Mid-Session Briefing
March 29th, 2018

Pies & Charts
State Pie is Bigger This Year

- Both OSPB and LCS projecting growth. Long Bill uses OSPB estimates. We will too for this presentation.
- Strong revenue growth in current year (FY 18) collections $1.1 billion higher than FY 17 with slower growth projected in (FY19) $400 million higher than FY 18.
  - Individual income -- 13.1% growth
  - Corporate income -- 38.6% (fell last year 21.9%)
  - Sales and Use – 9.6% (Use tax a small component but up dramatically in two years)
Bigger Pie (cont)

• Some of the growth is from increased economic activity
  • Mining and logging up 15.2%
  • Construction up 9.5%
  • Leisure/Hospitality, Business Services and Information up over 2%

• Some of the growth from behavior changes (deferred capital gains) making much of the growth considered “one time” kind of growth

• Some of it is due to federal tax policy changes
The Tax Cuts and Jobs Act:
Changes to the tax code
and what they mean for Colorado
TCJA Impacts on Federal and State Budgets

Larger amount of money is taxable under TCJA

×

Lower tax rates under TCJA

= Smaller Net Federal Revenue

Larger amount of money is taxable under TCJA

×

Same CO tax rate

= Larger Net State Revenue

4.63%
Standard Deduction

Previous Law
- $6,350 for a single filer
- $12,700 for couples

TCJA Law
- $12,000 for a single filer
- $24,000 for couples
Standard Deduction: Impact on Colorado

Overall: Decreases State Tax Revenue by $533 million

Household making $34,000/year
- $255 tax cut

Household making $1,000,000/year
- $761 tax cut
Personal Exemptions & Family Tax Credits

Gross Income
- Above-the-line deductions

Adjusted Gross Income (AGI)
- Standard deduction OR Itemized deductions

Federal Taxable Income (FTI)

Exemptions reduce your Federal Taxable Income
Personal Exemptions: Impact on Colorado

Overall: Increases State Tax Revenue by $861 million

Household making $34,000/year: $247 tax increase
Household making $1,000,000/year: $195 tax increase
Pass-Through Businesses & Corporate Cuts

- Pass-through business entities see 20% deduction for all business income
- Corporate tax rate cut from 35% to 21%
Pass-Through Changes: Impact on Colorado

Overall: Decreases State Tax Revenue by $223 million (affects 16% of taxpayers)

Household making $34,000/year: $81 tax cut
Household making $1,000,000/year: $2,760 tax cut
Impact on Colorado Taxpayers

Top 5% receive 51% of the tax cuts

Top 20% receive 73% of the tax cuts

Bottom 40% receive 5% of the tax cuts
The TCJA Comes With a Huge Price Tag

$666 billion

2017

$1.46 trillion*

2027

Source: Joint Committee on Taxation
Colorado Revenue Estimates Vary Widely

Institute on Taxation and Economic Policy:
$28 million more in state revenue

Colorado Legislative Council:
$197 million more in state revenue
Beyond the Perils of Revenue Estimating

Most Legislators don’t remember the last time we were in such high cotton

Cuts to tax rates in 1999 and 2000 led to the lack of funding for schools, universities and roads

Led us to launch a joint campaign with the Bell Action Network

STOPDIGGINGCOLORADO.COM
You can check out the video here
Stop Digging: Tax Reductions and Debt Increases

HB 1203: Income Tax Rate Reduction to 4%

SB 61: Income Tax Rate Reduction to 4.43%

SB 1: Trans Bonds Secured by $250m Annually in General Funds
Stop Digging: Credits & Deductions

HB 1013: Income Tax Credit for Endowment Contributions

HB 1202: Tax Credit Leave of Absence Organ Donation

HB 1217: Income Tax Credit for Employer 529 Contributions

HB 1221: Income Tax Deduction for 529 Account K-12 Expenses

HB 1036: Reduce Business Personal Property Taxes

HB 1004: Continue Child Care Contribution Tax Credit

HB 1036: Reduce Business Personal Property Taxes
Must Do More Than Stop Digging
Thriving communities include investments in immigration, housing, and families.

SB18-108 Eligibility Colorado Road and Community Safety Act
SB18-007 Affordable Housing Tax Credit
HB18-1001 FAMILI Family Medical Leave Insurance Program
Severance tax reform is fundamental to paving the way for strategic natural resource management that ensure the Colorado Way of Life.

HB18-1201 Voter Approved Revenue Change

Excludes severance tax revenue collections from TABOR revenue restrictions
The Long Bill: $28.9 Billion

$40.8 million unallocated for other legislative priorities

$495 million one-time funding for transportation

Additional $150 million to K-12 education funding
  • Reduces ‘negative factor’ to $672 million

Higher education: $82 million to ease tuition hikes

$11 million to Department of Corrections

No increase in state reserves
  • Against Governor’s recommendation
TABOR: It’s never far away...

- Very close to having TABOR rebates back in play
- Leg Council March estimate above the limit
- OSPB below the limit by $76 m
- JBC Chose the OSPB Estimates
- IMPLICATIONS FOR LEGISLATIVE POLICY MAKING
  - Low income transit pass funded by reducing Vendor Fee Credit
  - Closing tax loopholes, including Economic Development Incentives
  - Senior Homestead reforms
Activity Beyond the Legislature
Transportation Funding

Citizen’s Initiatives 152-155 – Increases Colorado Sales Tax & Authorizes TRANS Bonds

Citizen’s Initiative 167 – Fix Our Darn Roads
Citizen’s Initiatives #93 – Funds a more equitable school finance formula by increasing Income Tax Rates for Brackets above $150K, Freezing RAR at 7% and lowering NRAR at 24%
Actions You Can Take Now
WHEN YOU'RE IN A HOLE

STOP DIGGING
Sign the petition to stop digging!

We believe sustaining the Colorado way of life we all love means investing in ourselves and our communities.

We know tax breaks and giveaways to a wealthy few will deepen the hole we’re in and make it harder to get out.

We know it will only get worse if we don’t do something.

And we know public investments in our schools, our roads, our health, our kids, our parks, and our future help build and sustain thriving communities where we all want to live.
#ProudtoPay

April 17, 2018