

Overview

A revenue base is the money available for taxation that can be reliably used in a sustainable manner for funding of public priorities. In Colorado, our revenue for state services is primarily derived from income and sales. The influx of federal relief dollars that have buoyed Colorado's budget in the short term are temporary and should not entice lawmakers to repeat regressive fiscal decisions, such as across-the-board income tax cuts, which have had direct negative impacts on Colorado's revenue. While [Colorado's top 1% of income earners have seen massive growth](#) in their wealth, the vast majority of Coloradans have not, and the amount of our state's total [wealth invested in communities has not grown over time](#).

Key Takeaways

1

Colorado's economy is growing rapidly at the top, but virtually none of that growth is going into sustainable funding for cost-saving public services for the rest of the economy.

2

Due to the income growth for the top earners in Colorado, an unprecedented amount of government revenue will be given to taxpayers. Current TABOR rebate mechanisms [disproportionately favor the wealthiest](#) Coloradans.

3

Colorado has implemented across-the-board tax cuts, which also favor the top percentage of income earners, in times of economic growth. These tax cuts have had significant [budgetary consequences over time](#).

Fast Facts

- Funding for the Department of Corrections, K-12 education, and the state share of Medicaid already [combine to encompass more than 50 percent of Colorado's General Fund](#), and those program costs will continue to rise.
- Federal dollars will only be available through 2024, leaving our state to depend on tax revenues and an arbitrarily capped General Fund to sustain our growing state into the future.
- Since the Great Recession, individual income tax revenue has been between 63.5 percent and 66.4 percent of the General Fund.
- Our General Fund has not kept pace with population growth and the overall growth of the economy.
- The economic gains of the wealthy have dwarfed revenue cap increases.
- The top 1 percent of Coloradans – those making over \$500,000 in income annually – see 23 percent of across-the-board tax cuts.
- Colorado cut the statewide income tax rate in 1999 and 2000 to go from 5 percent to 4.63 percent – we can plainly see the effects. Those tax cuts cost the state a total of \$10 billion in public dollars from 1999 through 2019.

- Colorado's statewide taxes are 45th in the country, but local taxes as a percentage of total taxes are 5th highest
- Over the next three fiscal years – 2021-22, 2022-23, and 2023-24 – Colorado is projected to forego [\\$5.6 billion in General Fund revenues through TABOR rebates](#).
- If Colorado was to put \$1 billion more into K-12 education, the state would [erase the Budget Stabilization Factor](#), and per pupil funding would go up \$1,200.

FAQs

Q: Don't wealthy Coloradans pay more taxes? Why shouldn't they receive more money back in TABOR rebates?

That may or may not be true on an individual taxpayer basis, but what we do know is that the wealthiest Coloradans have experienced enormous income growth, while the rest of Coloradans' wages have remained flat. Given that cost-saving public services are not adequately funded, there is no reason why tax breaks or rebates should be directed to those most insulated from the high costs of living in our state.

Q: What are the alternatives to across-board cuts and TABOR rebates? Isn't a flat tax fair?

Our state constitution's prohibition on graduated tax rates and strict limits on how local governments can tax wealth have taken many commonly used tools off the table. A flat income tax, combined with arbitrary limits on what the state can invest in public services has led to massive regressivity at the local level. Even with these limitations in place, our legislature has the opportunity to make TABOR rebates more equitable so that they go to those who need the money most.

Q: Isn't Colorado spending more than ever?

This year's influx of funding from the Federal Government and from cost savings in the early phase of the pandemic is enormously deceiving. Over the past twenty years, our state's general fund has remained roughly stagnant and, viewed as a percentage of the states total personal income, our state funding has actually gone down. What's more, we have never fully recovered from past reductions in funding in important areas of education. As a result, temporary increases in revenue must be used to shore up past funding gaps.



Have more questions?
Want to collaborate on bringing meaningful fiscal solutions to Colorado?
Get in touch at: info@bellpolicy.org