

# STATE OF COLORADO

## Colorado General Assembly

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### MEMORANDUM

**TO:** Kevin Neal Patterson II and Eric Leveridge  
**FROM:** Legislative Council Staff and Office of Legislative Legal Services  
**DATE:** February 7, 2018  
**SUBJECT:** Proposed initiative measure 2017-2018 #138, concerning Policy Changes  
Pertaining to State Income Taxes

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 directors of 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 2017-2018 #133 to #137, and #139 to #144. The comments and questions raised in this memorandum will not include comments and questions that are addressed in the memoranda for the other proposed initiatives, except as necessary to fully understand the issues raised by this 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. Only new comments and questions are included in this memorandum.

## **Purposes**

The major purposes of the proposed amendment to the Colorado constitution and the Colorado Revised Statutes appear to be:

1. To eliminate the state constitutional requirement that all taxable net income be taxed at one rate;
2. To specify that on and after January 1, 2019, the state income tax rate be increased from 4.63 percent to 9.87 percent for individuals with federal taxable income (FTI) greater than \$300,000;
3. To expand the qualifications for individuals and caregivers to be eligible to receive a Colorado earned income tax credit (EITC);
4. To require the Department of Revenue to calculate the net increase in income tax revenue;
5. To specify that the net increase in income tax revenue be used for the refundable Colorado EITC "provided that no more than five percent of such moneys may be used to pay the department's reasonable and necessary expenses to administer" the Colorado EITC;
6. To repeal the existing EITC; and
7. To specify that the net increase in income tax revenue attributable to the rate change described in purpose no. 2 is not subject to any limitations on general fund appropriations or any other spending limitation in law including section 20 of article X of the constitution.

## **Substantive Comments and Questions**

The substance of the proposed initiative raises the following comments and questions:

1. Is it correct that the only three differences between this initiative and initiative 2017-2018 #133 are:
  - a. The added language that no more than 5 percent of the net increase in income tax revenue be used to pay the department's reasonable and necessary expenses to administer the Colorado EITC;
  - b. The removal of "eligible students" as qualifying individuals for the Colorado EITC; and
  - c. The change to the income tax rate to 9.87 percent (from 11.8 percent) for FTI greater than \$300,000 (from \$500,000)?

## **Technical Comments**

The technical comments raised in the memorandum for initiative 2017-2018 #133 are incorporated by reference in this memorandum. There are no new technical comments.