



COLORADO FISCAL
POLICY INSTITUTE

Prepared Testimony in opposition to H.B. 1068 for House Finance Committee
January 28, 2009

Mr. Chairman, members of the House Finance Committee:

My name is Laura Oldright, and I am the Tax Policy Analyst at the Colorado Fiscal Policy Institute. The Fiscal Policy Institute is a nonprofit, nonpartisan project of the Colorado Center on Law and Policy. We promote justice and economic security for *all* Coloradans, and are leading an effort to help resolve some of Colorado's biggest fiscal challenges. As both a resource and catalyst, the Institute works for changes in public policy through timely, credible and accessible fiscal policy analysis, education, advocacy and coalition building.

I am here today to testify in opposition to House Bill 1068.

The Colorado Fiscal Policy Institute strongly believes in efficient and responsible fiscal policies. In these difficult economic times, as the state faces mounting budget problems, we must do everything we can to preserve revenue and provide the maximum amount of flexibility for the state legislators to prioritize needs and allocate funds.

While we may agree that the business personal property tax is relatively inefficient, discourages certain types of capital investments, and creates inequities between businesses in Colorado, now is not a time to deprive the state of needed revenue. Legislative Council Staff estimated in 2008 that eliminating the business personal property tax completely would result in \$732 million dollars in lost revenue to locals. This bill would, over time, backfill the loss of local revenue with state general fund revenue.

Colorado's economy is not projected to rebound quickly from this recession. But when revenue begins to recover, it will not be the time to reduce available state general fund revenue. We know that, unfortunately, Arveschoug-Bird's ratchet, if not changed, will keep funding for schools, health care and human services from recovering from recessionary cuts. That ratchet will automatically transfer state revenues to transportation and capital construction through Senate Bill 1 and HB 1310. HB 1168 would then reduce the money spent on transportation and capital construction as the economy recovers. We believe that you, as the elected representatives of Colorado, should allow have the flexibility to prioritize spending in line with the best interests of the state.

HB 1068 prioritizes automatic tax relief to businesses that have large out-of-state revenues over all other expenditures and it does so in a way that is not as transparent as an appropriation that is debated by the General Assembly.

We would welcome the opportunity to work with Representative Lambert and others to devise ways to modernize our revenue system here in Colorado and address the problems related to the business personal property tax. But until there is replacement revenue to substitute for the losses that will be suffered by local governments--replacement revenue that does not result in further cuts in general fund expenditures, we urge you to oppose HB 1068.

Thank you Mr. Chairman.

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