

# STATE OF COLORADO

## Colorado General Assembly

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### MEMORANDUM

February 15, 2011

TO: Carol Hedges and Marijo Rymer

FROM: Legislative Council Staff and Office of Legislative Legal Services

SUBJECT: Proposed initiative measure 2011-2012 #15, concerning a fair income tax system

Section 1-40-105 (1), Colorado Revised Statutes, requires the directors of the Colorado Legislative Council and the Office of Legislative Legal Services to "review and comment" on initiative petitions for proposed laws and amendments to the Colorado constitution. We hereby submit our comments to you regarding the appended proposed initiative.

The purpose of this statutory requirement of the Legislative Council and the Office of Legislative Legal Services is to provide comments intended to aid proponents in determining the language of their proposal and to avail the public of knowledge of the contents of the proposal. Our first objective is to be sure we understand your intent and your objective in proposing the amendment. We hope that the statements and questions contained in this memorandum will provide a basis for discussion and understanding of the proposal.

This initiative was submitted with a series of initiatives including proposed initiatives 2011-2012 #13 to #18. The comments and questions raised in this memorandum will not include comments and questions that were addressed in the memoranda for proposed initiatives 2011-2012 #13, #14, and #16 to #18, except as necessary to fully understand the issues raised by the revised proposed initiative. Comments and questions addressed in those other memoranda may also be relevant, and those questions and comments are hereby incorporated by reference in this memorandum.

## Purposes

The major purposes of the proposed amendment appear to be:

1. To repeal the section in section 20 (8) (a) of article X of the state constitution that specifies that all taxable net income shall be taxed at one rate;
2. On and after January 1, 2012, to impose a graduated state income tax on federal taxable income on individuals, estates, and trusts as specified in a schedule of rates;
3. To require the adjustment of the income brackets in the specified schedule of rates each income tax year by the percentage change in Colorado personal income;
4. On and after January 1, 2012, to raise the flat rate tax on each domestic and foreign C corporation to seven percent of Colorado net income;
5. To specify that revenues raised by the income tax imposed by the proposed initiative constitute a voter-approved revenue change and may be collected, kept, and spent without regard to other limits in the constitution or other law and to specify the manner in which such revenue may be spent;
6. To specify that revenues raised by the income tax imposed by the proposed initiative be spent only for paying the costs of education, higher education, health care, and public safety;
7. To specify that at least 90% of the revenues raised by the taxes imposed as a result of the proposed initiative be spent on services for Colorado residents and not administrative costs;
8. To require the general assembly to establish a citizen's oversight committee to assure that such revenues are spent in accordance with the constitution;
9. To require the director of research of the legislative council to prepare an annual report concerning the amount of revenue raised and spent as a result of the proposed initiative; and
10. To make the earned income tax credit permanent for any income tax year commencing on or after January 1, 2012, and increasing the credit to twenty percent of the federal credit claimed.

## Technical Comments:

The technical comments and questions set forth in the review and comment memorandum on proposed initiative 2011-2012 #13 and 2011-2012 #14 are applicable to proposed initiative 2011-2012 #15 and, as such, will not be repeated. However, the following new technical comments and questions have arisen in 2011-2012 #15. These comments will be read aloud at the public meeting only if the proponents so request. You will have the opportunity to ask questions about these comments at the review and comment meeting. Please consider revising the proposed initiative

as suggested below.

1. For the proposed initiative, the amending clause for section 2 should read: "Section 20 (8) (a) of article X of the constitution of the state of Colorado is amended to read:"
2. Each section in the Colorado constitution has a headnote. Headnotes should briefly describe the contents of the section, should follow the section number, should be in bold-faced type, and should be in lower case letters. For example:  
**Section 20. The Taxpayer's Bill of Rights. (8) Revenue limits.** (a) New or increased...
3. In section 3 of the proposed initiative, in the middle of the first paragraph, insert the word "to" after the word "pursuant".
4. For the proposed initiative, the amending clause to section 4 should read: "39-22-104 (2), Colorado Revised Statutes, is amended, and the said 39-22-104 is further amended BY THE ADDITION OF A NEW SUBSECTION to read:"
5. For the proposed initiative, the amending clause to section 5 should read: "39-22-301 (1) (d) (I) (I), Colorado Revised Statutes, is amended, and the said 39-22-301 (1) (d) (I) is further amended BY THE ADDITION OF A NEW SUB-SUBPARAGRAPH to read:"
6. In section 5 of the proposed initiative, in the new language for sub-subparagraph (J), replace "and" with "or".
7. For the proposed initiative, the amending clause to section 6 should read: "39-22-123 (1) (b), Colorado Revised Statutes, is amended to read:"
8. By striking the language in Section 4 related to the refund of state excess revenues, the proposed initiative makes the earned income tax credit permanent. The language in sections 39-22-123 (4) and (5) should also be stricken as those subsections relate to the refund of excess revenues. The amending clause to Section 4 should then read: "39-22-123 (1) (b), (4), and (5), Colorado Revised Statutes, are amended to read:"

### Substantive Comments and Questions

The substantive comments and questions set forth in the review and comment memorandum on proposed initiative 2011-2012 #13 and 2011-2012 #14 are applicable to proposed initiative 2011-2012 #15 and, as such, will not be repeated. However, the following new substantive comments and questions have arisen:

1. Typically, a proposed initiative amends either the constitution or the Colorado revised statutes. The proposed initiative amends both. Does this affect the single subject of the measure or any other requirements related to the adoption of the measure?