

First Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 05-0454.01 Ed DeCecco

HOUSE BILL 05-1194

HOUSE SPONSORSHIP

Romanoff,

SENATE SPONSORSHIP

Johnson and Groff, Anderson, Entz, Fitz-Gerald, Gordon, Isgar, Keller, Kester, Tapia, and Taylor

House Committees

Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING AN ADJUSTMENT TO THE AMOUNT OF STATE REVENUES**
102 **IN EXCESS OF THE LIMITATION ON STATE FISCAL YEAR SPENDING**
103 **IN SECTION 20 (7) OF ARTICLE X OF THE STATE CONSTITUTION**
104 **IN ORDER TO PROVIDE A MORE STABLE MEANS OF FUNDING**
105 **STATE BUDGETARY NEEDS, AND, IN CONNECTION THEREWITH,**
106 **REDUCING THE STATE INCOME TAX RATE FROM FOUR AND**
107 **SIXTY-THREE ONE-HUNDREDTHS PERCENT TO FOUR AND**
108 **ONE-HALF PERCENT AND AUTHORIZING THE STATE TO RETAIN**
109 **AND SPEND ALL STATE REVENUES COLLECTED FROM THE**
110 **REDUCED INCOME TAX AND ANY OTHER SOURCES UP TO A LIMIT**
111 **OF STATE FISCAL YEAR SPENDING FOR THE 1999-2000 FISCAL**
112 **YEAR, AS A PERCENTAGE OF THE OVERALL STATE ECONOMY,**
113 **NOTWITHSTANDING THE SPENDING LIMIT CONTAINED IN**

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Refers to the voters of the state a measure that:

Authorizes the state to retain, for the 2004-05 fiscal year and each succeeding fiscal year, all state revenues greater than the limitation on state fiscal year spending but less, as a percentage of the overall state economy, than state fiscal year spending for the 1999-2000 fiscal year.

Reduces the state income tax rate from 4.63% to 4.5% for income tax years that commence on or after January 1, 2006.

Defines terms.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** Article 77 of title 24, Colorado Revised Statutes,
3 is amended BY THE ADDITION OF A NEW SECTION to read:

4 **24-77-103.8. Retention of excess revenues.**

5 (1) NOTWITHSTANDING THE PROVISIONS OF THIS ARTICLE OR ANY OTHER
6 PROVISIONS OF LAW, FOR EACH FISCAL YEAR COMMENCING ON OR AFTER
7 JULY 1, 2004, THE STATE SHALL BE AUTHORIZED TO RETAIN AND SPEND
8 ALL STATE REVENUES THAT ARE GREATER THAN THE LIMITATION ON STATE
9 FISCAL YEAR SPENDING BUT LESS, AS A PERCENTAGE OF THE OVERALL
10 STATE ECONOMY, THAN STATE FISCAL YEAR SPENDING FOR THE 1999-2000
11 FISCAL YEAR.

12 (2) THE APPROVAL OF THIS SECTION BY THE REGISTERED ELECTORS
13 OF THE STATE VOTING ON THE ISSUE AT THE NOVEMBER 2005 GENERAL
14 ELECTION CONSTITUTES A VOTER-APPROVED REVENUE CHANGE TO ALLOW
15 THE RETENTION OF STATE REVENUES IN EXCESS OF THE LIMITATION ON

1 STATE FISCAL YEAR SPENDING.

2 (3) AS USED IN THIS SECTION:

3 (a) "OVERALL STATE ECONOMY" FOR A GIVEN FISCAL YEAR MEANS
4 THE TOTAL PERSONAL INCOME FOR COLORADO FOR THE MOST RECENTLY
5 COMPLETED CALENDAR YEAR PRECEDING THE FISCAL YEAR, AS SUCH
6 TOTAL PERSONAL INCOME IS DEFINED AND OFFICIALLY REPORTED BY THE
7 BUREAU OF ECONOMIC ANALYSIS IN THE UNITED STATES DEPARTMENT OF
8 COMMERCE, OR ITS SUCCESSOR INDEX. THE AMOUNT OF TOTAL PERSONAL
9 INCOME FOR COLORADO OR ITS SUCCESSOR INDEX FOR A GIVEN CALENDAR
10 YEAR SHALL BE THE AMOUNT REPORTED AS OF JUNE 30 IN THE FOLLOWING
11 CALENDAR YEAR; EXCEPT THAT THE TOTAL PERSONAL INCOME FOR 1998
12 SHALL BE THE AMOUNT REPORTED AS OF JANUARY 1, 2005. THE AMOUNT
13 OF THE OVERALL STATE ECONOMY SHALL NOT BE SUBJECT TO LATER
14 MODIFICATION BASED UPON ANY SUBSEQUENT REVISION OF TOTAL
15 PERSONAL INCOME FOR COLORADO OR ITS SUCCESSOR INDEX.

16 (b) "STATE REVENUES" MEANS STATE REVENUES NOT EXCLUDED
17 FROM STATE FISCAL YEAR SPENDING, AS DEFINED IN SECTION 24-77-102
18 (17).

19 **SECTION 2.** 24-77-106.5 (1), Colorado Revised Statutes, is
20 amended to read:

21 **24-77-106.5. Annual financial report - certification of excess**
22 **state revenues.** (1) (a) For each fiscal year, the controller shall prepare
23 a financial report for the state for purposes of ascertaining compliance
24 with the provisions of this article. Any financial report prepared pursuant
25 to this section shall include, but shall not be limited to, state fiscal year
26 spending, reserves, revenues, REVENUES THAT THE STATE IS AUTHORIZED
27 TO RETAIN AND SPEND PURSUANT TO VOTER APPROVAL OF SECTION

1 24-77-103.8, and debt. Such financial report shall be audited by the state
2 auditor.

