Initiative 2025-2026 #135
Colorado Income Tax Repeal

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Colorado Income Tax Sunset Act of 2026

Statutory Ballot Initiative for the November 2026 Statewide Election

Section 1. Declaration of Intent

The People of the State of Colorado find and declare that:

- Colorado's growing economy and population present an opportunity to transition toward a more competitive, consumption-based tax system.
- Phasing out the state income tax on individuals, estates, and trusts over a 10-year period will benefit Colorado families, workers, and businesses.
- This Act fully complies with the Taxpayer's Bill of Rights (TABOR) and preserves emergency taxing authority.
- A responsible and gradual phase-out ensures fiscal stability while enabling the state to pursue replacement revenues and implement spending efficiencies.

Section 2. In Colorado Revised Statutes, add to Title 39, Article 22:

§ 39-22-104.9. Income Tax Phase-Out – Sunset of Tax – Repeal.

(1) Phase-out schedule.

Beginning with tax years commencing on or after January 1, 2027, the state income tax imposed on individuals, estates, and trusts under section 39-22-104(1.7), C.R.S., shall be reduced annually as follows:

- (a) In tax year 2027, the rate shall be reduced by ten percent of the prior year's rate.
- (b) In each subsequent year through tax year 2035, the rate shall be reduced by an additional ten percent of the prior year's rate.
- (c) In tax year 2036, the remaining state income tax on individuals, estates, and trusts shall be repealed in full.

(2) Preservation of TABOR.

This section shall not be construed to alter, amend, or repeal any provision of Article X, Section 20 of the Colorado Constitution. All surplus revenues derived from replacement revenue sources that exceed phased-out income tax collections shall be refunded to taxpayers or used to reduce future tax obligations, in accordance with TABOR.

(3) Local and corporate income tax authority unaffected.

This section does not restrict the authority of:

- (a) Local governments to impose or collect occupational or other taxes permitted under state law; or

- (b) The state to impose income taxes on corporations or other legal entities not covered under this repeal.

(4) Severability.

If any provision of this section is found to be unconstitutional or otherwise invalid, the remaining provisions shall remain in full force and effect.

(5) Repeal.

Effective January 1, 2036, Part 1 of Article 22 of Title 39, Colorado Revised Statutes, concerning the state income tax on individuals, estates, and trusts, is repealed.

Section 3. Applicability

This Act applies to all tax years commencing on or after January 1, 2027, and shall become effective following voter approval at the November 2026 general election.

10-Year Fiscal Transition Plan

This section provides a non-binding fiscal analysis to demonstrate how Colorado can responsibly replace state income tax revenue while maintaining essential public services and TABOR compliance.

Revenue Forecast Summary:

- 2026: Income tax revenue = $12 billion; Replacement revenue = $2 billion; Gap = $10 billion
- 2027: Income tax revenue = $11 billion; Replacement revenue = $3 billion; Gap = $8 billion
- 2028: Income tax revenue = $10 billion; Replacement revenue = $4 billion; Gap = $6 billion
- 2029: Income tax revenue = $9 billion; Replacement revenue = $5 billion; Gap = $4 billion
- 2030: Income tax revenue = $8 billion; Replacement revenue = $6 billion; Gap = $2 billion
- 2031: Income tax revenue = $7 billion; Replacement revenue = $7 billion; Gap = $0
- 2032: Income tax revenue = $6 billion; Replacement revenue = $8 billion; Surplus = $2 billion
- 2033: Income tax revenue = $5 billion; Replacement revenue = $9 billion; Surplus = $4 billion
- 2034: Income tax revenue = $4 billion; Replacement revenue = $10 billion; Surplus = $6 billion

- 2035: Income tax revenue = $3 billion; Replacement revenue = $11 billion; Surplus = $8 billion

Key Fiscal Strategy Elements

1. Predictable Rate Reductions:

The initiative reduces the personal income tax rate by approximately 10% annually over 10 years, ensuring gradual adjustment.

2. TABOR Compliance:

Any revenue exceeding the constitutional spending cap must be refunded or used to reduce taxpayer obligations under Article X, Section 20.

3. Diversified Replacement Revenue Sources:

- Sales and use tax from population and economic growth
- Tourism, hospitality, and lodging taxes
- Excise taxes on luxury goods and recreational activities
- Regulatory fees from high-growth industries (e.g., AI, renewable energy)

4. Spending Efficiencies and Cost Containment:

- Sunset reviews of low-impact programs
- Consolidation of overlapping government functions
- Performance-based budgeting and department audits

5. Emergency Fiscal Safeguards:

This Act preserves the General Assembly’s emergency taxing authority in accordance with TABOR.

6. No New Taxing Powers Granted:

This initiative does not authorize any new category of taxation.