Final Draft

Proposition 103
Temporary Tax Increase for Public Education

Proposition 103 proposes amending the <u>Colorado statutes</u> to:

- increase the state income tax rate from 4.63 to 5.0 percent for five years, starting January 1, 2012;

- increase the state sales and use tax rate from 2.9 to 3.0 percent for five years, starting January 1, 2012; and

- require the state legislature to spend the money on public education by increasing funding above the amount in budget year 2011-12.

Summary and Analysis

Proposition 103 temporarily increases the state income and sales and use tax rates and requires the state to spend the money on public education. Public education includes public preschools, kindergarten through 12th grade schools, and colleges and universities.

What is the state income tax? Households and businesses pay taxes on their income to both the state and federal governments. State income taxes are calculated by applying a fixed rate to a taxpayer's Colorado taxable income. The state income tax is the largest source of revenue the state collects to pay for its main programs. The state's current income tax rate is 4.63 percent for both households and businesses, regardless of income level. In 1987, the state moved from a graduated income tax rate to a single tax rate, which was initially set at 5.0 percent. This rate was reduced to 4.75 percent in 1999, and reduced again to 4.63 percent in 2000. The measure returns the rate to 5.0 percent for five years, after which it will be restored to 4.63 percent.

What is the state sales and use tax? The state sales tax is paid on the purchase price of most items. Some items are exempt, such as food bought at grocery stores, prescription drugs, and household electricity and heat. The tax applies to some services, most notably local telephone service, cell phone service, food and drink service at restaurants and bars, and lodging. The state use tax is paid on taxable items for which the sales tax was not collected, such as items bought from sellers outside the state. In addition to the state sales and use tax, local governments also have sales and use taxes, although local rates may be different and may apply to different items than the state tax. In 2000, the state legislature reduced the sales and use tax rate from 3.0 to 2.9 percent. Proposition 103 returns the rate to 3.0 percent for five years, after which it will be restored to 2.9 percent. The measure does not affect local tax rates.

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How much money will the state collect under Proposition 103? Over the five-year period of the tax rate increase, the state will collect about $2.9 billion in new tax revenue for public education. Table 1 shows the estimated increase in individual income tax, business income tax, and sales and use tax collections from 2012 through 2016.

Table 1. Estimated Increase in Tax Collections under Proposition 103*
(in millions of dollars)

Year	Individual Income Tax	Business Income Tax	Sales and Use Tax	Totals
2012	$398.8	$39.8	$76.1	$514.7
2013	$423.3	$44.7	$79.5	$547.5
2014	$447.0	$47.9	$83.0	$577.9
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**Amounts are shown for calendar years. The ballot title reflects budget year amounts.*

How much will state income taxes increase under Proposition 103? Currently, Colorado taxpayers pay $46.30 in state income taxes for each $1,000 of taxable income. Under Proposition 103, taxpayers will pay $50.00 in state income taxes for each $1,000 of taxable income, or about 8 percent more than under current law. Taxpayers will pay the higher rate for five years, beginning with the tax payment due in April 2013 for the 2012 tax year. An individual's taxable income is equal to the person's gross income minus deductions, exemptions, or other adjustments. It varies based on marital status, the number of dependents, business exemptions, and other factors such as deductions for mortgage interest, charitable contributions, or interest paid on student loans.

Table 2 shows the estimated change in the yearly state income tax bill for three sample households as a result of Proposition 103.

Table 2. Estimated Annual Income Tax Increases for Selected Households under Proposition 103

Household description	Tax Paid under Current Law	Tax Paid under Proposition 103	Amount of Increase
Single person Annual income of $35,000 Colorado taxable income of $27,379	$1,268	$1,369	$101
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How much will state sales taxes increase under Proposition 103? Table 3 shows the estimated change in the amount of state sales tax paid for four different purchases as a result of Proposition 103. Consumers will pay about 3.4 percent more in state sales tax on purchases than under current law. Local sales taxes are not affected.

