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Sustainable Colorado Budget to Help Eliminate State Income Taxes

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In 1992, Colorado voters adopted the Taxpayer’s Bill of Rights (TABOR) to limit the growth in state and local spending. Over the past three decades, however, politicians from both parties and a complicit judicial branch have exempted more and more state spending from the TABOR limit. When voters adopted TABOR, 67% of state spending was subject to the limit. Today, the majority of state spending is not subject to the limit. Consequently, state spending has far outpaced Coloradans’ incomes over the last decade.

To uphold the original intent of voters when they adopted TABOR, Independence Institute proposes the Sustainable Colorado Budget (SCB), which limits state spending from state funds (excluding federal funds) at the rate of population growth plus inflation. The state should then use the surplus revenue above the SCB spending limit to reduce the income tax rate for all taxpayers.

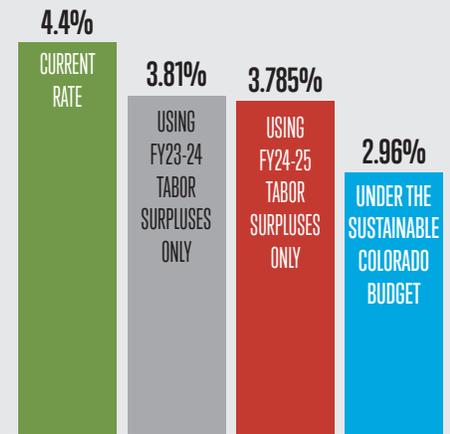


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Without requiring any reductions to the current state budget or future budgets, Colorado could have reduced its income tax rate by 0.59-percentage points to 3.81% using the \$1.7 billion surplus in FY 2023-24 and by 0.615-percentage points to 3.785% using the \$1.77 billion surplus in FY 2023-24. The less spending of \$4.2 billion for FY 2023-24 could have cut 1.44-percentage points in the flat tax rate to 2.96%.

Over the last decade, TABOR spending increased by 46.2% while spending from all state funds increased by 74.2%. For just FY 2023-24, the state budgeted \$4.2 billion more in all state funds than if limited to population growth plus inflation. That’s about \$800 more per person or \$3,300 per family of four.

Colorado Income Tax Rate Scenarios



Trends of Colorado’s Budget (Billions of \$)

