



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Summary

Date: March 1, 2024 **Fiscal Analyst:** Elizabeth Ramey (303-866-3522)

LCS TITLE: STATE INCOME TAX REDUCTION

Fiscal Summary of Initiative 181

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. This fiscal summary identifies the following impact.

State revenue. By reducing the state tax rate from 4.40 percent to 3.50 percent, the measure reduces General Fund revenue from income taxes by an estimated \$1.4 billion in FY 2024-25 and \$3.0 billion in FY 2025-26, with ongoing reductions in future years. The estimate for FY 2024-25 represents a half-year impact for tax year 2025.

State expenditures. The measure reduces the amount of state General Fund revenue available to spend, save, or refund to taxpayers in FY 2024-25 and future fiscal years. Based on current forecasts for FY 2025-26, the measure is expected to reduce TABOR refunds for all taxpayers to zero and reduce the amount available for the General Fund budget. To administer the tax rate change, the measure is expected to increase one-time General Fund expenditures for the Department of Revenue by \$10,000.

Economic impacts. Some taxpayers will have more after-tax income available to spend or save, increasing their consumption of goods and services. For some taxpayers, the reduction in the amount of TABOR refunds received will be greater than the reduction in the amount of tax owed, reducing on net the amount of after-tax income available to spend or save. 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 income tax is reduced to 3.50 percent.

**Initiative 181
 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	\$83	\$66	-\$17
\$25,001 - \$50,000	\$784	\$624	-\$160
\$50,001 - \$100,000	\$1,899	\$1,510	-\$389
\$100,001 - \$200,000	\$4,169	\$3,316	-\$853
\$200,001 - \$500,000	\$9,241	\$7,351	-\$1,890
\$500,001 - \$1,000,000	\$18,733	\$14,901	-\$3,832
\$1,000,001 - \$2,000,000	\$29,888	\$23,775	-\$6,113
\$2,000,001 - \$5,000,000	\$49,465	\$39,347	-\$10,118

**Adjusted Gross Income reported to the federal Internal Revenue Service*