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*#7 Final
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Colorado Secretary of State

MODERNIZING COLORADO'S REVENUE SYSTEM

*JRC
12/3/12*

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.

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.

(2)(f)(ii) "Middle Bracket" means the income bracket that includes the median federal taxable income for Colorado tax payers from the prior tax year.

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

Section 20 (8) (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:

~~———— (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)(I) 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.

(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.

Bill Kirton
7675 E Mercer Place
Denver Co 80237

Nora Neureiter
1901 Leyden Street
Denver 80220

Cesiah Gomez

From: Rita Young [ryoung@cclponline.org]
Sent: Friday, December 03, 2010 2:00 PM
To: Cesiah Gomez
Cc: Carol Hedges
Subject: Tax Modernization Comparison
Attachments: Comparison.doc; #1283677v1_PUBFIN_ - Tax modern #7 12-2 (2).DOC; Tax modernization 1 (2).doc

Cesiah,

Attached please find the three documents from Carol Hedges regarding the tax modernization comparison. Carol may be reached as follows:

Carol Hedges, Fiscal Project Director, 789 Sherman Street, Suite 300, Denver, CO 80203 – 303-573-5669 ext 309 – chedges@cclponline.org

Please verify that you have received this e-mail with a reply to all.

Thank you so much for your attention to this matter and have a terrific weekend.

Rita Young
Director of Administration
Colorado Center on Law and Policy
789 Sherman Street, Suite 300
Denver, CO 80203
303-573-5669 ext 307
F 303-573-4947

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