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MEMORANDUM

April 8, 2015

TO: State Title Board
FROM: Greg Sobetski, Economist, 303-866-4105
SUBJECT: Revenue Impact of Proposed Initiative #20

This memorandum provides a state tax revenue estimate for proposed initiative 2015-16 #20. The initiative proposes to create a state health insurance provider. The provider's beneficiaries will include all individuals with primary residence in Colorado, and its membership will include all adults who have resided in the state for at least one continuous year. To fund the provider, the initiative proposes a premium tax on most sources of income, including:

- wages, salaries, and tips;
- dividends, interest, and rents;
- business proprietors' income, including farm proprietors' income;
- capital gains; and
- pensions, annuities, and social security benefits, to the extent taxed by the state under current law.

When the initiative is fully implemented, all sources of income will be taxed at a rate of 10 percent unless a different rate is approved by the provider's elected board of trustees. Taxes on wages, salaries, and tips will be collected from employers and employees. Taxes on all other income sources will be collected from the taxpayer earning the income. Taxes are not collected on income in excess of \$350,000 or \$450,000 for single and joint income tax filers, respectively; these thresholds are indexed to calendar year 2017 and adjusted according to the Denver-Boulder-Greeley consumer price index in subsequent years.

New tax revenue. New tax revenue for FY 2019-20, the first fiscal year in which the initiative is assumed to be fully implemented, is estimated at **\$25.0 billion**. The tax is to be implemented according to a schedule determined by the board and may take effect earlier or later than assumed in this memorandum. The initiative proposes that this revenue be exempted from TABOR.

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