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MODERNIZING COLORADO'S REVENUE SYSTEM †

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

Article X of the Constitution of the State of Colorado is hereby amended by the addition of the following new Section 22, to read:

SECTION 22. REVENUE SYSTEM REFORM NEEDED TO SUPPORT MODERN ECONOMY

IN ORDER TO MEET CONSTITUTIONAL REQUIREMENTS FOR PROVIDING ESSENTIAL PUBLIC SERVICES INCLUDING PUBLIC SCHOOLS, PUBLIC UNIVERSITIES, PUBLIC ROADS, AND A JUDICIARY, THE REVENUE SYSTEM OF THE STATE OF COLORADO MUST BE BETTER ALIGNED WITH THE REALITIES OF A MODERN ECONOMY.

THE SUCCESS OF THE MODERN ECONOMY IN COLORADO IS DEPENDENT ON AN ADEQUATE, SUSTAINABLE, AND EQUITABLE TAX SYSTEM THAT SUPPORTS THE PROVISION OF ESSENTIAL PUBLIC SERVICES.

NOTHING IN THIS SECTION IS DESIGNED TO EXPAND THE ROLE OF THE GENERAL ASSEMBLY IN RAISING TAX RATES OR CHANGING TAX POLICY. THROUGH THE PROVISIONS OF THIS MEASURE, VOTERS ARE MANDATING THAT THE GENERAL ASSEMBLY ADOPT STATUTORY PROVISIONS TO IMPLEMENT THEIR WILL AS EXPRESSED IN THIS MEASURE.

THE STATE OF COLORADO WILL MAINTAIN A REVENUE SYSTEM THAT SHARES THE RESPONSIBILITY OF SUPPORTING ESSENTIAL PUBLIC SERVICES PROPORTIONALLY AMONG TAX PAYERS BY REPLACING ITS SINGLE RATE INDIVIDUAL AND CORPORATE INCOME TAX WITH A GRADUATED, PROGRESSIVE INDIVIDUAL AND CORPORATE INCOME TAX, AND APPLYING A SALES AND USE TAX TO THE PURCHASE OF ALL GOODS AND SERVICES EXCEPT THOSE SPECIFICALLY EXEMPTED HERE AND BY ACTIONS OF THE GENERAL ASSEMBLY. SALES AND USE TAX EXEMPTIONS SHALL INCLUDE BUT NOT BE LIMITED TO CURRENT EXEMPTIONS, INCLUDING SALES OF FOOD FOR HOME PREPARATION AND SALES OF COMPONENT SERVICES AND GOODS THAT ARE COMPONENTS OF OTHER TAXABLE GOODS. HEALTH CARE SERVICES INCLUDING HEALTH INSURANCE ALSO SHALL BE EXEMPT.

~~These provisions will change the Colorado Constitution~~ Section 20 (2) of article X of the constitution of the state of Colorado is amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS to read:

Section 20. The Taxpayer's Bill of Rights. (2) Term Definitions. Within this section:

(2) (f) "Graduated income tax" means a state individual and corporate income TAX policy that includes multiple income brackets and taxes higher incomes at higher rates. Income within each income bracket is taxed at the rate specific for that bracket.

(2)(f)(i) "Income bracket" means a range of income that is taxed at a specific rate. Different brackets may exist for individuals and corporations.

~~New Article X Sec 20~~

~~(2) (h)(ii) "Middle Bracket — A part of a graduated income tax—it is the income range for taxable income" means the income bracket that includes the median taxable income: federal taxable income for Colorado tax payers from the prior tax year.~~

~~New Article X Sec 20 (2) (f) Graduated income tax — An income tax policy that includes rates that increase as the amount to be taxed increases.~~

(2)(f)(iii) "Tax rate" means the percentage at which income is taxed in an income bracket.

~~Art X~~ Section 20 (8 (a) is repealed and replaced with the following; (a) of article X of the constitution of the state of Colorado is amended and the said section 20 (8) (a) is further amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS to read:

~~On or before January 1, 2013, the General Assembly shall adopt and the governor will sign a law creating a permanent graduated income tax that contains at least five income brackets. The rate for the middle bracket will be 4.0%, the highest bracket will be at least 50% higher than the middle bracket. The rates, other than the middle income bracket, will be established by the General Assembly. Failure to adopt an income tax system meeting these criteria will result in the Colorado Supreme Court developing tax brackets that comply with this provision.~~

~~(8) Revenue limits. (a) New or increased transfer tax rates on real property are prohibited. No new state real property tax or local district income tax shall be imposed. Neither an income tax rate increase nor a new state definition of taxable income shall apply before the next tax year. Any income tax law change after July 1, 1992 shall also require all taxable net income to be taxed at one rate, excluding refund tax credits or voter approved tax credits, with no added tax or surcharge.~~

