



Description of Proposed Changes to the Colorado Income Tax System

1. Increase single rate for personal income tax from 4.63% to 5.35%--raising an estimated **\$952,808,914** in Tax 2015 (Initiative numbers 13, 17, 21, 25)
2. Replace single rate income tax with a two tier system-- raising an estimated **\$890,063,607** in Tax Year 2015 (Initiative numbers 14, 18, 22, 26)
 - a. Taxable income less than \$75,000 taxed at 5%
 - b. Taxable income over \$75,000 taxed at 5.9%
3. Replace single rate income tax with a five tier system (Initiative numbers 15, 19, 23, 27)
Taxable income less than \$50,000 taxed at 4.75%-- raising an estimated **\$1,016,979,137** in Tax Year 2015
 - a. Taxable income more than \$50,001 and less than \$75,000 taxed at 5.5%
 - b. Taxable income more than \$75,001 and less than \$100,000 taxed at 6%
 - c. Taxable income more than \$100,001 and less than \$200,000 taxed at 6.5%
 - d. Taxable income more than \$200,001 taxed at 6.63%
4. Replace single rate income tax with a five tier system-- raising an estimated **\$900,079,968** in Tax Year 2015 (Initiative numbers 16, 20, 24, 28)
 - a. Taxable income less than \$50,000 taxed at 4.75%
 - b. Taxable income more than \$50,001 and less than \$75,000 taxed at 5.0%
 - c. Taxable income more than \$75,001 and less than \$100,000 taxed at 5.5%
 - d. Taxable income more than \$100,001 and less than \$200,000 taxed at 6.0%
 - e. Taxable income more than \$200,001 taxed at 6.9%

Comparison with Other States

Seven states, besides Colorado, (Illinois, Indiana, Massachusetts, Michigan, New Hampshire, Pennsylvania, and Utah) have a single individual income tax rate, as opposed to a graduated rate. Thirty five states have graduated individual income tax rates that range from 2.0% to 12.0%. Seven states have no individual income tax (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming).

Graduated Rate Comparisons

There are 17 states with the highest personal income bracket rate over 6.9%, the highest rate in any of the recent proposals. There are 18 states with the highest personal income bracket rate over 6.63%. There are 28 states with the highest personal income bracket rate over 5.9%. In other words, even with the higher rates contained in these proposals, Colorado's personal income tax rates will be at or below the rates of most other states with income taxes.

Flat Rate Comparisons

At the proposed flat rate of 5.35%, Colorado will be tied with Minnesota for the second highest rate for the lowest income taxpayers of any state with an income tax. The 5.35% rate will be the highest rate on

low income taxpayers in Colorado since the state instituted an income tax in 1937. The 5.35% would make Colorado's flat tax rate the highest among states with single rates.

A Caveat

Tax rates are an inexact comparison of taxes paid in a state. For example Alaska and Wyoming do not have an income tax, but taxpayers in those states have the highest tax burdens in the country, due to the relatively high severance, property, and sales taxes in these states. The base to which tax rates are applied also vary dramatically from state to state.

Total Tax Collections

If Colorado had increased its tax collections by \$1 billion in 2008, Colorado would move from 44th lowest combined state and local taxes per \$1000 of personal income to the 40th. Even with \$1 billion additional tax revenue, Colorado would still be below the national average, with collections of state and local taxes increasing from \$95.53 to \$100.16 per \$1000 of personal income. The national average collection per \$1000 in 2008 was \$112.

Relative Share of Taxes Paid by Different Income Groups

The attached tables show taxes paid as a percentage of income by income categories. For purposes of comparison, the distribution of the present tax system is included. In all cases, the lowest income taxpayers pay the largest percent of their income in taxes. The graduated tax proposals narrow the difference in percentage of income paid in taxes between the highest and the lowest income groups.