

Colorado
Fiscal Institute

Pies & Charts

Mid-Session Briefing

March 29th, 2018



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**





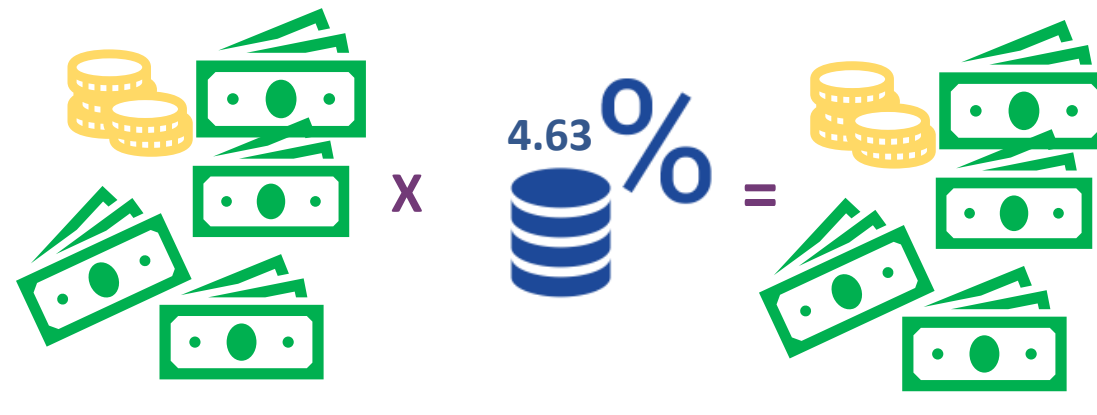
Larger amount
of money is
taxable under
TCJA