Table 3. Comparison of State Sales Taxes Paid under Current Law and Proposition 103

Purchase Price	Current State Sales Tax (2.9%)	Proposed State Sales Tax (3.0%)	Total Tax Increase
$50	$1.45	$1.50	$0.05
$100	$2.90	$3.00	$0.10
$500	$14.50	$15.00	$0.50
$5,000	$145.00	$150.00	$5.00

What does the state spend on public education? For budget year 2011-12, the state's portion of public school funding is currently set at $3.7 billion for preschool through high school education and $624 million for higher education. This amount may change, for example, when mid-year adjustments are made to balance the budget. Combined, spending on public education represents about 50 percent of the General Fund, which pays for the state's general operating expenses. Direct state funding for public education has declined in the past few years, although some of these reductions have been offset with other sources of money. Local communities contribute taxes and fees, and universities and colleges charge tuition and fees and seek private donations. In addition, the federal government provides funding for a variety of education programs. The combination of these funds pays for programs and services such as classroom instruction, preschool programs, administrative services provided by the state, and financial aid to students attending public universities and colleges.

How does Proposition 103 impact state spending on education? The measure sets budget year 2011-12 state funding for public education — currently about $4.3 billion — as a minimum funding level for five years. It requires that the money raised through the tax increase be allocated in addition to, not as a substitute for, this amount. Although Proposition 103 requires that the money raised be spent on public education, it does not specify how the money is to be split between the various preschool through high school and higher education programs.

For information on those issue committees that support or oppose the measures on the ballot at the November 1, 2011, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Arguments For

1) Public education is important to Colorado's economic future. This investment may lead to a speedier economic recovery and help maintain a competitive business climate. Businesses value a robust public education system that provides an educated workforce, and employees want to live in communities with good schools for their children. In addition, Coloradans need access to affordable education and retraining offered by public community colleges and universities to be prepared to meet the demands of a 21st century economy. Proposition 103 provides the state with the opportunity to invest in job-training programs for Colorado citizens who are struggling to find employment.

2) The additional education funding provided by Proposition 103 will help reverse the recent trend of education budget cuts, which is hindering the state's ability to provide a quality education to all of its citizens. School districts have been forced to close schools, lay off educators, increase class sizes, and cut programs that are important to students and families. State funding for higher education is often the first item to be cut during tough economic times, even as enrollment and costs continue to increase. Since 2006, tuition costs for in-state students have increased 43 percent, on average, making higher education unaffordable for some students. In the absence of additional funding, these trends will continue.

3) Proposition 103 raises tax rates only a fraction of a percentage point, restoring them to 1999 levels. This temporary increase provides relief from further education funding cuts, allowing policymakers time to implement a long-term solution. Colorado spends $1,781 less per K-12 student than the national average. Colorado's higher education institutions receive, on average, about 63 percent of the state funding received by similar institutions in other states. The measure's small contributions from a large pool of Colorado citizens will amount to approximately $2.9 billion in funding over five years that can be used to bolster the state's public education system.

Arguments Against

1) Raising taxes may slow Colorado's economic recovery. Coloradans are struggling with stagnant incomes, a weak housing market, and high gas and food prices. Charging more in taxes may result in less consumer spending and business investment, which may further weaken the economy. In addition, raising sales taxes burdens lower- and middle-income consumers the most because they spend a higher percentage of their overall budget on everyday necessities that are subject to sales tax.

2) Proposition 103 lacks accountability to taxpayers. It does not provide a plan for how more than $575 million in additional taxpayer money each year will improve public education. The state government already spends about $4.3 billion of its General Fund operating budget on education each year, and increasing the tax burden on Colorado's citizens does not guarantee a higher quality public education for students. Education is a local issue, and schools are accountable to their communities. Communities can seek local options and private resources if they feel that their schools need more funding. Similarly, pursuing higher education is an individual choice and should not be further subsidized by the state.

