Colorado Needs More Revenue

Carol Hedges
Executive Director
Equation of Need

Direct Costs

Decrease in Tax Collections

Aid to People, Communities, Businesses

Cost of Increased Services

Loss of Revenue

Stimulus to Restart
Impact of COVID –
Direct Costs of Increased State Services

Unclear and unknowable

One estimate is between $700 and $800 Million
Impact of COVID—Lost Revenue

Uncertainty is the most common component

Projections say Reduction in General Fund Revenue of $3.3 billion (25%)

Up to $7 billion for ‘FY 20 through ‘FY 22

Historically the roughest year for the state budget is the one following the end of Federal Emergency Assistance
Impact of COVID -- Cost of those Left Out

Individual relief
- Cash Relief payments -- ITIN Filers
- Unemployment Insurance Payments -- How Long Before Workers Are Hired Back

Business relief
- PPP and beyond

Community Assistance
- Sales tax dependent most vulnerable now
- Property Tax dependent impacted more in the future
Federal Assistance Essential but Inadequate

**COVID Relief fund**--$1.67 B for state
(separate amounts for areas with population > 500k)

**Medicaid enhanced match**

**Education Relief**

Our guestimate of total State CARES allocation (excluding FEMA and Families First) to date:  **$2.532 b**

More is being discussed but how much and when?
Reserves Important Now and in the Future

Two reserves:

**Emergency Reserves** that equal 3% of Fiscal Year Spending—
Limited utility for addressing shortfalls

**Statutory Reserves** that equal 7.25% of General Fund Spending

Research shows reserves are essential in year after federal support ends.
Closing Tax Expenditures a Limited Option

List of Possible Sources is much less than the total of $3.6 billion

What does the 2020 Dirty Dozen look like:

CFI thinks maybe $130-150 million
What we think is possible is different than what others think
Emergency Tax? What’s that?

TABOR authorizes Emergency taxes -- Art X Section 20 (6)

2/3 vote required

Have to deplete emergency reserves

Remains in effect until Nov 2020
Emergency Definition

What is an Emergency?

(2) Term definitions

(c) "Emergency" excludes economic conditions, revenue shortfalls, or district salary or fringe benefit increases.
Colorado Can’t Afford More Cuts

• Need all options on the table

• Need everyone pulling for more revenue

• Need voices talking about how public systems are connected
What Kind of Tax?

Needs to reduce impact on low- and moderate-income earners

Fairer than Current Upside-Down system

Generates significant money

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Share of income paid in state and local taxes in CO</th>
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</thead>
<tbody>
<tr>
<td>$30,600</td>
<td>8.7%</td>
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<tr>
<td>$140,300</td>
<td>6.4%</td>
</tr>
<tr>
<td>$1,779,900</td>
<td>4.6%</td>
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<tr>
<td>Income Bracket</td>
<td>Income Tax Rate</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Below $250,000</td>
<td>4.58%</td>
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<tr>
<td>$250,000 to $500,000</td>
<td>7.00%</td>
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<tr>
<td>$500,000 to $1,000,000</td>
<td>7.75%</td>
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<tr>
<td>$1,000,000+</td>
<td>8.9%</td>
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<tr>
<td>Possible Annual Revenue Generated</td>
<td></td>
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</tbody>
</table>
Taxing Wealthy to Avoid Cuts is Popular

In a recent poll, 68% of Colorado Voters Prefer a new tax on wealthy Coloradans over cuts to schools, roads and health care (18%)

Majority support among Democrats, Unaffiliated and Republicans
It is going to be challenging to pass an emergency tax.

But so is running a school district, a school or a classroom after these cuts.
Short Term and Long Term Consequences Require Solutions

Emergency Tax

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Fairtaxcolorado.org