



Fiscal Summary

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LCS TITLE: STATE INCOME TAX RATE REDUCTION

Fiscal Summary of Initiative 32

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 www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State revenue. By reducing the state tax rate from 4.40 percent to 4.25 percent, the measure reduces General Fund revenue from income taxes by an estimated \$678.8 million in FY 2024-25 and \$475.3 million in FY 2025-26, with ongoing reductions in future years. The estimate for FY 2024-25 represents a full-year impact for tax year 2024 and a half-year impact for tax year 2025, because the measure takes effect after completion of FY 2023-24.

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 4.25 percent.

**Initiative 32
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 + or -
\$25,000 or less	\$83	\$80	-\$3
\$25,001 - \$50,000	\$784	\$757	-\$27
\$50,001 - \$100,000	\$1,899	\$1,834	-\$65
\$100,001 - \$200,000	\$4,169	\$4,027	-\$142
\$200,001 - \$500,000	\$9,241	\$8,926	-\$315
\$500,001 - \$1,000,000	\$18,733	\$18,094	-\$639
\$1,000,001 - \$2,000,000	\$29,888	\$28,869	-\$1,019
\$2,000,001 - \$5,000,000	\$49,465	\$47,779	-\$1,686

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

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. The General Fund is used to fund a variety of state government services and spending is set by the General Assembly each year through the state budget. Based on current forecasts, for FY 2024-25, the measure is expected to reduce the amount required to be refunded to taxpayers under TABOR, with no net impact on the amount available for the 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.