3) Proposition 103 is a fiscally irresponsible approach to increase education funding. If the economy fails to recover during the five-year period of the tax increase, larger cuts to other programs may be necessary to meet the minimum education funding levels set in the measure. On the other hand, if the economy improves during the five-year period, money that could have been used to increase education funding may now be used to increase the size of other state government programs, as education will be funded from the tax increase. Finally, regardless of how the economy fares during the five-year period, Proposition 103 is a temporary tax increase and substantial spending cuts will be required in 2016 when the tax rate returns to the previous level.

Estimate of Fiscal Impact

This is a summary of the measure's estimated fiscal impact. For more detailed information, please refer to the fiscal impact statement located here: http://www.colorado.gov/cs/bbfiscal.

State revenue and spending. Proposition 103 is expected to increase state tax revenue by $2.9 billion over the next five years, as indicated in Table 1. The proposition requires that all new revenue from the tax rate increases be spent on public education.

Impact on taxpayers. Individuals and businesses pay sales taxes, use taxes, and income taxes. Visitors to the state also pay sales taxes. The additional amount of taxes paid by each Colorado household or business will depend on its spending habits, consumption, and the amount of taxable income it receives. For examples, please refer to Table 2 and Table 3. For instructions on estimating your household's or business's tax changes under Proposition 103, please refer to the measure's more detailed fiscal impact statement online.

State Spending and Tax Increases

The state constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

1) the estimated or actual state spending under the constitutional spending limit for the current year and each of the past four years with the overall percentage and dollar change; and
2) for the first full year of the proposed tax increase, an estimate of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

Table 4 shows the dollar amount of state spending under the constitutional spending limit.

Table 4. State Spending

	Actual FY 2007-08*	Actual FY 2008-09	Actual FY 2009-10	Estimated FY 2010-11	Estimated FY 2011-12
State Spending	$9,999 million	$9,102 million	$8,567 million	$9,482 million	$9,962 million
Four-Year Dollar Change in State Spending: ***-$37 million***					
Four-Year Percent Change in State Spending: ***-0.4%***					

**FY = fiscal year. The state's fiscal (or budget) year runs from July through June.*

The numbers in Table 4 show state spending from 2008 through 2012 for programs that were subject to the constitutional spending limit during those years. However, the constitution allows a program that operates similar to a private business to be exempt from the limit if it meets certain conditions. Because the exempt status of some programs has changed during the last five years, the numbers in Table 4 are not directly comparable to each other.

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Table 5 shows the revenue expected from the increased tax rates; state fiscal year spending without these taxes for FY 2012-13, the first full fiscal year for which the increase would be in place; and the sum of the two.

Table 5. Estimated State Fiscal Year Spending and the Proposed Tax Rate Increases

	FY 2012-13 Estimate
State Spending Without New Taxes	$10,576 million
New Sales Tax Increase	$78 million
New Income Tax Increase	$455 million
State Spending Plus the New Taxes	$11,109 million

Last Draft Comments from Interested Parties

Proposition 103
Temporary Tax Increase for Public Education

Bullets:

No comments received

Summary and Analysis:

Submitted by Dick Brown, representing himself

There are a few points that I am not totally comfortable with - not enough to object, but enough to comment on.

Table 3 is accurate, but I am not sure that it provides the voter with a good picture of the effect of the increase. It is pretty abstract and is essentially a picture of what happens with a single purchase of the retail sales price noted. But, people do not always make single purchases, they make purchases of multiple items thus generating a larger income outlay. Perhaps a better way to show the effect is to take the market basket of consumer items used for CPI and create a hypothetical example. The market basket is useful because it would be easy to distinguish non-taxable items such as food for home consumption.

On Page 4, lines 6-12, I am a bit uncomfortable that there is no discussion of the effect of Amendment 23. I think the voters should be made aware that there is a constitutional amendment that drives certain revenues into school finance and that this measure would be in addition to that priority.

The omission is material.

