



Fiscal Summary

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Measure: Initiative 120 – ANNUAL REDUCTION OF GENERAL FUND APPROPRIATIONS

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Date: August 12, 2025

Fiscal Summary of Initiative 120

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 and Expenditures

Beginning in FY 2027-28, this measure will reduce state expenditures from the General Fund, and reduce state revenue from income taxes. Under current law, General Fund appropriations to the 20 principal state departments are \$15.9 billion in the current FY 2025-26. Assuming appropriations remain constant through FY 2027-28, the measure requires the General Assembly to reduce appropriations by \$477.9 million. The measure requires that this amount be refunded to taxpayers by permanently reducing the state income tax rate beginning in tax year 2028.

It is estimated that the state income tax rate must be reduced to 4.23 percent from the current rate of 4.40 percent under the measure, which is a 3.9 percent reduction from the current rate. Reducing the state income tax rate to 4.23 percent will reduce General Fund revenue by an estimated \$275.7 million in FY 2027-28, and \$570.2 million in FY 2028-29, with ongoing reductions in future years. The estimate for FY 2027-28 represents a half-year impact for tax year 2028.

The measure reduces the amount of state General Fund revenue available to spend or save in FY 2027-28 and future fiscal years. In years in which the state expects a state obligation for TABOR refunds, the measure will reduce the amount refunded to taxpayers, with a corresponding net loss on the amount available to spend or save in the state's budget. A forecast subject to TABOR is not available beyond 2026-27. To administer the tax rate change, the measure also increases one-time General Fund expenditures in the Department of Revenue by \$10,000.

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Local Government

Because some principal state departments provide local governments with financial assistance with appropriations made from the General Fund, an across-the-board reduction to state appropriations will also reduce revenue and expenditures for local governments. For example, cutting the General Fund appropriation to the Department of Local Affairs could reduce the ability of that department to provide grants and other funding to local governments. Similarly, the Secretary of State receives General Fund appropriations that are passed through to counties to defray election costs. Reducing the appropriation to that principal department likely reduces the ability of the state to reimburse counties' election costs, thus reducing the local government's revenue.

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

Taxpayer Impacts

The table below shows the estimated decrease in state income tax owed for individual income taxpayers with different levels of adjusted gross income for tax year 2028, the first full year in which the tax rate change under this measure is in effect.

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Change in Income Taxes Owed by Income Category

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	-\$2
\$25,001 - \$50,000	\$758	\$729	-\$29
\$50,001 - \$100,000	\$1,897	\$1,824	-\$73
\$100,001 - \$200,000	\$4,137	\$3,977	-\$160
\$200,001 - \$500,000	\$9,248	\$8,890	-\$357
\$500,001 - \$1,000,000	\$18,028	\$17,332	-\$697
\$1,000,001 - \$2,000,000	\$26,419	\$25,398	-\$1,021
\$2,000,001 - \$5,000,000	\$40,671	\$39,100	-\$1,571

* Adjusted Gross Income reported to the federal Internal Revenue Service