(8) TAX POLICY. (A) (1) ON OR BEFORE JANUARY 1, 2013, THE GENERAL ASSEMBLY SHALL ENACT AND THE GOVERNOR SHALL SIGN OR

LET BECOME LAW, A PERMANENT, GRADUATED INDIVIDUAL AND CORPORATE INCOME TAX, TO REPLACE ANY OTHER INCOME TAX, COMPRISED OF AT LEAST FIVE INCOME BRACKETS WITH AN EQUAL NUMBER OF BRACKETS ABOVE AND BELOW THE MIDDLE BRACKET. THE TAX RATE FOR THE MIDDLE BRACKET WILL BE FOUR PERCENT, AND THE TAX RATE FOR THE HIGHEST BRACKET WILL BE AT LEAST FIFTY PERCENT HIGHER THAN THE MIDDLE BRACKET. THE TAX RATES, OTHER THAN THE MIDDLE BRACKET, WILL BE ESTABLISHED BY THE GENERAL ASSEMBLY. THE RANGE OF INCOME WITHIN EACH INCOME BRACKET WILL BE ESTABLISHED BY THE GENERAL ASSEMBLY.

(II) THE INCOME TAX RATES AND BRACKETS ESTABLISHED ACCORDING TO THIS PROVISION WILL BE EFFECTIVE FOR THE TAX YEAR BEGINNING JANUARY 1, 2012.

(III) NOTHING IN THIS SECTION SHALL LIMIT THE ABILITY OF THE GENERAL ASSEMBLY TO ADJUST INCOME TAX BRACKETS TO REFLECT CHANGES IN FEDERAL TAXABLE INCOME IN ORDER TO REMAIN IN COMPLIANCE WITH THE PROVISIONS OF THIS SECTION.

(IV) NOTHING IN THIS SECTION SHALL LIMIT THE ABILITY OF THE GENERAL ASSEMBLY TO CREATE DISTINCT INCOME BRACKETS AND TAX RATES FOR INDIVIDUAL INCOME AND CORPORATE INCOME.

(V) NOTHING IN THIS SECTION SHALL LIMIT THE ABILITY OF THE GENERAL ASSEMBLY TO ADOPT, ELIMINATE, OR MODIFY ANY INCOME TAX CREDIT OR EXEMPTION.

~~Art X Section 20 8 (d) On or before January 1 2013, the General Assembly shall adopt and the governor will sign a law creating a sales tax of 2.0% applicable to the purchase of all tangible goods and services unless such tangible goods or services are separately and specifically exempt. Purchases of food for home consumption and purchases of prescription drugs and health care services including health insurance are specifically exempt. The General Assembly shall retain the authority to specifically exempt other goods and services. Failure to adopt a sales tax that meets these criteria will result in the Colorado Supreme Court developing a sales tax that complies with this provision.~~ (B) ON OR BEFORE JANUARY 1, 2013, THE GENERAL ASSEMBLY SHALL ENACT AND THE GOVERNOR SHALL SIGN OR LET BECOME LAW LEGISLATION TO APPLY A STATE SALES AND USE TAX TO THE PURCHASE OF ALL SERVICES, EXCEPT THOSE SPECIFICALLY EXEMPTED IN THE CONSTITUTION OF THE STATE OF COLORADO AND BY ACTIONS OF THE GENERAL ASSEMBLY

(C) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE GENERAL ASSEMBLY SHALL ADOPT LEGISLATION TO IMPLEMENT THESE PROVISIONS OF THIS PARAGRAPH (8) AS NEEDED.

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

39-26-106. SCHEDULE OF SALES TAX.

(1)(A)(III) ON AND AFTER JANUARY 1, 2012, THERE IS IMPOSED UPON ALL SALES OF COMMODITIES AND SERVICES, EXCEPT WHERE SPECIFICALLY EXEMPTED IN SECTION 39-26 C.R.S. OR THE CONSTITUTION OF THE STATE OF COLORADO, A TAX AT THE RATE OF TWO AND SEVEN TENTHS PERCENT OF THE AMOUNT OF THE SALE TO BE COMPUTED IN ACCORDANCE WITH SCHEDULES OR SYSTEMS APPROVED BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF REVENUE. SAID SCHEDULES OR SYSTEMS SHALL BE DESIGNED SO THAT NO SUCH TAX IS CHARGED ON ANY SALE OF SEVENTEEN CENTS OR LESS.

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