Submitted by Thomas Graham, representing himself

Following Line 15, page 3, below Table 2:
As households and businesses plan their finances and activities for longer than one year in advance, and although taxpayers can add the yearly increases for themselves, it would be convenient and useful to show the total impact over the whole length of the measure for each of the selected households.

Following Line 27, page 3 below Table 3:
Although the State sales tax is only a portion of total sales taxes, all increases in sales taxes have a harmful effect on sales volume, especially retail. This seems to be not always obvious to managers of small businesses. This total impact is appropriate in order that managers may make rational decisions.

Council: To do as recommended above would go beyond mere numbers, however the effect of said statutory measure would be to take such a large amount out of the economy as to cause such a negative impact on individual businesses, that it is the duty of State government to publicize it.

Last Draft Comments from Interested Parties

Arguments For:

Submitted by David J. McDermott, Colorado State Controller

I suspect the sentence copied below (from Lines 34 and 35 on page 4) means that tuition costs have increased 43 in total since 2006. However, with use of "on average" it is likely to be misinterpreted to mean the average annual increase in tuition has been 43 percent. It is not clear whether the "on average" relates to an average of yearly increases or an average across institutions. I suspect it is the latter but the sentence makes no mention of individual or average institutional increases.

Since 2006, tuition costs for in-state students have increased 43 percent, on average, making higher education unaffordable for some students.

Submitted by Terry Scanlon, Colorado Fiscal Policy Institute

1. On Page 4, Line 32 after "families," insert, "As Table 4 shows, in the first year of the tax increase the total spending in the state budget will still be lower than it was four years ago and that does not take into account inflation and Colorado's growing student population."

2. On Page 5, Line 6, after "states," insert, "In addition, the added revenue from Proposition xxx could also offset the fees taxpayers are already paying for schools, whether it's for buses and computers in grade schools or tuition and fees on college campuses."

Arguments Against:

Submitted by Thomas Graham, representing himself

Following Line 26, page 5: add:
Some districts have largely increased their teaching staffs, and especially administrative staffs, regardless of shrinking enrollment. Studies show that savings can best be achieved by increasing class size reasonably, with no reduction in student or teacher performance. Such solutions have been resisted by administrations and staffs.

It should be emphasized that performance is often dismal. For example, several high schools have more than 90% of 10th graders not proficient in math. Past spending increases have not improved performance.

Following Line 36, page 5: add:
4) Proposition? would impose an additional taxpayer burden, on top of the $2 billion to $4 billion taxes estimated by the Governor and the Attorney General, to be looming in the background if the plaintiff prevails in the current Lobato vs. Colorado lawsuit. School districts plan aggressive bond and mill levy override campaigns for 2012 elections, threatening an addition to the already heavy property tax burden. The State may not have direct control of this, however the hardship created is there and should

not be added to. The Funding for Public Schools Act, popularly known as Amendment 23, providing for automatic increases beyond those related to population and inflation, has been a contributor to current budget shortfall. The absence of measures to extend these provisions past this fiscal year would mean relief for taxpayers and the economy. A proposition resulting from Initiative 25 would threaten to cancel such relief. Many school district employees are members of the PERA pension plan, which promises very large pensions, with a maximum up to 100% of salary. Current benefit-based figures are calculated on unrealistic estimates of investment returns, which certainly will result in additional tax burden. Another tax increase initiated through this proposed measure, on top of this questionably-funded pension plan would be unreasonable.

Submitted by Herb Homan, representing himself

Just a comment.
Seems to me Argument 3 is a specious bit of logic and of weak relevance. Projecting what may happen if the economy improves or declines further and laying blame for any upsetting results on Amend. 25 is an unacceptable stretch, in my opinion. Further, predicting what a future mix of legislators will do budget-wise is hazardous!

