

STATE OF COLORADO

Colorado General Assembly

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MEMORANDUM

To: Suzanne Taheri and Michael Fields

From: Legislative Council Staff and Office of Legislative Legal Services

Date: February 5, 2025

Subject: Proposed initiative measure 2025-2026 #21 concerning the State Income Tax Rate Reduction

Section 1-40-105 (1), Colorado Revised Statutes, requires the directors of the Colorado Legislative Council and the Office of Legislative Legal Services to "review and comment" on initiative petitions for proposed laws and amendments to the Colorado constitution. We hereby submit our comments to you regarding the appended proposed initiative.

The purpose of this statutory requirement of the directors of Legislative Council and the Office of Legislative Legal Services is to provide comments intended to aid proponents in determining the language of their proposal and to avail the public of knowledge of the contents of the proposal. Our first objective is to be sure we understand your intent and your objective in proposing the amendment. We hope that the statements and questions contained in this memorandum will provide a basis for discussion and understanding of the proposal.

This initiative was submitted with proposed initiative 2025-2026 #20. The comments and questions raised in this memorandum will not include comments and questions that were addressed in the memorandum for proposed initiative 2025-2026 #20, except as necessary to fully understand the issues raised by the revised proposed initiative. Comments and questions addressed in the other memorandum may also be relevant, and those questions and comments are hereby incorporated by reference in this memorandum.

Purposes

The major purposes of the proposed amendment to the Colorado Revised Statutes appear to be:

1. To reduce both the individual and the corporate state income tax rates from 4.40% to 4.20%.

Substantive Comments and Questions

The substance of the proposed initiative raises the following comments and questions:

1. Section 3 states that any reduction in state revenue due to the reduction in state income tax rate will not reduce funding for the department of education or the department of health care policy and financing.
 - a. Is it the proponents' intent to prohibit a reduction in funding to the department of education and the department of health care policy and financing?
 - b. The departments listed in the proposed initiative receive the highest levels of General Fund appropriations. The next-highest levels of General Fund appropriations are for the Department of Higher Education, the Department of Human Services, and the Department of Corrections. A reduction in revenue of the amount proposed in the measure would most likely affect one or more of these three departments. Is this the proponents' intent?
 - c. There is no amending clause for section 3. Do the proponents intend for section 3 to be added as statutory language? If so, what section in the Colorado Revised Statutes does section 3 amend or add to?

Technical Comments

The following comments address technical issues raised by the form of the proposed initiative. These comments will be read aloud at the public meeting only if the proponents so request. You will have the opportunity to ask questions about these comments at the review and comment meeting. Please consider revising the proposed initiative as suggested below.

1. It appears that there is a typographical error in section 39-22-104 (1.7)(d) when referencing the effective date. Is it the proponents' intent to have the effective date be January 1, 2027?
2. It is not standard practice for the state income tax rate to be included in parentheses in numerical digits. Please consider omitting the parentheses

with the respective state income tax rate in numerical digits in sections 39-22-104 (1.7)(d) and 39-22-301 (1)(d)(I)(L), C.R.S.

3. In the proposed initiative there is existing language missing from the headnotes of the C.R.S. sections being amended. For example, in the headnote for section 39-22-104, C.R.S., in section 1 of the initiative, after "**single rate**", "**report - tax preference performance statement**" is missing. In section 39-22-301, C.R.S., in section 2 of the proposed initiative, "**repeal**" is missing from the end of the headnote. Please consider adding missing language to the headnotes unless the proponents are specifically intending to delete such language.
4. If the proponents intend for section 3 of the proposed initiative to become statutory language and make changes to the proposed initiative to that effect:
 - a. It is standard practice when referencing statutory sections to include the word "section" before the number, i.e., "section 24-1-115." It is not necessary to include "C.R.S." in the reference.
 - b. The names of the "department of education" and "department of health care policy and financing" should not be large-capitalized.
5. The repeal of section 39-22-627, C.R.S., will result in necessary conforming amendments to other sections of the Colorado Revised Statutes. Would the proponents consider making conforming amendments to remove cross references to section 39-22-627? These include conforming amendments in sections 39-22-2004 (1)(a), 39-22-2004 (d) (I) and (II), 39-3-210 (1)(a), and 39-26-901 (1)(c).