

## **A FAIR INCOME TAX SYSTEM**

### **BE IT ENACTED BY THE PEOPLE OF THE STATE OF COLORADO:**

**SECTION 1.** The people of Colorado find that in order to make Colorado taxes fairer, all taxpayers should pay similar percentages of their income in taxes. The people further find that because some taxes, like sales taxes and property taxes, have a disproportional impact on lower income Coloradans, a graduated individual income tax system which taxes those who earn higher incomes at higher rates is needed as is an increase and extension in the earned income tax credit in order to make the tax system fairer.

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

**24-77-103.3. VOTER APPROVED REVENUE CHANGE-USE OF REVENUES-ACCOUNTABILITY.** THE REVENUES RAISED BY THE TAXES IMPOSED PURSUANT SECTION 39-22-104 SHALL CONSTITUTE A VOTER APPROVED REVENUE CHANGE AND MAY BE COLLECTED, KEPT AND SPENT NOTWITHSTANDING ANY OTHER LIMITS IN THE CONSTITUTION OR OTHER LAW. ALL REVENUES RAISED BY THE TAXES IMPOSED PURSUANT TO SECTION 39-22-104 SHALL BE SPENT ONLY FOR PAYING THE COSTS OF EDUCATION, HIGHER EDUCATION, HEALTH CARE AND PUBLIC SAFETY. AT LEAST 90% OF THE REVENUES RAISED BY THE TAXES IMPOSED PURSUANT SECTION 39-22-104 SHALL BE SPENT ON SERVICES FOR COLORADO RESIDENTS AND NOT ADMINISTRATIVE COSTS. THE GENERAL ASSEMBLY SHALL ESTABLISH A CITIZEN'S OVERSIGHT COMMITTEE TO ASSURE THAT SUCH REVENUES ARE SPENT IN ACCORDANCE WITH THIS SECTION. FOR EACH FISCAL YEAR THAT THE STATE RECEIVES REVENUES PURSUANT TO SECTION 39-22-104 THE DIRECTOR OF RESEARCH OF THE LEGISLATIVE COUNCIL SHALL PREPARE A LEGISLATIVE REPORT THAT INCLUDES THE FOLLOWING INFORMATION:

(I) THE AMOUNT OF STATE REVENUES THAT THE STATE RECEIVED; AND

(II) A DESCRIPTION OF HOW THE STATE REVENUES WERE EXPENDED.

THE REPORT REQUIRED BY THIS SECTION SHALL BE COMPLETED BY OCTOBER 15 FOLLOWING A FISCAL YEAR IN WHICH THE STATE RECEIVES REVENUES PURSUANT TO SECTIONS 39-22-104 AND MAY BE AMENDED THEREAFTER AS NECESSARY. THE DIRECTOR OF RESEARCH SHALL PUBLISH AND LINK TO THE OFFICIAL WEB SITE OF THE GENERAL ASSEMBLY A COPY OF THE REPORT.

**SECTION 3.** Section 39-22-104, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION (1.9) and 39-22-104(2), Colorado Revised Statutes is amended, to read:

**39-22-104. Income tax imposed on individuals, estates, and trusts definitions – repeal.** (1.9) SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2012, A GRADUATED TAX IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST AS SET FORTH IN THE FOLLOWING SCHEDULE OF RATES:

FOR INDIVIDUALS WHOSE FEDERAL TAXABLE INCOME IS DETERMINED ON A JOINT FEDERAL RETURN, IF THE FEDERAL TAXABLE INCOME AS MODIFIED AS PROVIDED IN SUBSECTIONS (3) AND (4) OF THIS SECTION IS:	FOR INDIVIDUALS WHO FILE AS A HEAD OF HOUSEHOLD, IF THE FEDERAL TAXABLE INCOME AS MODIFIED AS PROVIDED IN SUBSECTIONS (3) AND (4) OF THIS SECTION IS:	FOR ALL OTHER INDIVIDUALS, ESTATES AND TRUSTS, IF THE FEDERAL TAXABLE INCOME AS MODIFIED AS PROVIDED IN SUBSECTIONS (3) AND (4) OF THIS SECTION IS:
NOT OVER \$50,000 THE TAX IS 4.2%	NOT OVER \$37,500 THE TAX IS 4.2%	NOT OVER \$25,000 TAX IS 4.2%
OVER \$50,000 BUT NOT OVER \$100,000 THE TAX IS \$2,100, PLUS 6.5% OVER THE EXCESS OF \$50,000	OVER \$37,500 BUT NOT OVER \$75,000 THE TAX IS \$1,575, PLUS 6.5% OVER THE EXCESS OF \$37,500	OVER \$25,000 BUT NOT OVER \$50,000 THE TAX IS \$1,050.00, PLUS 6.5% OVER THE EXCESS OF \$25,000
OVER \$100,000 BUT NOT OVER \$200,000 THE TAX IS \$5,350, PLUS 7.0% OVER THE EXCESS OF \$100,000	OVER \$75,000 BUT NOT OVER \$150,000 THE TAX IS \$4,012, PLUS 7.0% OVER THE EXCESS OF \$75,000	OVER \$50,000 BUT NOT OVER \$100,000 THE TAX IS \$2,675.00, PLUS 7.0% OVER THE EXCESS OF 50,000
\$200,000 TO \$500,000 THE TAX IS \$12,350, PLUS 8.0% OVER THE EXCESS OF \$200,000	OVER \$150,000 BUT NOT OVER \$375,000 THE TAX IS \$9,262.50, PLUS 8.0% OVER THE EXCESS OF \$150,000	OVER \$100,000 BUT NOT OVER \$250,000 THE TAX IS \$6,175.00, PLUS 8.0% OVER THE EXCESS OF \$100,00
OVER \$500,000 BUT NOT OVER \$1,000,000 THE TAX IS \$36,350, PLUS 9.0% OVER THE EXCESS OF \$500,000	OVER \$375,000 BUT NOT OVER \$750,000 THE TAX IS \$27,262, PLUS 9.0% OVER THE EXCESS OF \$375,000	OVER \$250,000 BUT NOT OVER \$500,000 THE TAX IS \$18,175.00, PLUS 9.0% OVER THE EXCESS OF 250,0000
OVER \$1,000,000 THE TAX IS \$81,350, PLUS 9.5% OVER THE EXCESS OF \$1,000,000	OVER \$750,000 THE TAX IS \$61,012, PLUS 9.5% OVER THE EXCESS OF \$750,000	OVER \$500,000 THE TAX IS \$40,675, PLUS 9.5% OVER THE EXCESS OF \$500,000

THE INCOME BRACKETS SET FORTH IN THE ABOVE SCHEDULE SHALL BE ADJUSTED EACH INCOME TAX YEAR BY THE PERCENTAGE CHANGE IN COLORADO PERSONAL INCOME. COLORADO PERSONAL INCOME MEANS THE TOTAL PERSONAL INCOME FOR COLORADO, AS DEFINED AND OFFICIALLY REPORTED BY THE BUREAU OF ECONOMIC ANALYSIS IN THE UNITED STATES DEPARTMENT OF COMMERCE, OR ANY SUCCESSOR INDEX.

(2) Prior to the application of the rate of tax prescribed in subsection (1), (1.5), ~~or~~ (1.7) OR (1.9) of this section, the federal taxable income shall be modified as provided in subsections (3) and (4) of this section.

**SECTION 4.** Section 39-22-123(1)(b), Colorado Revised Statutes is amended to read:

39-22-123. Earned income tax credit.

~~(1) (b) Subject to the provisions of subsection (4) of this section, for any income tax year commencing on or after January 1, 2000, if, based on the financial report prepared by the controller in accordance with section 24-77-106.5, C.R.S., the controller certifies that the amount of state revenues for the state fiscal year ending in that income tax year exceeds the limitation on state fiscal year spending imposed by section 20 (7) (a) of article X of the state constitution and the voters statewide either have not authorized the state to retain and spend all of the excess state revenues or have authorized the state to retain and spend only a portion of the excess state revenues for that fiscal year, FOR ANY INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2012, a resident individual or part-year resident individual who claims an earned income tax credit on the individual's federal tax return shall be allowed an earned income tax credit against the taxes due on the individual's income under this article. The amount of the credit shall be an amount equal to ~~ten~~ TWENTY percent of the amount of the federal credit claimed on the resident individual's federal tax return or, in the case of a part-year resident individual, such amount as shall reflect ~~ten~~ TWENTY percent of the federal earned income credit earned while a resident of Colorado.~~

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