Estimate of Fiscal Impact:

No comments received

State Spending and Tax Increases:

Submitted by David J. McDermott, Colorado State Controller

Legislative Council should consider whether the text copied below (from Lines 31 through 36 on page 6) is adequate disclosure of the impact of enterprise qualifications on Fiscal Year Spending. For example the Fiscal Year Spending Limit was lowered $424.3 million between FY2008-09 and FY 2009-10 for the qualification of two Higher Ed enterprises and the Unemployment Insurance Fund as an enterprise.

The numbers in Table 4 show state spending from 2008 through 2012 for programs that were subject to the constitutional spending limit during those years. However, the constitution allows a program that operates similar to a private business to be exempt from the limit if it meets certain conditions. Because the exempt status of some programs has changed during the last five years, the numbers in Table 4 are not directly comparable to each other.

DICK BROWN'S COMMENTS ON LAST DRAFT OF PROPOSITION 103

Overall, I think that the analysis would be OK for the Blue Book.

1. There are a few points that I am not totally comfortable with - not enough to object, but enough to comment on.

Table 3 is accurate, but I am not sure that it provides the voter with a good picture of the effect of the increase. It is pretty abstract and is essentially a picture of what happens with a single purchase of the retail sales price noted. But, people do not always make single purchases, they make purchases of multiple items thus generating a larger income outlay. Perhaps a better way to show the effect is to take the market basket of consumer items used for CPI and create a hypothetical example. The market basket is useful because it would be easy to distinguish non-taxable items such as food for home consumption.

On Page 4, lines 6-12, I am a bit uncomfortable that there is no discussion of the effect of Amendment 23. I think the voters should be made aware that there is a constitutional amendment that drives certain revenues into school finance and that this measure would be in addition to that priority.

The omission is material.

Dick Brown

THOMAS GRAHAM'S COMMENTS ON LAST DRAFT OF PROPOSITION 103

Members and Staff of the Legislative Council:

I have carefully read the text of 3rd Draft of the proposition to amend the Statutes as per Initiative 25, which I find excellent, and I have made myself quite familiar with public education needs, costs and performance. I respectfully request your consideration of the following additions to the text of the analysis.

Following Line 15, page 3, below Table 2:
As households and businesses plan their finances and activities for longer than one year in advance, and although taxpayers can add the yearly increases for themselves, it would be convenient and useful to show the total impact over the whole length of the measure for each of the selected households.

Following Line 27, page 3 below Table 3:
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Council: To do as recommended above would go beyond mere numbers, however the effect of said statutory measure would be to take such a large amount out of the economy as to cause such a negative impact on individual businesses, that it is the duty of State government to publicize it.

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Respectfully submitted,

Thomas Graham
6080 Routt St.
Arvada, Colorado 80004
303-420-6588
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HERB HOMAN'S COMMENTS ON LAST DRAFT OF PROPOSITION 103

Just a comment.

Seems to me Argument 3 is a specious bit of logic and of weak relevance. Projecting what may happen if the economy improves or declines further and laying blame for any upsetting results on Amend. 25 is an unacceptable stretch, in my opinion. Further, predicting what a future mix of legislators will do budget-wise is hazardous!

DAVID MCDERMOTT'S COMMENTS ON LAST DRAFT OF PROPOSITION 103

Legislative Council Staff,

The following is in response to the 3rd draft of Initiative #25.

I suspect the sentence copied below (from Lines 34 and 35 on page 4) means that tuition costs have increased 43 in total since 2006. However, with use of "on average" it is likely to be misinterpreted to mean the average annual increase in tuition has been 43 percent. It is not clear whether the "on average" relates to an average of yearly increases or an average across institutions. I suspect it is the latter but the sentence makes no mention of individual or average institutional increases.

34 Since 2006, tuition costs for in-state students have increased 43 percent, on
35 average, making higher education unaffordable for some students.

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35 of some programs has changed during the last five years, the numbers in Table 4 are
36 not directly comparable to each other.