X

Lower tax
rates under
TCJA

=

**Smaller Net
Federal Revenue**



Larger amount
of money is
taxable under
TCJA

X

Same CO tax
rate

=

**Larger Net
State Revenue**

TCJA Impacts on Federal and State Budgets



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

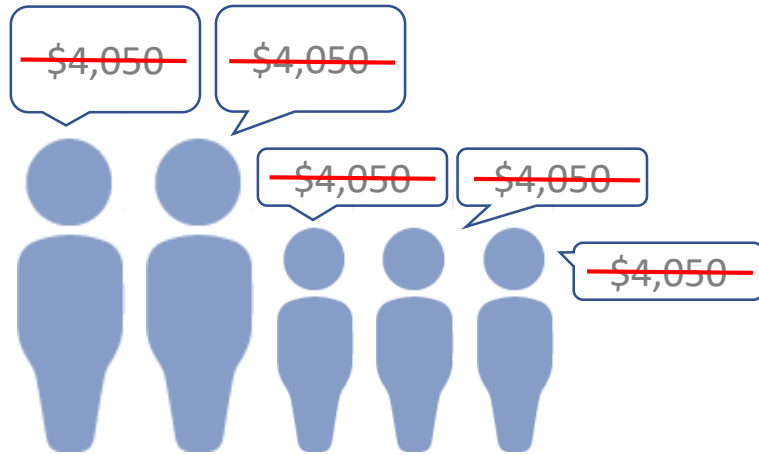


Household making **\$1,000,000/year**

\$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



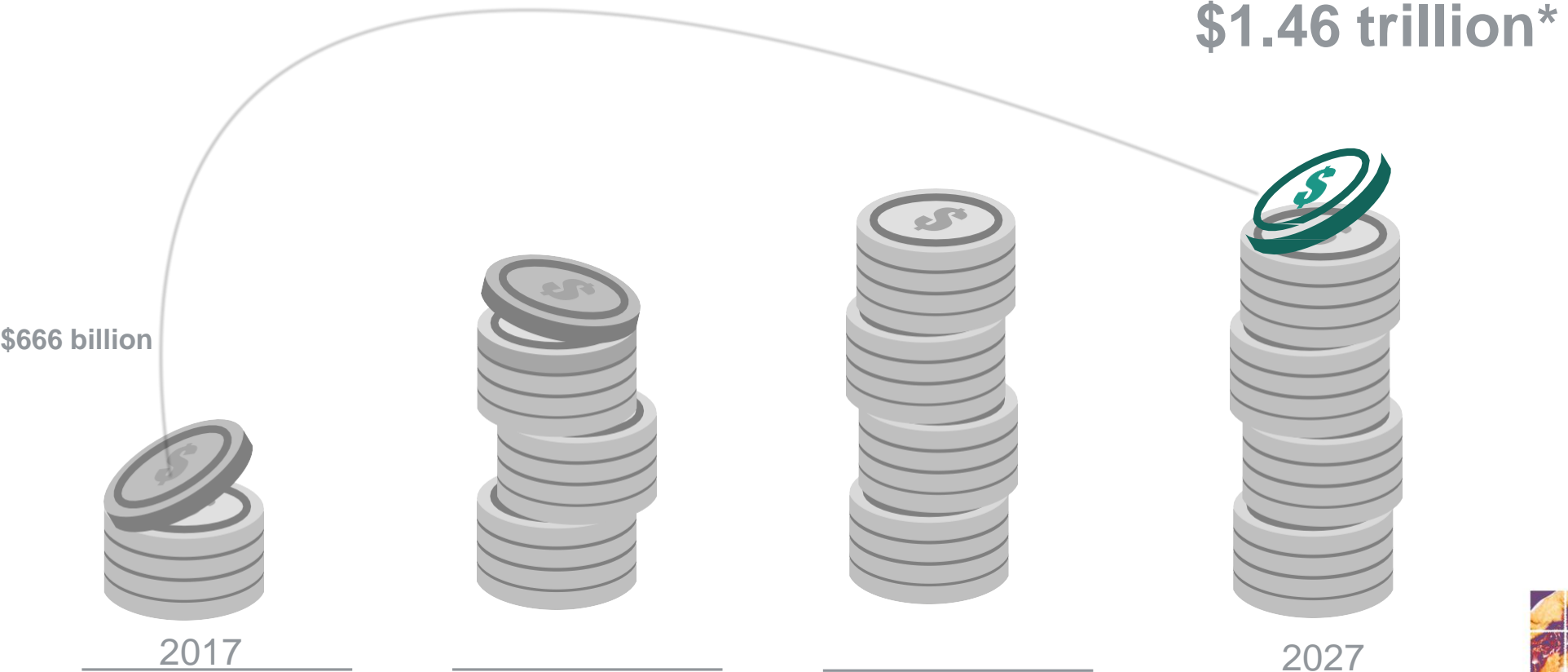
Top 20% receive 73% of the tax cuts



Bottom 40% receive 5% of the tax cuts



The TCJA Comes With a Huge Price Tag



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



www.StopDiggingColorado.com



You can check out the [video here](#)

Stop Digging: Tax Reductions and Debt Increases

HB 1203:

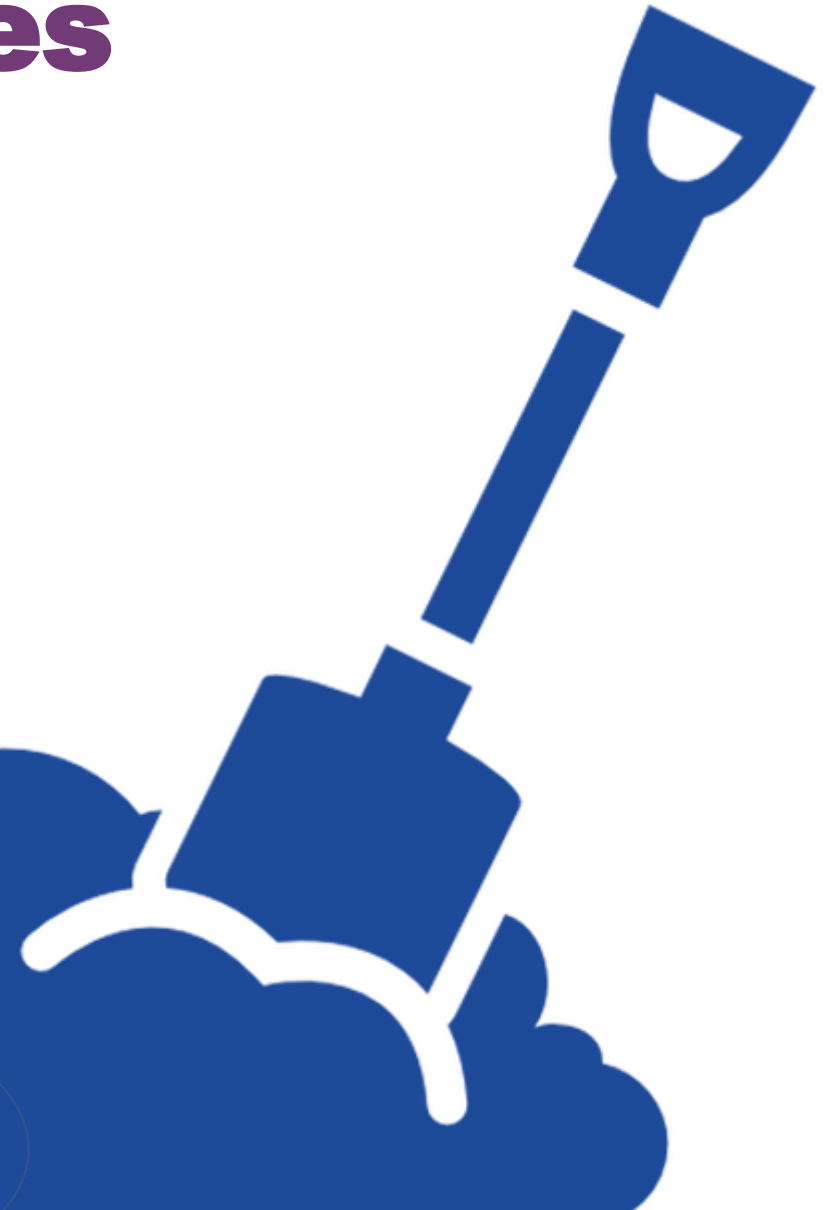
**Income Tax Rate
Reduction to 4%**

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

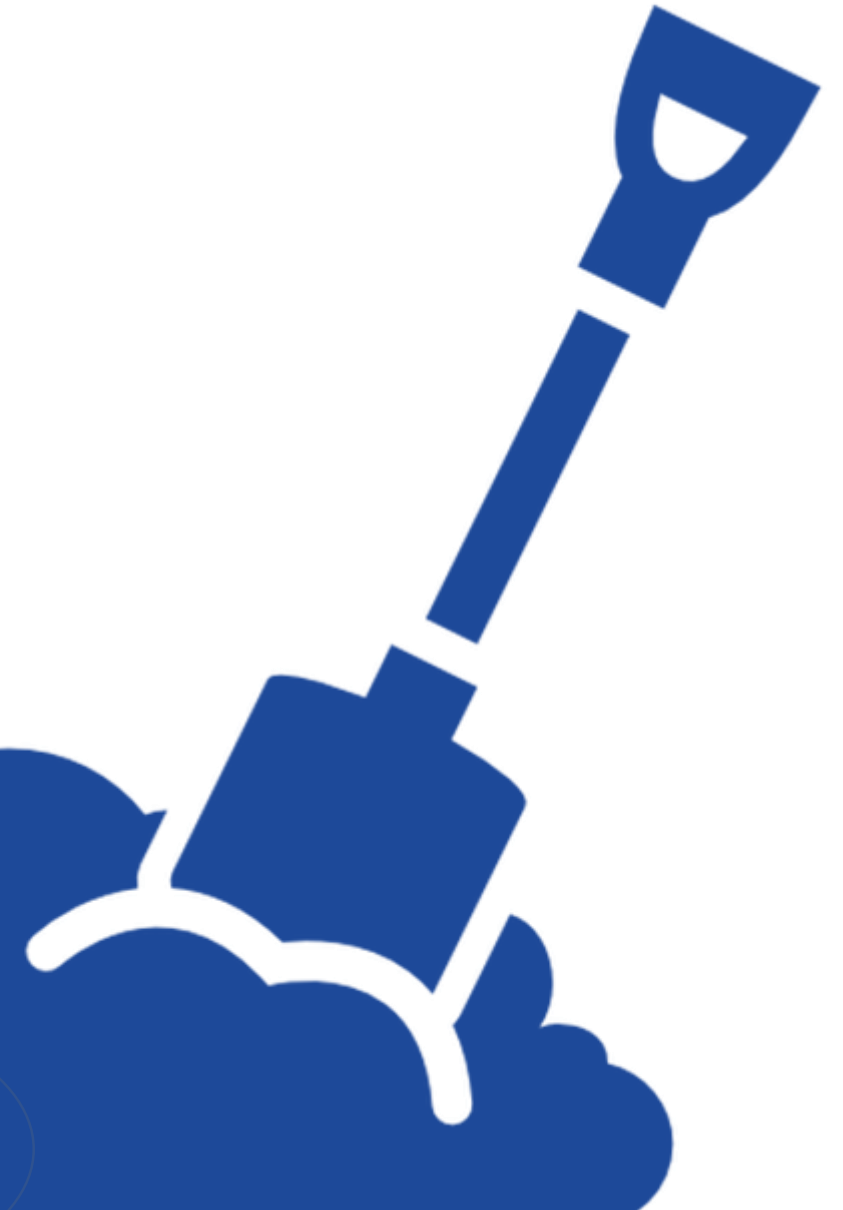
HB 1202:
Tax Credit Leave
of Absence Organ
Donation

