

Colorado Needs More Revenue

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Equation of Need

**Cost of
Increased
Services**

**Direct
Costs**

+

**Loss of
Revenue**

**Decrease
in Tax
Collections**

+

**Stimulus
to Restart**

**Aid to People,
Communities,
Businesses**

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

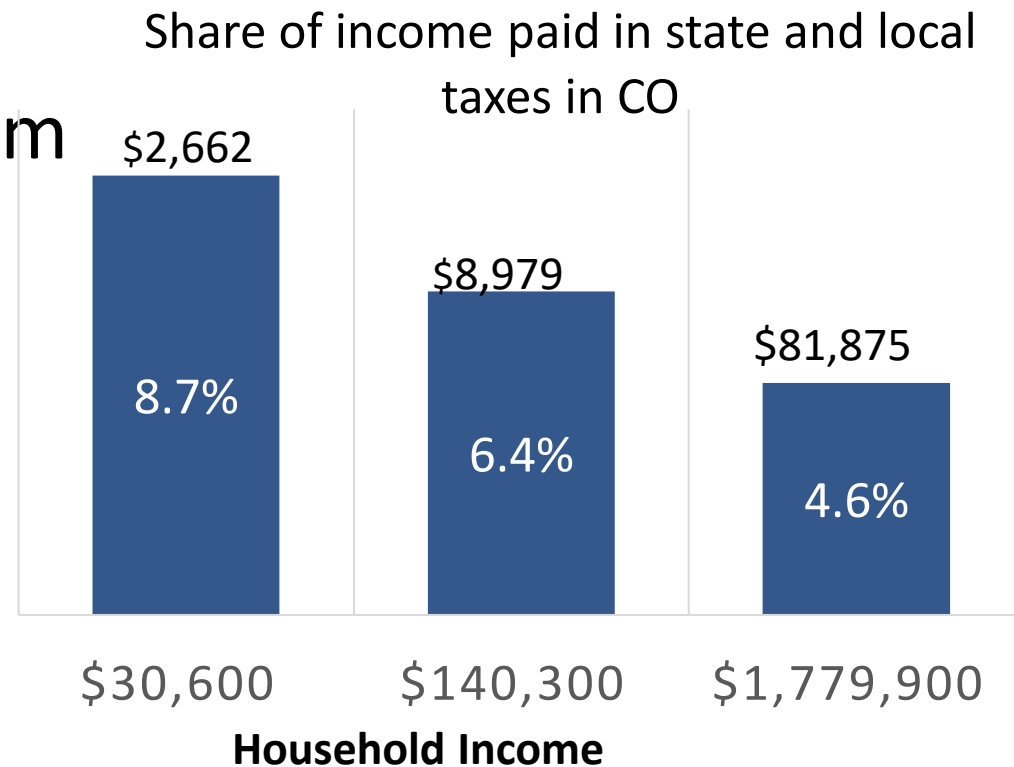
- Need all options on the table
- Need everyone pulling for more revenue
- Need voices talking about how public systems are connected

What Kind of Tax?

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

Fairer than Current Upside-Down system

Generates significant money



Income Bracket	Income Tax Rate	Colorado's Current Income Tax Rate	Difference in Percentage Points
Below \$250,000	4.58%	4.63%	-0.05 pp
\$250,000 to \$500,000	7.00%	4.63%	2.37 pp
\$500,000 to \$1,000,000	7.75%	4.63%	3.12 pp
\$1,000,000+	8.9%	4.63%	4.27 pp
Possible Annual Revenue Generated	Up to \$2 billion		

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

271

Fairtaxcolorado.org