David J. McDermott, CPA
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TERRY SCANLON'S COMMENTS (COLORADO FISCAL POLICY INSTITUTE) ON LAST DRAFT OF PROPOSITION 103

My organization, the Colorado Fiscal Policy Institute, did not originally submit a response to the third draft of the ballot analysis for Initiative 25. We understand that the original deadline has passed. Nonetheless, we are submitting two proposed changes today. We ask that you please give these changes consideration, but we also understand that you may not be able to include our suggestions given that we missed the original deadline. Here are our two proposed changes:

1. On Page 4, Line 32 after "families," insert, "As Table 4 shows, in the first year of the tax increase the total spending in the state budget will still be lower than it was four years ago and that does not take into account inflation and Colorado's growing student population."

2. On Page 5, Line 6, after "states," insert, "In addition, the added revenue from Proposition xxx could also offset the fees taxpayers are already paying for schools, whether it's for buses and computers in grade schools or tuition and fees on college campuses."

Thank you for your consideration,
Terry

Terry Scanlon
Fiscal Policy Analyst
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Last Draft as Mailed to Interested Parties

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http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html

Arguments For

1) Public education is important to Colorado's economic future. This investment may lead to a speedier economic recovery and help maintain a competitive business climate. Businesses value a robust public education system that provides an educated workforce, and employees want to live in communities with good schools for their children. In addition, Coloradans need access to affordable education and retraining offered by public community colleges and universities to be prepared to meet the demands of a 21st century economy. Proposition ? provides the state with the opportunity to invest in job-training programs for Colorado citizens who are struggling to find employment.

2) The additional education funding provided by Proposition ? will help reverse the recent trend of education budget cuts, which is hindering the state's ability to provide a quality education to all of its citizens. School districts have been forced to close schools, lay off educators, increase class sizes, and cut programs that are important to students and families. State funding for higher education is often the first item to be cut during tough economic times, even as enrollment and costs continue to increase. Since 2006, tuition costs for in-state students have increased 43 percent, on average, making higher education unaffordable for some students. In the absence of additional funding, these trends will continue.

3) Proposition ? raises tax rates only a fraction of a percentage point, restoring them to 1999 levels. This temporary increase provides relief from further education funding cuts, allowing policymakers time to implement a long-term solution. Colorado spends $1,781 less per K-12 student than the national average. Colorado's higher education institutions receive, on average, about 63 percent of the state funding received by similar institutions in other states. The measure's small contributions from a large pool of Colorado citizens will amount to approximately $2.9 billion in funding over five years that can be used to bolster the state's public education system.

Arguments Against

1) Raising taxes may slow Colorado's economic recovery. Coloradans are struggling with stagnant incomes, a weak housing market, and high gas and food prices. Charging more in taxes may result in less consumer spending and business investment, which may further weaken the economy. In addition, raising sales taxes burdens lower- and middle-income consumers the most because they spend a higher percentage of their overall budget on everyday necessities that are subject to sales tax.

2) Proposition ? lacks accountability to taxpayers. It does not provide a plan for how more than $575 million in additional taxpayer money each year will improve public education. The state government already spends about $4.3 billion of its General Fund operating budget on education each year, and increasing the tax burden on Colorado's citizens does not guarantee a higher quality public education for students. Education is a local issue, and schools are accountable to their communities. Communities can seek local options and private resources if they feel that their schools need more funding. Similarly, pursuing higher education is an individual choice and should not be further subsidized by the state.

3) Proposition ? is a fiscally irresponsible approach to increase education funding. If the economy fails to recover during the five-year period of the tax increase, larger cuts to other programs may be necessary to meet the minimum education funding levels set in the measure. On the other hand, if the economy improves during the five-year period, money that could have been used to increase education funding may now be used to increase the size of other state government programs as education will be funded from the tax increase. Finally, regardless of how the economy fares during the five-year period, Proposition ? is a temporary tax increase and substantial spending cuts will be required in 2016 when the tax rate returns to the previous level.

