



# State Income Tax Rate Reduction

*Placed on the ballot by citizen initiative • Passes with a majority vote*

## Proposition 116 proposes amending the Colorado statutes to:

- reduce the state income tax rate from 4.63 percent to 4.55 percent for tax year 2020 and future years.

### What Your Vote Means

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**YES** A “yes” vote on Proposition 116 reduces the state income tax rate to 4.55 percent for tax year 2020 and future years.

**NO** A “no” vote on Proposition 116 keeps the state income tax rate unchanged at 4.63 percent.

## Summary and Analysis for Proposition 116

Proposition 116 reduces the state income tax rate from 4.63 percent to 4.55 percent for tax year 2020 and future years. This analysis provides information on the current state income tax and the changes proposed in the measure.

### What is the state's current income tax rate?

Since 2000, Colorado's income tax rate has been a flat 4.63 percent, which means that all taxpayers pay the same tax rate regardless of their taxable income. The income tax rate applies to the Colorado taxable income of both individuals and corporate taxpayers. Colorado taxable income is equal to federal taxable income, adjusted for any state additions and deductions.

### How are state income tax collections spent?

State income tax collections are the main source of General Fund revenue, which is the primary resource for financing state government operations. In state budget year 2018-19, the state income tax generated \$9.2 billion and accounted for 67 percent of General Fund revenue. Currently, most of the money in the General Fund is spent on health care, education, human services, and other state programs.

### How does Proposition 116 change the state's income tax rate?

Proposition 116 reduces the state individual and corporate income tax rate from 4.63 percent to 4.55 percent for tax year 2020 and future years. The measure is expected to reduce state income tax revenue by \$154 million in state budget year 2021-22, equal to 1.2 percent of expected state General Fund revenue for that year.

**Taxpayer impacts.** Table 1 shows the reduction in state income tax owed for taxpayers of different levels of Colorado taxable income, which is less than the total amount of income reported by the taxpayer.

**Table 1**  
**Income Taxes Under Current Law and Proposition 116**

Taxable Income	Tax Owed at Current Rate of 4.63%	Tax Owed Under Proposition 116	Decrease in Tax Owed Under Proposition 116
\$10,000	\$463	\$455	\$8
\$25,000	\$1,158	\$1,138	\$20
\$50,000	\$2,315	\$2,275	\$40
\$125,000	\$5,788	\$5,688	\$100
\$250,000	\$11,575	\$11,375	\$200
\$1,000,000	\$46,300	\$45,500	\$800