



<b>November 8, 2022 General Election</b>	
<b>Ballot Issue:</b>	<b>Proposition #121 (Reduction of State Income Tax)</b>
<b>Ballot Question</b>	<p><i>"Shall there be a change to the Colorado Revised Statutes reducing the state income tax rate from 4.55% to 4.40%?"</i></p> <p>Full text of the Proposition can be found <a href="#">here</a>.</p>
<b>Timeline</b>	<ul style="list-style-type: none"> <li>• Jon Caldara and Jerry Sonnenberg filed the initiative on April 9, 2021. Ballot language was provided for the initiative on April 21, 2021.</li> <li>• The measure was cleared for signature gathering on June 21, 2021, with a signature due date of October 29, 2021.</li> <li>• Proponents submitted 215,365 signatures on October 29, 2021. On November 18, 2021, the Colorado Secretary of State found through a random-sample method that 148,189 signatures were projected to be valid.</li> </ul>
<b>Chamber Position</b>	No Position
<b>Some Basics</b>	<p>Proposition 121 would decrease the state income tax rate from 4.55% to 4.40% for tax years commencing on or after January 1, 2022. Proposition 121 would also reduce the tax rate for domestic and foreign C corporations operating in Colorado from 4.55% of Colorado net income to 4.40%.</p> <p>Prior to 1987, the individual income tax rates were <i>graduated</i>, a tax system in which different rates are applied to different levels of income. The Colorado individual income tax rate has been a flat tax rate since 1987. The flat tax was 5% from 1987 to 1998. It was lowered to 4.75% in 1999. The rate was 4.63% until voters approved <a href="#">Proposition 116 in 2020</a>, which reduced the rate to 4.55%. According to the Colorado Legislative Council Staff, the rates were lowered to reduce the TABOR surplus.</p>
<b>Arguments in support of the proposal</b>	<ul style="list-style-type: none"> <li>• Lowering the tax rate provides economic relief to <i>all</i> taxpayers rather than allowing State government to determine how any TABOR surplus is to be distributed.</li> <li>• Lowering the tax rate incents government to seek efficiencies, identify expenditures that do not provide clear and tangible benefits to residents of Colorado, and slow the growth of government activities.</li> </ul>
<b>Arguments against the proposal</b>	<ul style="list-style-type: none"> <li>• Lowering the tax rate at a time of budget surplus is irresponsible as economic conditions are cyclical. A lower rate hinders the ability of the State to provide consistent funding and responsive activities in times of downward economic conditions.</li> <li>• Lowering state tax revenue poses a direct threat to our ability to adequately</li> </ul>

	fund education, healthcare and public safety.
<b>Where We Stand (NCLA)</b>	“The fundamental purpose of any tax is to raise funds for the administration of government. Therefore, tax proposals must be assessed through the objective achieving a good public finance system. Good tax policy should not change during times of budget deficits or surplus, but rather based upon well-defined principles that will inform the process of assessing how the system can best raise revenue adequate to meet the demand for public services and assets.”