Estimate of Fiscal Impact

This is a summary of the measure's estimated fiscal impact. For more detailed information, please refer to the fiscal impact statement located here: ***(insert link).***

State revenue and spending. Proposition ? is expected to increase state tax revenue by $2.9 billion over the next five years, as indicated in Table 1. The proposition requires that all new revenue from the tax rate increases be spent on public education.

Impact on taxpayers. Individuals and businesses pay sales taxes, use taxes, and income taxes. Visitors to the state also pay sales taxes. The additional amount of taxes paid by each Colorado household or business will depend on its spending habits, consumption, and the amount of taxable income it receives. For examples, please refer to Table 2 and Table 3. For instructions on estimating your household's or business's tax changes under Proposition ?, please refer to the measure's more detailed fiscal impact statement online.

State Spending and Tax Increases

The state constitution requires that the following fiscal information be provided when a tax increase question is on the ballot:

1) the estimated or actual state spending under the constitutional spending limit for the current year and each of the past four years with the overall percentage and dollar change; and
2) for the first full year of the proposed tax increase, an estimate of the maximum dollar amount of the tax increase and of state fiscal year spending without the increase.

Table 4 shows the dollar amount of state spending under the constitutional spending limit.

Table 4. State Spending

	Actual FY 2007-08*	Actual FY 2008-09	Actual FY 2009-10	Estimated FY 2010-11	Estimated FY 2011-12
State Spending	$9,999 million	$9,102 million	$8,567 million	$9,482 million	$9,962 million
Four-Year Dollar Change in State Spending: ***-$37 million***					
Four-Year Percent Change in State Spending: ***-0.4%***					

**FY = fiscal year. The state's fiscal (or budget) year runs from July through June.*

The numbers in Table 4 show state spending from 2008 through 2012 for programs that were subject to the constitutional spending limit during those years. However, the constitution allows a program that operates similar to a private business to be exempt from the limit if it meets certain conditions. Because the exempt status of some programs has changed during the last five years, the numbers in Table 4 are not directly comparable to each other.

Table 5 shows the revenue expected from the increased tax rates; state fiscal year spending without these taxes for FY 2012-13, the first full fiscal year for which the increase would be in place; and the sum of the two.

Table 5. Estimated State Fiscal Year Spending and the Proposed Tax Rate Increases

	FY 2012-13 Estimate
State Spending Without New Taxes	$10,576 million
New Sales Tax Increase	$78 million
New Income Tax Increase	$455 million
State Spending Plus the New Taxes	$11,109 million

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Proposition 103
Temporary Tax Increase for Public Education

Ballot Title: SHALL STATE TAXES BE INCREASED $536.1 MILLION ANNUALLY IN THE FIRST FULL FISCAL YEAR AND BY SUCH AMOUNTS AS ARE RAISED ANNUALLY THEREAFTER BY AMENDMENTS TO THE COLORADO REVISED STATUTES CONCERNING A TEMPORARY INCREASE IN CERTAIN STATE TAXES FOR ADDITIONAL PUBLIC EDUCATION FUNDING, AND, IN CONNECTION THEREWITH, INCREASING THE RATE OF THE STATE INCOME TAX IMPOSED ON ALL TAXPAYERS FROM 4.63% TO 5% FOR THE 2012 THROUGH 2016 INCOME TAX YEARS; INCREASING THE RATE OF THE STATE SALES AND USE TAX FROM 2.9% TO 3% FOR A PERIOD OF FIVE YEARS COMMENCING ON JANUARY 1, 2012; REQUIRING THAT THE ADDITIONAL REVENUES RESULTING FROM THESE INCREASED TAX RATES BE SPENT ONLY TO FUND PUBLIC EDUCATION FROM PRESCHOOL THROUGH TWELFTH GRADE AND PUBLIC POSTSECONDARY EDUCATION; SPECIFYING THAT THE APPROPRIATION OF THE ADDITIONAL TAX REVENUES BE IN ADDITION TO AND NOT SUBSTITUTED FOR MONEYS OTHERWISE APPROPRIATED FOR PUBLIC EDUCATION FROM PRESCHOOL THROUGH TWELFTH GRADE AND PUBLIC POSTSECONDARY EDUCATION FOR THE 2011-12 FISCAL YEAR; AND ALLOWING THE ADDITIONAL TAX REVENUES TO BE COLLECTED, KEPT, AND SPENT NOTWITHSTANDING ANY LIMITATIONS PROVIDED BY LAW?