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



Must Do More Than Stop Digging





SB18-108 Eligibility
Colorado Road and
Community Safety Act



SB18-007 Affordable
Housing Tax Credit



HB18-1001 FAMLI
Family Medical Leave
Insurance Program

**Thriving communities include
investments in immigration, housing, and
families**

Severance Tax Debrucing



HB18-1201 Voter
Approved Revenue
Change

Excludes severance tax
revenue collections
from TABOR revenue
restrictions

Severance tax reform is fundamental to paving the way for strategic natural resource management that ensure the **Colorado Way of Life.**



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



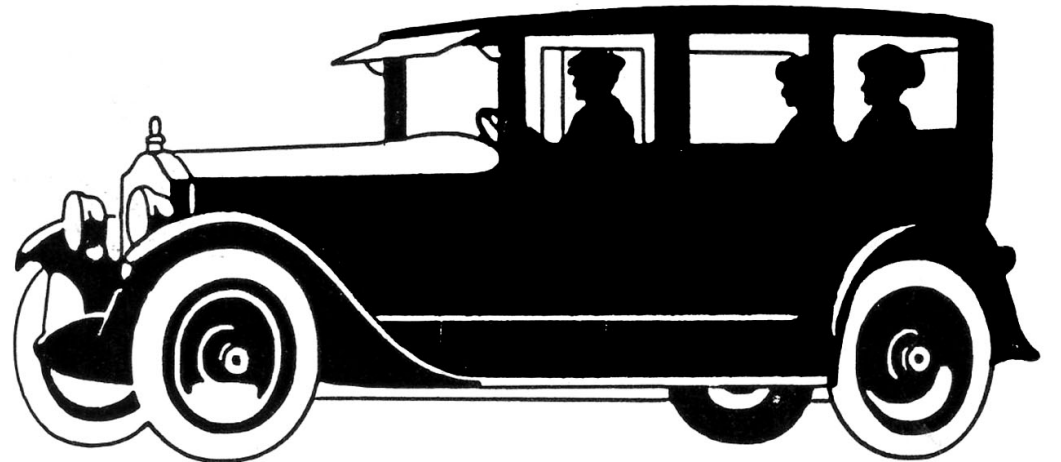
Activity Beyond the Legislature



Transportation Funding

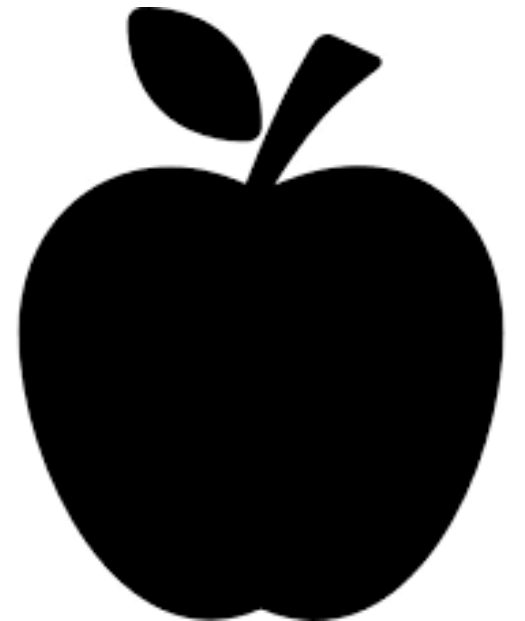
Citizen's Initiatives 152-155 –
Increases Colorado Sales Tax &
Authorizes TRANS Bonds

**Citizen's Initiative 167 – Fix Our
Darn Roads**



Education Funding

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



HOME

THE HOLE WE'RE IN

DIGGING DEEPER

STOP DIGGING

WHAT'S NEW

LEARN MORE

TAKE ACTION

WHEN YOU'RE IN A HOLE

STOP DIGGING

www.StopDiggingColorado.com

HOME THE HOLE WE'RE IN
DIGGING DEEPER

STOP DIGGING

WHAT'S NEW LEARN MORE
TAKE ACTION



Tell Policymakers to 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.



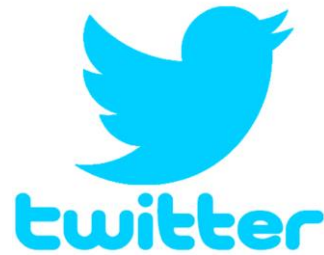
FAMILY
2018 LOBBY DAY

April 16, 2017





#ProudtoPay



April 17, 2018



ENGAGED &
CHALLENGED
STUDENTS



WELL-SUPPORTED
TEACHERS



PATHWAY
TO OPPORTUNITY



CORNERSTONE
FOR DEMOCRACY



HEALTHY & SAFE
COMMUNITIES



SECURE
COMMUNITIES



**GREAT
SCHOOLS
THRIVING
COMMUNITIES**



#GSTC2018



VIBRANT
COLORADO ECONOMY



Bars and Graphs

May 24, 2018

Vine Street

