



# The Bell Policy Center

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## **Legislative Oversight Committee Concerning Tax Policy (HB21-1077)**

### **Testimony to House Finance Committee**

Joshua Mantell, Policy Analyst • March 17, 2021

Thank you for the opportunity to testify today. My name is Joshua Mantell, and I am the rapid response policy analyst at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

I am here to testify in support of HB21-1077, Legislative Oversight Committee on Tax Policy. I want to thank Rep. Benavidez and Chairwoman Bird for bringing this bill forward and for their leadership on tax policy and tax expenditures, in general.

I wanted to take a moment to talk about the broader issue this bill is attempting to address: A large portion of the state's spending goes unexamined each year just because it is called a tax credit, rebate, deduction, or expenditure.

Every year this body goes line by line in our state's budget and decides the exact funding for every state governmental program. It is a rigorous and meticulous process to ensure we, as a state, are doing everything we can to put the appropriate funding into each agency and department to further economic prosperity in Colorado. But all tax expenditures are not regularly a part of this process. And yet, what are tax expenditures besides money the state allows certain individuals, businesses, and corporations to keep, in lieu of using that money to fund other programs?

A process that only looks at funding, without tax expenditures, is a process that is missing a significant chunk of our state's expenditures. Coloradans deserve a comprehensive process that examines all aspects of spending and considers all ledgers of the budget.

Many tax expenditures have been in our state's tax code for decades, and the system we have in place just allows them to be passively accepted. Two summers ago, Rep. Benavidez led an interim committee on tax expenditures that looked at the state auditor's report and recommendations to determine whether some tax expenditures were working as intended or not. That was a very important process that we followed closely, and some good policy resulted from it.

The overall problem that arises though, is that our state's overall tax code is upside-down and broken. As the Bell Policy Center has extensively documented, our state's tax code overwhelmingly benefits the wealthiest Coloradans, while Coloradans with the lowest

incomes pay the highest percentage of their income in taxes. This is not fair and needs to change. Going through our tax code thoroughly to find what tax expenditures are contributing to this problem is crucial. We cannot hope to have a fair tax code while dozens of provisions – equaling hundreds of millions of dollars – are spent to give more money to the already wealthy, out-of-state corporations, and big businesses that do not need them. Creating a body to oversee all of these provisions, and correct course where necessary, is an overdue and necessary step. And while the greatest parts of this problem are our flat and low individual income tax and high local taxes, which tend to be regressive, tax expenditures that benefit the wealthy are large contributors.

Creating a permanent oversight committee within the legislature that looks at this enormous part of our tax code and has to regularly affirm that these tax expenditures work and should be the ongoing policy of our state would fill a current gaping hole. Many tax expenditures are great policy that serve the people of Colorado well, but many others are larger in Colorado than other states, do not create jobs, are not broadly beneficial, or no longer serve their intended purpose. The legislature needs to actively consent to these with that knowledge, and not just passively accept them as part of business.

The Bell Policy Center believes strongly that our tax code should work to increase economic mobility within our state, and as of now, it is not doing that. That is why legislative oversight that works to make our tax code work better, and more fair, and helps those who need it most is crucial to Colorado becoming a state where everyone can thrive.

**That is why we support HB21-1077 and urge an aye vote to move this legislation forward.**

Thank you and I look forward to answering any questions from the committee.