Text of Proposal:

Be it Enacted by the People of the State of Colorado:

SECTION 1. 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. THE REVENUES RAISED BY THE INCREASE IN TAXES IMPOSED PURSUANT TO THIS MEASURE, AS SPECIFIED IN SECTIONS 39-22-104 (1.9), 39-22-301 (1)(d)(I)(J), 39-26-106 (1)(c), AND 39-26-202 (2.5), C.R.S., SHALL CONSTITUTE A VOTER-APPROVED REVENUE CHANGE AND MAY BE COLLECTED, KEPT, AND SPENT NOTWITHSTANDING ANY OTHER LIMITS IN THE STATE CONSTITUTION OR OTHER LAW. ALL REVENUES RAISED BY THE INCREASE IN TAXES IMPOSED PURSUANT TO THIS MEASURE, AS SPECIFIED IN SECTIONS 39-22-104 (1.9), 39-22-301 (1)(d)(I)(J), 39-26-106 (1)(c), AND 39-26-202 (2.5), C.R.S., SHALL BE APPROPRIATED BY THE GENERAL ASSEMBLY ONLY FOR THE COSTS OF PUBLIC EDUCATION FROM PRESCHOOL THROUGH TWELFTH GRADE AND PUBLIC POSTSECONDARY EDUCATION

AND SHALL BE IN ADDITION TO AND NOT A SUBSTITUTE FOR MONEYS OTHERWISE APPROPRIATED BY THE GENERAL ASSEMBLY FOR THE COSTS OF PUBLIC EDUCATION FROM PRESCHOOL THROUGH TWELFTH GRADE AND PUBLIC POSTSECONDARY EDUCATION THE AMOUNT OF WHICH APPROPRIATION SHALL BE NOT LESS THAN THE AMOUNT APPROPRIATED FOR SUCH PURPOSES FOR FISCAL YEAR 2011-12.

SECTION 2. 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:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - definitions - repeal. (1.9) SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2012, BUT PRIOR TO JANUARY 1, 2017, A TAX OF FIVE PERCENT IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

(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 3. 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:

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

(I) Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2000, BUT PRIOR TO JANUARY 1, 2012, AND COMMENCING ON OR AFTER JANUARY 1, 2017, four and sixty-three one hundredths percent of the Colorado net income.

(J) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2012, BUT PRIOR TO JANUARY 1, 2017, FIVE PERCENT OF THE COLORADO NET INCOME.

SECTION 4. 39-26-106 (1), Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW PARAGRAPH to read:

39-26-106. Schedule of Sales Tax. (1)(c) NOTWITHSTANDING THE TWO AND NINETY ONE-HUNDREDTHS PERCENT RATE PROVISIONS OF SUBPARAGRAPH (II) OF PARAGRAPH (a) OF THIS SUBSECTION (1), FOR THE PERIOD JANUARY 1, 2012, THROUGH DECEMBER 31, 2016, THE RATE OF THE TAX IMPOSED PURSUANT TO THIS SUBSECTION (1) SHALL BE THREE PERCENT.

SECTION 5. 39-26-202, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

39-26-202. Authorization of tax. (2.5) NOTWITHSTANDING THE TWO AND NINETY ONE-HUNDREDTHS PERCENT RATE PROVISIONS OF PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION, FOR THE PERIOD JANUARY 1, 2012, THROUGH DECEMBER 31, 2016, THE RATE OF THE TAX IMPOSED PURSUANT TO THIS SECTION SHALL BE THREE PERCENT.

SECTION 6. Effective date. This act shall take effect January 1, 2012.