

**First Regular Session
Seventy-first General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. R17-0986.01 Esther van Mourik x4215

HR17-1010

HOUSE SPONSORSHIP

Foote,

House Committees

HOUSE RESOLUTION 17-1010

101 **CONCERNING THE IMPACT OF FEDERAL TAX REFORM ON THE STATE**
102 **AND AN ENCOURAGEMENT TO THE STATE'S CONGRESSIONAL**
103 **DELEGATION TO PASS REFORMS THAT MAKE THE FEDERAL TAX**
104 **SYSTEM SIMPLE, EASY TO UNDERSTAND, AND NOT PRONE TO TAX**
105 **AVOIDANCE EFFORTS.**

1 WHEREAS, Well-designed tax systems provide the money needed
2 to support government institutions, services, and programs that protect
3 people and promote general public welfare, and the money to make
4 investments in infrastructure and other public goods that ensure equal
5 economic opportunity, reward entrepreneurship, and promote job growth;
6 and

7 WHEREAS, The current federal individual income tax system
8 originated with the 16th Amendment to the United States Constitution,
9 granting the federal government the authority to levy a tax on income; and

10 WHEREAS, Congress codified the modern legal foundation for
11 income taxation in 1939 in the first formal Internal Revenue Code; and

*Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

1 WHEREAS, The Internal Revenue Code was updated in 1954 in
2 the first wide-sweeping tax reform, and that Code remained the primary
3 framework of the income tax system, but became increasingly complex
4 through a combination of high tax rates and a wide range of tax
5 deductions and tax shelters; and

6 WHEREAS, The Tax Reform Act of 1986 eliminated many
7 deductions in exchange for simplifying and reducing tax rates; and

8 WHEREAS, The Internal Revenue Code has a steady pattern of
9 growing complexity with once-every-generation action to reform and
10 simplify the process; and

11 WHEREAS, Federal tax law spans 70,000 pages and as a result,
12 the current tax system is widely regarded as complex, unfair, unwieldy,
13 and inefficient. The sheer volume alone reflects many bargains made over
14 time, thus moving away from anyone's concept of an ideal way to raise
15 revenue fairly and efficiently; and

16 WHEREAS, This is a bipartisan issue. "A Better Way for Tax
17 Reform", the Republican blueprint snapshot for tax reform, says "Our tax
18 code is a mess, and that's putting it lightly. Multiple brackets. High rates.
19 Special interest breaks everywhere. Rules and regulations that are too
20 complicated to understand. It costs more and more each year just to do
21 your taxes, let alone pay them. All of this drags people down and leaves
22 businesses buried in paperwork and compliance problems."; and

23 WHEREAS, In 2016, the *USA Today* editorial board said, "The
24 U.S. corporate tax system is an unholy mess. This is evident in the piles
25 of cash that U.S. companies hoard overseas . . . five top tech companies
26 alone - Alphabet, Apple, Cisco Systems, Microsoft and Oracle -
27 collectively held \$504 billion in cash at the end of last year, 87.5% of
28 which was parked abroad . . . The mess is also evident in so-called
29 corporate inversions, a favored ruse whereby a U.S.-based company buys
30 a smaller overseas company and claims its country (with its lower tax
31 rates) as its new corporate home."; and

32 WHEREAS, Congressional leadership has indicated it will focus
33 on tax reform, both for corporations and individuals, this year so as to
34 correct and simplify the Internal Revenue Code; and

35 WHEREAS, As taxes are levied now, tax planning allows

1 individuals and companies to divert taxable earning and assets to
2 minimize the tax owed in a multitude of ways. This leaves less money for
3 important government priorities such as public safety, roads, and
4 education; and

5 WHEREAS, Over the past several decades, corporations have been
6 paying a smaller and smaller share of the total federal tax burden. In
7 1952, corporate income taxes funded about 32% of the federal tax burden.
8 By 2015, this had fallen to 10.6%; and

9 WHEREAS, The current tax code also provides many ways to
10 avoid paying individual income tax, but such methods are out of reach for
11 almost all average individual income taxpayers. Since 1992, the
12 percentage of income tax paid by the 400 highest earning taxpayers was
13 27%. By 2012, that figure had fallen to 17%; and

14 WHEREAS, In what is called an "inversion", the current tax code
15 rewards companies for relocating their legal domicile to a lower-tax
16 nation while the company continues its operations in the United States,
17 imposing the same public costs and using the same infrastructure as
18 before the inversion; and

19 WHEREAS, Sheltering income, in addition to reducing federal
20 income taxes collected, also reduces the state's income tax revenues; and

21 WHEREAS, Federal tax reform is a critical issue for Colorado;
22 now, therefore,

23 *Be It Resolved by the House of Representatives of the Seventy-first*
24 *General Assembly of the State of Colorado:*

25 That we, the members of the Colorado House of Representatives,
26 believe:

27 (1) The federal tax system should be simple and easy to
28 understand, with minimum compliance cost and complexity. The system
29 should not be prone to exploitation for the purpose of tax avoidance, as
30 today's system is;

31 (2) The tax system should be transparent so that the public will
32 know that the tax system meets standards of fairness and will be assured
33 that individuals and corporations are all meeting their obligations; and

1 (3) Any tax reform that occurs should adhere to the above
2 considerations.

3 *Be It Further Resolved*, That copies of this House Resolution be
4 sent to each member of Colorado's congressional delegation.