



My name is Chris Stiffler and I'm an economist with the Colorado Fiscal Institute. CFI is a nonprofit, nonpartisan organization that provides credible, independent and accessible information and analysis of fiscal and economic issues facing Colorado. I'm here to encourage you to vote no on House Bill 1097. This bill significantly reduces revenue available for roads, colleges, human services, and health care for older Coloradans, while exacerbating our state's already upside-down tax code.

Reducing the state income tax rate from 4.63 percent to 4.25 percent will mean \$760 million less in general fund dollars. To put \$760 million in context: that's more than the K-12 budget stabilization factor this year; it's more than the state collections in gas taxes to pay for our roads; and if we were talking about adding, rather than subtracting \$760 million from the budget, it would be enough to give every teacher in Colorado about a \$14,000 a year raise.

If HB-1097 was to become law, the top 1 percent would see their taxes fall by the same dollar amount as the reduction for the bottom 70 percent of taxpayers. Or taken another way, a reduction in the income tax rate would mean \$17 a year for a minimum wage worker but \$3,442 for a millionaire – about the same as two months of pay for that worker earning minimum wage.

HB-1097 gives the top 1% of Colorado \$160 million. To put that \$160 million in context, that's more than it will cost to keep college tuition flat. That's more than the state's cost of the Homestead Exemption that gives property tax relief to older Coloradans and disabled veterans.

But it's not just the fact that it disproportionately benefits the wealthy. Because Colorado's income tax rate is applied to "taxable income" which is different than income (technically called Adjusted Gross Income, or AGI), state income taxes are calculated after applying deductions and exemptions. When a taxpayer has higher deductions than they have income, they carry no income tax liability. The income tax rate doesn't matter to a taxpayer with zero income tax liability because the rate is applied to zero dollars. One out of every four Colorado taxpayers have zero tax liability. **This means a reduction in the income tax wouldn't give a single dollar to fully 25% of taxpayers.**

And while a quarter of Colorado taxpayers don't pay income taxes, they still pay a high percentage of their household income in sales and property taxes. Sales tax is the most regressive part of Colorado's tax code. Data from the Colorado Department of Revenue show households earning \$85,000 and less pay upwards of 8% of their income in state and local taxes, while households earning \$1.5 million pay just 6.3%

House Bill 1097 also reduces taxes paid by corporations. Despite Colorado ranking third-lowest among states with a corporate income tax, HB-1097 would shrink taxes paid by corporations by \$64 million a year removed from federal tax changes reducing corporate taxes by billions.

Because it would cut important priorities in order to largely benefit millionaires and corporations, I ask you for a no vote on HB 1097. Thank you, and I look forward to your questions.