

First Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

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

Appropriations

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 **THE ADJUSTED** STATE FISCAL YEAR SPENDING FOR
11 THE 1999-2000 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) "ADJUSTED STATE FISCAL YEAR SPENDING FOR THE 1999-2000
4 FISCAL YEAR" MEANS STATE REVENUES FOR THE 1999-2000 FISCAL YEAR
5 ADJUSTED TO REFLECT A SUBSEQUENT QUALIFICATION OR
6 DISQUALIFICATION AS AN ENTERPRISE.

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

20 (c) "STATE REVENUES" MEANS STATE REVENUES NOT EXCLUDED
21 FROM STATE FISCAL YEAR SPENDING, AS DEFINED IN SECTION 24-77-102
22 (17).

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

25 **24-77-106.5. Annual financial report - certification of excess**
26 **state revenues.** (1) (a) For each fiscal year, the controller shall prepare
27 a financial report for the state for purposes of ascertaining compliance

1 with the provisions of this article. Any financial report prepared pursuant
2 to this section shall include, but shall not be limited to, state fiscal year
3 spending, reserves, revenues, REVENUES THAT THE STATE IS AUTHORIZED
4 TO RETAIN AND SPEND PURSUANT TO VOTER APPROVAL OF SECTION
5 24-77-103.8, and debt. Such financial report shall be audited by the state
6 auditor.

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

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

20 **39-22-104. Income tax imposed on individuals, estates, and**
21 **trusts - single rate - definitions.** (1.7) Subject to subsection (2) of this
22 section, with respect to taxable years commencing on or after January 1,
23 2000, BUT BEFORE JANUARY 1, 2006, a tax of four and sixty-three
24 one-hundredths percent is imposed on the federal taxable income, as
25 determined pursuant to section 63 of the internal revenue code, of every
26 individual, estate, and trust.

27 (1.8) SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT

1 TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2006, A TAX
2 OF FOUR AND ONE-HALF PERCENT IS IMPOSED ON THE FEDERAL TAXABLE
3 INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL
4 REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

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

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

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

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

20 (J) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
21 1, 2006, FOUR AND ONE-HALF PERCENT OF THE COLORADO NET INCOME.

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

24 **39-22-601. Returns.** (10) For income tax years commencing on
25 or after January 1, 1999, the executive director shall include on every
26 income tax return form a statement explaining that prior to January 1,
27 1999, the income tax rate for an individual, estate, and trust was five

1 percent of federal taxable income and the income tax rate for corporations
2 was five percent of net income. The statement shall also explain that the
3 income tax rate was reduced for income tax years commencing on or after
4 January 1, 1999, but prior to January 1, 2000, to four and three-quarters
5 percent, ~~and~~ that the income tax rate was reduced for income tax years
6 commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2005,
7 to four and sixty-three one-hundredths percent, AND THAT THE INCOME
8 TAX RATE WAS REDUCED FOR INCOME TAX YEARS COMMENCING ON OR
9 AFTER JANUARY 1, 2006, TO FOUR AND ONE-HALF PERCENT.

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

1 PROVIDE A MORE STABLE MEANS OF FUNDING STATE BUDGETARY NEEDS?"
2 The votes cast for the adoption or rejection of said act shall be canvassed
3 and the result determined in the manner provided by law for the
4 canvassing of votes for representatives in Congress.