



Fiscal Summary

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Measure: Initiative 64 – INCOME TAX RATE

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Fiscal Summary of Initiative 64

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at leg.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State Revenue

For tax year 2027, the measure reduces the state income tax rate from 4.40 percent to 4.35 percent, decreasing state General Fund revenue from income taxes by an estimated \$78 million in FY 2026-27 (a half-year impact). Beginning in tax year 2028, the measure reduces the state income tax rate to 4.20 percent, reducing General Fund revenue by \$326 million in FY 2027-28 (a half-year at 4.35 percent and a half-year at 4.20 percent). By FY 2028-29, at 4.20 percent, General Fund revenue is expected to decrease by \$509 million, with similar ongoing reductions in future years.

State Expenditures

The measure reduces the amount of state General Fund revenue available to spend or save beginning in FY 2026-27 and future fiscal years.

The measure specifies that its revenue decrease must reduce spending in the Department of Revenue and the Department of Personnel and Administration in the first full fiscal year following passage, assumed to be FY 2027-28. However, General Fund appropriations for these agencies is expected to be less than the \$326 million revenue decrease in the measure. In FY 2027-28 and beyond, it is assumed that the General Assembly will make decisions on the future use of state General Fund revenue through the annual budget, and any specific change cannot be estimated at this time. To administer the tax rate change, the measure is expected to increase General Fund expenditures in the Department of Revenue by \$10,000.

Economic Impacts

Taxpayers will have more after-tax income available to spend or save, increasing their consumption of goods and services. Any overall change in economic activity will depend on the

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net economic impact of higher after-tax household and business income and reduced investment in public services.

Taxpayer Impacts

Table 1 below shows the estimated decrease in state income tax owed for individual income taxpayers with different levels of adjusted gross income for tax year 2027, the first tax year in which the tax rate changes to 4.35 percent. Table 2 shows the change from current law to at 4.20 percent beginning in tax year 2028.

Table 1
Change in Income Taxes Owed by Income Category (Tax Year 2027)

Income Categories*	Current Average Income Tax Owed	Proposed Average Income Tax Owed	Proposed Change in Average Income Tax Owed + or -
\$25,000 or less	\$58	\$57	-\$1
\$25,001 - \$50,000	\$758	\$749	-\$9
\$50,001 - \$100,000	\$1,897	\$1,875	-\$22
\$100,001 - \$200,000	\$4,137	\$4,090	-\$47
\$200,001 - \$500,000	\$9,248	\$9,142	-\$105
\$500,001 - \$1,000,000	\$18,028	\$17,823	-\$205
\$1,000,001 - \$2,000,000	\$26,419	\$26,119	-\$300
\$2,000,001 - \$5,000,000	\$40,671	\$40,209	-\$462

Table 2
Change in Income Taxes Owed by Income Category (Tax Year 2028)

Income Categories*	Current Average Income Tax Owed	Proposed Average Income Tax Owed	Proposed Change in Average Income Tax Owed + or -
\$25,000 or less	\$58	\$55	-\$3
\$25,001 - \$50,000	\$758	\$723	-\$34
\$50,001 - \$100,000	\$1,897	\$1,811	-\$86
\$100,001 - \$200,000	\$4,137	\$3,949	-\$188
\$200,001 - \$500,000	\$9,248	\$8,827	-\$420
\$500,001 - \$1,000,000	\$18,028	\$17,209	-\$819
\$1,000,001 - \$2,000,000	\$26,419	\$25,218	-\$1,201
\$2,000,001 - \$5,000,000	\$40,671	\$38,823	-\$1,849

*Adjusted Gross Income reported to the federal Internal Revenue Service.