An Emergency Tax: TABOR to the Rescue?

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By Carol Hedges
On Monday, the Joint Budget Committee (JBC) staff released recommendations for balancing Colorado’s first state budget since the onset of COVID-19 (FY2020-21). Those recommendations are terrifying. Every department document outlines the kinds of cuts necessary to balance a budget that anticipates a 10 to 20 percent reduction in revenue. The approved FY2019-20 budget outlined spending $12.2 billion collected from the variety of state taxes. A 20 percent reduction from last year would mean $2.4 billion less in revenue and even more in cuts now that the COVID-19 pandemic has increased demand for a variety of publicly provided services.

The severity of the budget slashing needed to balance the FY’21 budget, should revenue impacts of the health emergency equal a 20 percent reduction, is startling:

- Stripping health insurance from 76,000 kids in the middle of a health crisis.
- Repurposing funding that is currently propping open the doors of rural hospitals.
- Increasing health insurance premium costs for Coloradans across the state.
- Forcing decisions about closing higher education institutions in rural Colorado.
- Slashing 25 percent of funds for medical services for Coloradans with intellectual disabilities.
- Increasing waiting times for services for Coloradans with physical disabilities.
- Pulling back on funding for affordable housing.
- Forcing all school districts to increase class size, shorten school weeks or both.

And it’s not like the legislature will get to pick and choose. All these proposals may be necessary in order to bring the budget into balance. Nothing state government provides seems exempt from cuts.

And what will all these cuts mean? Less services and fewer jobs. The state employs thousands of workers in every community in Colorado. Jobs performed by public employees provide vital community services like teaching our kids, maintaining buildings on state university campuses, providing medical care in health centers, plowing snowy highways, and cleaning and maintaining our state parks. And workers then spend their salaries at local businesses, buying food, cars, furniture, and other products and services that employ even more people. Budget cuts mean job cuts, and with hundreds of thousands of jobs already lost in Colorado, our communities can’t afford to lose either the wages or the public services brought on by these massive budget cuts, let alone both.

It’s common knowledge that I’m no fan of TABOR, the country’s most restrictive tax and budgeting limit. But even TABOR recognizes that during emergencies there can be a need for additional community investments. It actually outlines the specific conditions under which the legislature can authorize emergency, temporary taxes. Because TABOR is so strict, the conditions when an emergency tax is a possible option for legislators are extremely limited. It requires a two-thirds vote of both chambers of the legislature, full depletion of emergency reserves, and whatever revenue is raised can only be used for emergency costs. These conditions are daunting but not nearly as daunting as the prospect of extending the pain of COVID-19 beyond what is absolutely necessary.

The emergency tax could be crafted to help provide relief for low- and middle-income families while generating more dollars to support the public services that build and maintain our communities. An emergency tax that lowers the income tax rate on the first $250,000 in income and then increases the rate incrementally on income above $250,000 would mean we could all share the costs of this pandemic more equitably than we are now sharing the costs for providing our public services. Under our current rules, those making the most pay the smallest percentage of their income to support the government-provided services that will be on the chopping block without additional revenue. By analyzing data from past recessions, we’ve also learned that those with the most income and assets are the first to regain lost income and wealth in recovery. An option that provides economic relief, new revenue, and a more equitable tax system for the future deserves serious consideration.

What do Gunnison and Alamosa become without Western Colorado University and Adams State University? What does Sterling look like without a hospital? What do early childhood classrooms in Commerce City look like without state funding for preschool? These are the imponderable questions raised by the possible cuts outlined in the JBC staff recommendations. That speculation doesn’t have turn into reality, and for a state with as many resources as Colorado, it shouldn’t need to.
While the federal government has authorized badly needed assistance, it will not only be insufficient to shield our state from the long-term effects of the pandemic, it’s not the Colorado way to leave our fate to Washington. Colorado elected officials can act now to ask Coloradans with the means to do so to do the right thing, to step up when it’s needed, and pay a little more to make sure all of our communities can get through this together.