



The Bell Policy Center

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Insurance Premium Property Sales Severance Tax (HB21-1312)

Testimony to House Finance Committee

Joshua Mantell, Policy Analyst • May 14, 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 favor of HB21-1312 because it would stop the waste of tax expenditures that just do not work as they were intended, while giving small businesses some help at a time of need. Thank you to Reps. Weissman and Sirota for bringing this bill forward.

We have many structural issues with our tax code, but where this bill will be most helpful is in eliminating waste and unnecessary expenditures. In a recent poll of Coloradans, 73 percent say they supported “eliminating some outdated tax exemptions and credits... in order to prevent misuse and ensure tax laws are consistently followed by everyone.” We stand with that huge majority of Coloradans in saying wasting taxpayer money through our tax code is not an acceptable use of our state’s finite resources.

I want to call out a few provisions within this bill that illustrate why we need it:

- We have a Regional Home Office Rate Reduction credit in this state, which was intended to create insurance jobs. The [state auditor wrote in 2020](#), the Regional Home Office Rate Reduction’s “revenue impact has increased substantially in recent years without a proportionate increase in employment.” If we are measuring this particular provision by its impact on job creation and our budget, it is clearly not working as intended. By ensuring that any company receiving this tax break has at least 2.5 percent of its workforce in Colorado, we will restore the rightful intention of this expenditure and not give money away to companies that don’t actually create good jobs in our state.
- In 1977, our state put in place an exemption for annuities, to encourage more Coloradans to invest in their retirement. This was, and continues to be, a very laudable goal we at the Bell Policy Center share. However, while the annuities market has changed dramatically in almost 45 years, our tax policy has not. This bill would ensure that exemption is only used for qualified retirement programs, restoring the original intention of that policy.

- Another provision embedded in the bill would close a loophole that was opened through a court decision – one that was not intended by the legislature. In 2016, the Colorado Supreme Court ruled that oil and gas companies could deduct indirect costs, such as capital investments, through the transportation, manufacturing, and processing deduction. As noted by the state auditor in the [2020 Tax Expenditure Report](#), the Colorado Supreme Court “effectively expanded the Deductions by interpreting the statute to allow taxpayers to deduct additional costs not previously allowed by the Department” and suggested the General Assembly revisit this credit to ensure it is being used as it is intended. Ensuring the deduction is used only as originally intended will restore the legislature’s original idea to tax policy.

The above examples show how necessary it is to reform our tax code. It needs to be updated and modernized so that it conforms to what we, as a state, expect from our government and its spending. Our economy isn’t static, our state budget isn’t static, so why should our tax code be static?

And for this bill, we can reorient the savings from restoring the original intent to these expenditures to those that need it and will help grow our state’s economy. Our small, local businesses have suffered greatly over the last year plus. Giving them relief – instead of spending money through our tax codes in wasteful ways – will benefit our state and local communities. And using these tax expenditures to make our counties whole is crucial, as counties provide vital public services to everyone in Colorado.

Our tax code is complicated and fixing it is not easy. But we have to continue looking at whether individual provisions are working as intended and reflecting our state’s values. Wasting money through ineffective, inefficient, and unproductive tax expenditures is not what the people of Colorado want, or expect from our government. Cleaning up our tax code and using that money to help the people and businesses that need it makes sense. That’s what HB-1312 does and why **the Bell Policy Center urges a yes vote here today.**