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SB25-138: Permanent Reductions to State Income Tax

Joshua Mantell, Director of Government Affairs, February 27, 2025

Thank you Chairman Weissman, and members of the committee. My name is Joshua Mantell and I am the Director of Government Affairs for 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 strenuous opposition to SB-138. This bill would devastate needed revenue in our state and put thousands of more dollars into the pocket of the wealthiest Coloradans.

The Bell Policy Center has long opposed flat income tax cuts because we already have a regressive tax structure in Colorado, and flat income tax cuts only exacerbate that problem, giving significantly disproportionate benefits to the wealthiest residents. In fact, the [demographic note](#) from Legislative Council Staff makes this point very clearly: joint filers making up to \$176k (80 percent of joint filing taxpayers) will see an actual tax increase, after considering TABOR refunds, while the wealthiest residents will get over \$1,000 in tax savings. That. Is. Not. Fair.

Colorado, as a state, is [44th in the nation in statewide tax revenue, while 7th](#) in local tax revenue. What this means is that we have low statewide taxes and relatively high local taxes. This is important because it speaks to how each of these governmental entities raise revenue. For the state, it is largely income tax, with individual income taxes making up about two-thirds of the General Fund revenue on an annual basis. For local governments, most of their revenue is from sales taxes, property taxes, and fines and fees. That gets to the make-up of our tax code: because our local taxes are so high, we end up with a severely regressive tax code, and this bill would make that much worse.

And because TABOR prohibits a statewide graduated income tax, or local income taxes, or real estate transfer taxes, our tools to combat a regressive tax code are very limited.

I also want to emphasize that our General Fund revenue is largely made up of income taxes. This bill would DEVASTATE our state's ability to fund any program that Coloradans rely upon. Medicaid, K-12 education, funding for transportation...anything the government funds would be in jeopardy. Eliminating the income tax, without any plan to make up the revenue through other sources, would ensure that Colorado can not fund fundamental governmental programs, leaving kids in enormous classrooms without focused instruction, Medicaid patients unable to see the doctor because there are no primary care physicians in their area that can afford the reimbursement rates, roads in complete disrepair, and many more problems.

As we are facing a budget that will cut over a billion dollars, and a federal administration hell bent on haphazardly cutting funds that Coloradans rely upon, we cannot afford flat income tax cuts.

As DU Political Scientists Seth Masket and Kaitlyn Sims [wrote in the Denver Post](#) on Valentine's Day:

Even a 10% cut to federal appropriations to the state each year would mean \$2.4 billion dollars gone from total state expenses — expenses that the state constitutionally cannot make up.

Even when the state government already has over a billion in excess revenue in its coffers.

TABOR refunds won't solve this problem. 2025 refunds are based on household income — with the state's richest households getting the biggest refunds. Low- and middle-income Coloradans will therefore be hit from both sides: reduced funding for social programs that keep folks housed and fed and out of poverty, and their tax refund won't make up the gap.

This bill would make those truths even worse. This is a regressive and devastating bill in the best of budget times. At this point in time, it is a downright reckless piece of legislation that would have disastrous impacts for Coloradans across the state. We

urge a no vote and an end to flat income tax cuts that only benefit the wealthiest people in our state.

Thank you, and happy to answer any questions you may have.