3 (b) Based upon the financial report prepared in accordance with
4 paragraph (a) of this subsection (1) for any given fiscal year, the
5 controller shall certify to the governor, the general assembly, and the
6 executive director of the department of revenue no later than September
7 1 following the end of a fiscal year the amount of state revenues in excess
8 of the limitation on state fiscal year spending imposed by section 20 (7)
9 (a) of article X of the state constitution, if any, for such fiscal year AND
10 THE STATE REVENUES IN EXCESS OF SUCH LIMITATION THAT THE STATE IS
11 AUTHORIZED TO RETAIN AND SPEND PURSUANT TO VOTER APPROVAL OF
12 SECTION 24-77-103.8.

13 **SECTION 3.** 39-22-104 (1.7) and (2), Colorado Revised Statutes,
14 are amended, and the said 39-22-104 is further amended BY THE
15 ADDITION OF A NEW SUBSECTION, to read:

16 **39-22-104. Income tax imposed on individuals, estates, and**
17 **trusts - single rate - definitions.** (1.7) Subject to subsection (2) of this
18 section, with respect to taxable years commencing on or after January 1,
19 2000, BUT BEFORE JANUARY 1, 2006, a tax of four and sixty-three
20 one-hundredths percent is imposed on the federal taxable income, as
21 determined pursuant to section 63 of the internal revenue code, of every
22 individual, estate, and trust.

23 (1.8) SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT
24 TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2006, A TAX
25 OF FOUR AND ONE-HALF PERCENT IS IMPOSED ON THE FEDERAL TAXABLE
26 INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL
27 REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

1 (2) Prior to the application of the rate of tax prescribed in
2 subsection (1), (1.5), ~~or~~ (1.7), OR (1.8) of this section, the federal taxable
3 income shall be modified as provided in subsections (3) and (4) of this
4 section.

5 **SECTION 4.** 39-22-301 (1) (d) (I) (I), Colorado Revised Statutes,
6 is amended, and the said 39-22-301 (1) (d) (I) is further amended BY
7 THE ADDITION OF A NEW SUB-SUBPARAGRAPH, to read:

8 **39-22-301. Corporate tax imposed.** (1) (d) (I) A tax is imposed
9 upon each domestic C corporation and foreign C corporation doing
10 business in Colorado annually in an amount of the net income of such C
11 corporation during the year derived from sources within Colorado as set
12 forth in the following schedule of rates:

13 (I) For income tax years commencing on or after January 1, 2000,
14 BUT BEFORE JANUARY 1, 2006, four and sixty-three one-hundredths
15 percent of the Colorado net income; AND

16 (J) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
17 1, 2006, FOUR AND ONE-HALF PERCENT OF THE COLORADO NET INCOME.

18 **SECTION 5.** 39-22-601 (10), Colorado Revised Statutes, is
19 amended to read:

20 **39-22-601. Returns.** (10) For income tax years commencing on
21 or after January 1, 1999, the executive director shall include on every
22 income tax return form a statement explaining that prior to January 1,
23 1999, the income tax rate for an individual, estate, and trust was five
24 percent of federal taxable income and the income tax rate for corporations
25 was five percent of net income. The statement shall also explain that the
26 income tax rate was reduced for income tax years commencing on or after
27 January 1, 1999, but prior to January 1, 2000, to four and three-quarters

1 percent, ~~and~~ that the income tax rate was reduced for income tax years
2 commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2005,
3 to four and sixty-three one-hundredths percent, AND THAT THE INCOME
4 TAX RATE WAS REDUCED FOR INCOME TAX YEARS COMMENCING ON OR
5 AFTER JANUARY 1, 2006, TO FOUR AND ONE-HALF PERCENT.

6 **SECTION 6. Refer to people under referendum.** This act shall
7 be submitted to a vote of the registered electors of the state of Colorado
8 at the November 2005 election, for their approval or rejection, under the
9 provisions of the referendum as provided for in section 1 of article V and
10 section 20 of article X of the state constitution, and in article 40 of title
11 1, Colorado Revised Statutes. Each elector voting at said election and
12 desirous of voting for or against said act shall cast a vote as provided by
13 law either "Yes" or "No" on the proposition: "SHALL THE STATE INCOME
14 TAX RATE BE REDUCED FROM FOUR AND SIXTY-THREE ONE-HUNDREDTHS
15 PERCENT TO FOUR AND ONE-HALF PERCENT, AND, WHILE MAINTAINING THE
16 CONSTITUTIONAL REQUIREMENT FOR VOTER APPROVAL FOR TAX
17 INCREASES, SHALL THE STATE BE AUTHORIZED TO RETAIN AND SPEND ALL
18 STATE REVENUES COLLECTED FROM THE REDUCED INCOME TAX AND ANY
19 OTHER SOURCES UP TO A LIMIT OF STATE FISCAL YEAR SPENDING FOR THE
20 1999-2000 FISCAL YEAR, AS A PERCENTAGE OF THE OVERALL STATE
21 ECONOMY, NOTWITHSTANDING THE SPENDING LIMIT CONTAINED IN
22 SECTION 20 (7) OF ARTICLE X OF THE STATE CONSTITUTION, TO ADJUST THE
23 AMOUNT OF STATE REVENUES IN EXCESS OF SUCH LIMITATION IN ORDER TO
24 PROVIDE A MORE STABLE MEANS OF FUNDING STATE BUDGETARY NEEDS?"
25 The votes cast for the adoption or rejection of said act shall be canvassed
26 and the result determined in the manner provided by law for the
27 canvassing of votes for representatives in Congress.