



The Bell Policy Center

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Income Tax Credits for Income Tax Paid (HB21-1197)

Testimony to House Finance Committee

Joshua Mantell, Policy Analyst • March 29, 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.

As presently written, we oppose HB21-1197. However, this bill is an interesting way to reduce taxes for those who are struggling, and we commend the sponsors for bringing it forward. It is heartening legislators in this building are hearing the calls for a tax code that is more fair and helps Coloradans who are struggling.

Colorado's tax code is broken. It is upside down and not fair. As the Bell Policy Center has [extensively documented](#), our state's tax code overwhelmingly [benefits the wealthiest](#) Coloradans, while those with the lowest incomes pay the highest percentage of their income in taxes. This needs to change. This bill would do that by helping those at the lowest end of the income spectrum. On that score, we applaud the idea that we need to rework our tax system.

Colorado also needs to move forward with increased taxes on high-income Coloradans. While this bill goes a long way toward helping those at the lowest end of the spectrum, the tax problems Colorado faces also forces us to look at the top. We hope this committee will continue looking at tax expenditures, tax rates, and other ways we can ensure a fair tax system to ensure all Coloradans pay their fair share.

Nevertheless, the cost to the General Fund from this bill is significant. While the bill spends money for people who need it – and that is crucially important – the General Fund is still estimated to lose more than \$350 million annually as a result of the tax credits. The tax credits are helpful, and good policy, for the people who will get them, but it will not plug all of the gaps these families – and many other Coloradans – face in terms of public funding. Choosing between a tax cut and a loss of funding for education, health care, safety, and transportation is a false choice we shouldn't expect Coloradans to accept.

While Colorado's aggregate economy is doing better than expected, there is a significant stratification between middle- and upper-income Coloradans, and lower-income people across our state. There continues to be a substantial need for public services. This bill would unfortunately give money on one hand and take money on the other by slashing General Fund money.

Furthermore, the American Rescue Plan – the COVID relief bill signed into law a few weeks ago – will not allow states to cover revenues lost from tax cuts with federal funds meant for COVID relief. That means if this bill passes, Colorado will have to reimburse the federal government the cost of the tax credits.

We certainly appreciate the discussion HB-1197 is prompting. It is a conversation that is long overdue in this state, as our tax code does not promote economic mobility and prosperity for too many Coloradans. A tax code needs to work for the majority of the people it governs, and this bill would help shift Colorado's taxes into a more progressive position, something the Bell Policy Center has been pushing for a long time. Unfortunately, without a way to make our General Fund whole and adequately fund all of the public programs Coloradans rely on, we cannot support it at this time. We need to fund education, health care, transportation, and other public programs, and we need to do it in a way that doesn't continue to fall on the shoulders of low-income Coloradans. This bill does the latter, but does not address the former, and because of that we respectfully ask this committee to vote no on HB21-1197.