



Fiscal Summary

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LCS TITLE: REDUCTION IN STATE INCOME TAX RATE

Fiscal Summary of Initiative 16

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State revenue. By reducing the state tax rate from 4.40 percent to 4.25 percent, the measure reduces General Fund revenue from income taxes by an estimated \$225.2 million in FY 2024-25 and \$467.2 million in FY 2025-26, with similar ongoing reductions in future years. The amount for FY 2024-25 represents a half-year impact for tax year 2025 on an accrual accounting basis.

Taxpayer impacts. The table below shows the estimated decrease in state income tax owed for individual income taxpayers with different levels of adjusted gross income if the state income tax is reduced to 4.25 percent.

**Initiative 16
Change in Income Taxes Owed by Income Category**

Income Categories*	Current Average Income Tax Owed	Proposed Average Income Tax Owed	Proposed Change in Average Income Tax Owed + or -
\$25,000 or less	\$83	\$80	-\$3
\$25,001 - \$50,000	\$784	\$757	-\$27
\$50,001 - \$100,000	\$1,899	\$1,834	-\$65
\$100,001 - \$200,000	\$4,169	\$4,027	-\$142
\$200,001 - \$500,000	\$9,241	\$8,926	-\$315
\$500,001 - \$1,000,000	\$18,733	\$18,094	-\$639
\$1,000,001 - \$2,000,000	\$29,888	\$28,869	-\$1,019
\$2,000,001 - \$5,000,000	\$49,465	\$47,779	-\$1,686

**Adjusted Gross Income reported to the federal Internal Revenue Service.*

State expenditures. The measure reduces the amount of state General Fund revenue available to spend or save in FY 2024-25 and future fiscal years. The measure specifies that the reduction in revenue under the measure must reduce transfers from the General Fund to other state funds; however, based on current forecasts through FY 2024-25, the measure is assumed to reduce refunds to taxpayers of revenue above the state's revenue limit. In FY 2025-26 and beyond, it is assumed that the General Assembly will make decisions on the future use of state General Fund revenue through the annual budget, and any specific change cannot be estimated at this time. To administer the tax rate change, the measure is expected to increase General Fund expenditures for the Department of Revenue by \$10,000.

Economic impacts. Taxpayers will have more after-tax income available to spend or save, increasing their consumption of goods and services. Any overall change in economic activity will depend on the net economic impact of higher after-tax household and business income and reduced investment in public services.