| Allison McGrath         |  | alli.m.mcgrath@gmail.com                          |
| N. Menten               | self on some issues<br>(also a board director for the Taxpayer's Bill<br>of Rights Foundation) | coloradoengaged@gmail.com                         |
| Erin Miller             | Colorado Children's Campaign   | Erin@coloradokids.org                             |
| Tia Mills               | Gunnison Watershed School District   | tmills@gunnisonschools.net                        |
| Dylan Mitchell          | Michael Best Strategies  | dsmitchell@michaelbeststrategies.com              |
| Meredith Moon           | OSPB   | meredith.moon@state.co.us                         |
| Arianna Morales         | New Era Colorado Foundation  | arianna@neweracolorado.org                        |
| Nellie Moran            | Colorado State Senate  | nellie.moran.senate@gmail.com                     |
| Natalie Mullis          |  | natalie.mullis@state.co.us<br>natmullis@gmail.com |
| Hunter Nelson           | Colorado Children's Campaign   | hunter@coloradokids.org                           |
| Cindy Newsome           | CORE Electric Cooperative  | cnewsome@core.coop                                |
| Jennifer Okes           |  | okes_j@cde.state.co.us                            |
| Lynn Padgett            | Ouray County (Local Government)  | lpadgett@ouraycountyco.gov                        |
| Catherine Peterson      |  | kittyp@frii.com                                   |
| Penn Pfiffner           | TABOR Foundation   | constecon@hotmail.com                             |
| Andrew Quarm            | RNDC   | andrew.quarm@rndc-usa.com                         |
| Hanni Raley             | The Arc of Aurora  | hrale@thearcofaurora.org                          |
| Erin Reynolds           |  | erin.reynolds@state.co.us                         |
| Christopher Richardson  | Elbert County  | chris.richardson@elbertcounty-co.gov              |
| Corrine Rivera Fowler   | The Ballot Initiative Strategy Center  | corrine@ballot.org                                |
| Morgan Royal            | New Era Colorado Foundation  | morgan@neweracolorado.org                         |
| Julia Scanlan           | Aponte & Busam Public Affairs  | jscanlan@aponte-busam.com                         |
| Robert Sheesley         | Colorado Municipal League  | rsheesley@cml.org                                 |
| Cathy Shull             | Pro 15   | cathy@pro15.org                                   |
| Christian Smith         | Young Invincibles  | christian.smith@younginvincibles.org              |
| Holly Stanley           | Colorado Mesa University   | hestanley@mavs.coloradomesa.edu                   |
| Sarah Staron            | Young Invincibles  | sarah.staron@younginvincibles.org                 |
| Mollie Steinemann       | Colorado Restaurant Association  | msteinemann@corestaurant.org                      |

**Proposition 121  
State Income Tax Rate Reduction  
Contact List (Cont.)**

| <b>Interested Party</b> | <b>Organization Name</b>   | <b>Email Address</b>               |
|-------------------------|----------------------------|------------------------------------|
| Mayra Valdez            | Siegel Long Public Affairs | mayra@slpublicaffairs.com          |
| Cameron Vigil           | Young Invincibles          | Cameron.Vigil@younginvincibles.org |
| Elliot Williams         |                            | elliott@siegelpa.com               |

**Proposition 121**  
**State Income Tax Rate Reduction**

1 **Ballot Title:**

2 Shall there be a change to the Colorado Revised Statutes reducing the state income tax rate from  
3 4.55% to 4.40%?

4 **Text of Measure:**

5 *Be it enacted by the People of the State of Colorado:*

6 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **amend** (1.7) as follows:

7 **39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - legislative**  
8 **declaration - definitions - repeal.**

9 (1.7) (a) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this  
10 section, with respect to taxable years commencing on or after January 1, 2000, but before January  
11 1, 2020, a tax of four and sixty-three one-hundredths percent is imposed on the federal taxable  
12 income, as determined pursuant to section 63 of the internal revenue code, of every individual,  
13 estate, and trust.

14 (b) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section,  
15 with respect to taxable years commencing on or after January 1, 2020, BUT BEFORE JANUARY 1,  
16 2022, a tax of four and fifty-five one-hundredths percent is imposed on the federal taxable income,  
17 as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and  
18 trust.

19 (c) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, SUBJECT TO SUBSECTION (2) OF THIS  
20 SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2022, A TAX OF  
21 FOUR AND FORTY ONE-HUNDREDTHS PERCENT IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS  
22 DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL,  
23 ESTATE, AND TRUST.

24 **SECTION 2.** In Colorado Revised Statutes, 39-22-301, **amend** (l)(d)(l)(J) and **add** (1)(d)(l)(K) as  
25 follows:

26 **39-22-301. Corporate tax imposed.** (1) (d) (l) A tax is imposed upon each domestic C  
27 corporation and foreign C corporation doing business in Colorado annually in an amount of the  
28 net income of such C corporation during the year derived from sources within Colorado as set  
29 forth in the following schedule of rates:

30 (l) Except as otherwise provided in section 39-22-627, for income tax years commencing on or  
31 after January 1, 2000, but before January 1, 2020, four and sixty-three one-hundredths percent  
32 of the Colorado net income;

1 (J) Except as otherwise provided in section 39-22-627, for income tax years commencing on or  
2 after January 1, 2020, BUT BEFORE JANUARY 1, 2022, four and fifty-five one-hundredths percent of  
3 the Colorado net income.

4 (K) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR INCOME TAX YEARS COMMENCING  
5 ON OR AFTER JANUARY 1, 2022, FOUR AND FORTY ONE-HUNDREDTHS PERCENT OF THE COLORADO  
6 NET INCOME.

7 **SECTION 3. Effective date.** THIS ACT SHALL TAKE EFFECT UPON PROCLAMATION BY THE GOVERNOR.