



Fiscal Summary

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Measure: Initiative 156 – INCOME TAX RATE REDUCTION

Analyst: Louis Pino, louis.pino@coleg.gov, 303-866-3556

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Fiscal Summary of Initiative 156

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

By reducing the state tax rate from 4.40 percent to 3.40 percent, the measure reduces General Fund revenue from income taxes by an estimated \$1.6 billion in FY 2026-27 and \$3.3 billion in FY 2027-28, with increasing amounts in future years based on income and population growth. The estimate for FY 2026-27 represents a half-year impact for tax year 2027.

State Expenditures

The measure reduces the amount of state General Fund revenue available to spend, save, or refund to taxpayers in FY 2026-27, FY 2027-28 and future fiscal years. Based on current forecasts for FY 2026-27 and FY 2027-28, the measure is expected to eliminate projected TABOR refunds for all taxpayers and reduce the amount available for the General Fund budget. The three largest areas of program expenditures are Health Care Policy and Financing, Education, and Higher Education. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. To administer the tax rate change, the measure is expected to increase one-time General Fund expenditures for 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 net economic impact of higher after-tax household and business income and reduced spending on public services.

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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 3.40 percent.

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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	\$44	-\$13
\$25,001 - \$50,000	\$758	\$586	-\$172
\$50,001 - \$100,000	\$1,897	\$1,466	-\$431
\$100,001 - \$200,000	\$4,137	\$3,196	-\$940
\$200,001 - \$500,000	\$9,248	\$7,146	-\$2,102
\$500,001 - \$1,000,000	\$18,028	\$13,931	-\$4,097
\$1,000,001 - \$2,000,000	\$26,419	\$20,415	-\$6,004
\$2,000,001 - \$5,000,000	\$40,671	\$31,428	-\$9,243

Income categories reflect adjusted gross income reported to the Internal Revenue Service.