

Initiative 2025-2026 #146

Graduated Income Tax

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

SECTION 1. In the constitution of the state of Colorado, section 20 of article X, **amend** (8)(a) as follows:

(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.~~

SECTION 2. In Colorado Revised Statutes, 39-22-104, **amend** (1.7) and (2); and **add** (1.8) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - report - tax preference performance statement - legislative declaration - definitions - repeal. (1.7)(c) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, a tax of four and forty one-hundredths 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.

(1.8) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A GRADUATED TAX IS IMPOSED ON FEDERAL TAXABLE INCOME, AS DETERMINED BY SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST, WITH GREATER RATES APPLYING TO HIGHER INCOME BRACKETS, AND EACH TAX RATE APPLYING ONLY TO THE INCOME BRACKET FOR THAT TAX RATE, AS FOLLOWS:

(a) FOR FEDERAL TAXABLE INCOME NOT OVER ONE HUNDRED THOUSAND DOLLARS, THE TAX IS FOUR AND TWENTY ONE-HUNDREDTHS PERCENT;

(b) FOR FEDERAL TAXABLE INCOME OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS AND (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS;

(c) FOR FEDERAL TAXABLE INCOME OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED

THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, AND (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS;

(d) FOR FEDERAL TAXABLE INCOME OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT NOT OVER ONE MILLION DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, AND (IV) EIGHT AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS; AND

(e) FOR FEDERAL TAXABLE INCOME OVER ONE MILLION DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, (IV) EIGHT AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT NOT OVER ONE MILLION DOLLARS; AND (V) NINE AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE MILLION DOLLARS.

(2) Prior to the application of the rate of tax prescribed in subsection (1), (1.5), ~~or~~ (1.7), OR (1.8) of this section, the federal taxable income shall be modified as provided in subsections (3) and (4) of this section.

SECTION 3. In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(K) and add (1)(d)(I)(L) and (1)(d)(I)(M) as follows:

39-22-301. Corporate tax imposed – repeal. (1)(d)(I)(K). Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, four and forty one-hundredths percent of the Colorado net income.

(1)(d)(I)(L). EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A GRADUATED TAX IS IMPOSED ON COLORADO NET INCOME, AS DETERMINED UNDER THIS SECTION, OF EVERY DOMESTIC C CORPORATION, FOREIGN C CORPORATION, AND COMBINED GROUP, AS DEFINED IN SECTION 39-22-303(12)(a.3) 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, WITH GREATER RATES APPLYING TO HIGHER INCOME BRACKETS, AND EACH TAX RATE APPLYING ONLY TO THE INCOME BRACKET FOR THAT TAX RATE, AS FOLLOWS:

(i) FOR COLORADO NET INCOME NOT OVER ONE HUNDRED THOUSAND DOLLARS, THE TAX IS FOUR AND TWENTY ONE-HUNDREDTHS PERCENT;

(ii) FOR COLORADO NET INCOME OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS AND (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS;

(iii) FOR COLORADO NET INCOME OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, AND (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS;

(iv) FOR COLORADO NET INCOME OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT NOT OVER ONE MILLION DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, AND (IV) EIGHT AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS; AND

(v) FOR COLORADO NET INCOME OVER ONE MILLION DOLLARS, THE TAX IS (I) FOUR AND TWENTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT UP TO AND INCLUDING ONE HUNDRED THOUSAND DOLLARS, (II) FOUR AND FORTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE HUNDRED THOUSAND DOLLARS BUT NOT OVER FIVE HUNDRED THOUSAND DOLLARS, (III) SEVEN AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER FIVE HUNDRED THOUSAND DOLLARS BUT NOT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS, (IV) EIGHT AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER SEVEN HUNDRED FIFTY THOUSAND DOLLARS BUT NOT OVER ONE MILLION DOLLARS; AND (V) NINE AND FIFTY ONE-HUNDREDTHS PERCENT ON THE AMOUNT OVER ONE MILLION DOLLARS.

SECTION 4. In Colorado Revised Statutes, **add** 24-77-103.3 as follows:

24-77-103.3. Voter approved revenue change – retention and use of revenue – accountability. (1) FOR TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, ALL REVENUE COLLECTED UNDER THE INCOME TAX RATES ESTABLISHED BY SECTION 39-22-104(1.8) AND (1.9) AND SECTION 39-22-301(1)(d)(I)(L) AND (1)(d)(I)(M) IN EXCESS OF THE REVENUE THAT WOULD BE GENERATED IN ANY SUCH TAXABLE YEAR BY APPLYING THE INCOME TAX RATE THAT EXISTED AS OF DECEMBER 31, 2026 (“EXCESS REVENUE”), SHALL CONSTITUTE A VOTER APPROVED REVENUE CHANGE UNDER SUBSECTION (7)(d) OF SECTION 20 OF ARTICLE X OF THE COLORADO

CONSTITUTION, AND AN EXCEPTION TO THE LIMITS THAT WOULD OTHERWISE APPLY WITHOUT LIMITING OR AFFECTING THE COLLECTION OR SPENDING OF OTHER REVENUES.

(2) THE EXCESS REVENUE SPECIFIED IN PARAGRAPH (1) OF THIS SUBSECTION MAY BE COLLECTED, RETAINED, AND SPENT FOR THE FOLLOWING PROGRAMS AND PURPOSES:

(a) PUBLIC SCHOOL EDUCATION, INCLUDING:

(I) IMPROVING KINDERGARTEN THROUGH 12TH GRADE, EARLY CHILDHOOD, AND POST-SECONDARY EDUCATION PROGRAMS;

(II) INCREASING TEACHER PAY;

(b) HEALTHCARE, INCLUDING:

(I) REPLACING MEDICAID FUNDING LOST DUE TO RECENT FEDERAL LEGISLATION, AND PAYING FOR IMPLEMENTATION OF NEW FEDERAL REQUIREMENTS;

(II) INCREASING FUNDING FOR PRIMARY CARE, BEHAVIORAL HEALTH AND RURAL HEALTHCARE;

(III) SUPPORTING HEALTHCARE, LONG-TERM CARE, AND OTHER SUPPORTS FOR OLDER ADULTS AND PEOPLE WITH DISABILITIES;

(III) INVESTING IN INNOVATIVE PROGRAMS TO REDUCE HEALTH INSURANCE PREMIUMS;

(c) CHILD CARE, INCLUDING:

(I) SUPPORTS FOR CHILDCARE WORKFORCE;

(II) PROGRAMS TO HELP FAMILIES AFFORD CHILDCARE; AND

(d) WORKFORCE DEVELOPMENT, INCLUDING:

(I) FUNDING STATE AND LOCAL WORKFORCE DEVELOPMENT AND ADULT EDUCATION AND LITERACY PROGRAMS;

(II) SUPPORTING CAREER AND TECHNICAL EDUCATION, APPRENTICESHIPS, PRE-APPRENTICESHIPS, INTERNSHIPS, SHORT-TERM CREDENTIALS, AND OTHER INDUSTRY-RECOGNIZED TRAINING PROGRAMS; AND

(III) PROVIDING JOB TRAINING, SKILL-BUILDING, AND RELATED SUPPORTS TO HELP INDIVIDUALS ENTER, RE-ENTER, OR ADVANCE IN THE WORKFORCE, OR MEET PROGRAM WORK REQUIREMENTS.