

Initiative 2025-2026 #314: Income Tax Rate Reduction and Tax Evaluation Committee ORIGINAL TEXT

INITIATED STATUTE TO REDUCE THE STATE INCOME TAX RATE FOR ALL TAXPAYERS.

PROPOSED INITIATIVE 2025-2026 #_____

Be it enacted by the People of the State of Colorado:

SECTION 1. Declaration

The people of the state of Colorado find and declare that:

(a) Colorado has adopted hundreds of tax credits, deductions and other tax breaks for corporations, special interests, and some individuals that have cost the State billions of dollars a year;

(b) At the same time Colorado elected officials are demanding more revenue from Coloradans in the form of increased taxes and fees;

(c) The people of the state of Colorado need a reduction in income tax rates for all taxpayers from 4.4% to 3.7% to encourage increased economic development, productivity and innovation and to maintain government fiscal discipline to fix our unfair tax system;

(d) To prevent a decrease in general fund revenues for the fiscal years following the effective date of this Act, and to implement the reduction in income tax rates, the general assembly is directed to conduct an in depth evaluation of all existing tax breaks, credits and deductions no later than March 31, 2027, to recommend repeal of tax breaks in an amount necessary to equal or be greater than of the loss of revenue resulting from the income tax reduction to 3.7% as determined by the director of the legislative council in the fiscal summary for this initiated statute.

SECTION 2. Income tax reduction. In Colorado Revised Statutes, 39-22-104, **amend** (1.7) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - legislative declaration - definitions - repeal.

(1.7) (a) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2020, a tax of four and sixty-three one-hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust.

(b) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, A TAX OF THREE AND SEVENTY ONE-HUNDREDTHS PERCENT IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

SECTION 3 . In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(I); and **add** (1)(d)(I)(J) as follows:

39-22-301. Corporate tax imposed. (1) (d) (I) A tax is imposed upon each domestic C corporation and foreign C corporation doing business in Colorado annually in an amount of the net income of such C corporation during the year derived from sources within Colorado as set forth in the following schedule of rates:

(I) Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2027, four and sixty-three one-hundredths percent of the Colorado net income;

(J) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2020, THREE AND SEVENTY ONE-HUNDREDTHS PERCENT OF THE COLORADO NET INCOME.

SECTION 4. In Colorado Revised Statutes, 39-22-604, **amend** (18)(a) introductory portion and (18)(b) as follows:

39-22-604. Withholding tax - requirement to withhold – tax lien - exemption from lien - definitions. (18) (a) Any person who makes a payment for services to any natural person that is not otherwise subject to state income tax withholding but that requires an information return, including but not limited to any payment for which internal revenue service form 1099-B, 1099-DIV, 1099-INT, 1099-MISC, 1099-OID, or 1099-PATR, the issuance of any of which allows taxpayer identification number verification through the taxpayer identification number matching program administered by the internal revenue service, or any other version of form 1099 is required, shall deduct and withhold state income tax at the rate of ~~four and sixty-three one-hundredths percent~~ SET FORTH IN SECTION 39-22-104 OR 39-22-301 if the person who performed the services:

(b) Any person other than a natural person and any natural person who in the course of conducting a trade or business as a sole proprietor makes any payment for services to a natural person that is not reported on any information return shall deduct and withhold state income tax at the rate of ~~four and sixty-three one-hundredths percent~~ SET FORTH IN SECTION 39-22-104, unless the employer making payment has a validated taxpayer identification number from the person to whom payment is made.

SECTION 5. In Colorado Revised Statutes, **add** part 57 to article 22 of title 39 as follows:

PART 57

TAX BREAKS EVALUATION COMMITTEE

39-22-5701. Tax breaks evaluation committee established.

(1) THERE IS HEREBY ESTABLISHED A JOINT COMMITTEE OF THE SENATE AND HOUSE OF REPRESENTATIVES KNOWN AS THE TAX BREAKS EVALUATION COMMITTEE, CONSISTING OF FIVE MEMBERS AS FOLLOWS:

(a) TWO MEMBERS FROM THE HOUSE OF REPRESENTATIVES ONE OF WHICH IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND ONE OF WHICH IS APPOINTED BY THE MINORITY LEADER OF THE HOUSE OF REPRESENTATIVES.]

(b) TWO MEMBERS FROM THE SENATE ONE OF WHICH IS APPOINTED BY THE PRESIDENT OF THE SENATE AND ONE OF WHICH IS APPOINTED BY THE MINORITY LEADER OF THE SENATE.

(c) THE REMAINING MEMBER SHALL BE AN UNAFFILIATED VOTER OF THE STATE OF COLORADO APPOINTED BY THE STATE AUDITOR.

39-22-5702. Powers and duties of the tax breaks evaluation committee. (1) THE COMMITTEE IS RESPONSIBLE FOR REVIEWING ALL OF THE STATE'S TAX BREAKS INCLUDING THE REVIEW OF THE INITIAL PURPOSE OF THE TAX BREAK AND WHETHER THE TAX BREAK IS ACCOMPLISHING ITS PURPOSE, THE ECONOMIC IMPACT OF THE TAX BREAK, INCLUDING PAST AND ESTIMATED FUTURE IMPACTS, WHETHER ANY TAX BREAKS DUPLICATE ANOTHER TAX BREAK WITHOUT COORDINATION, AND ALL OTHER RELEVANT CONSIDERATIONS.

(2) THE DEPARTMENT OF REVENUE, THE OFFICE OF THE STATE TREASURER, AND ANY OTHER DEPARTMENT, BOARD OR COMMISSION MUST PROVIDE TO THE TAX BREAKS COMMITTEE ANY REQUESTED INFORMATION, ANALYSIS, OR DATA AS REQUESTED BY THE TAX BREAKS COMMITTEE, REDACTING ANY CONFIDENTIAL INFORMATION.

(3) THE TAX BREAKS COMMITTEE MUST COMPLETE ITS WORK NO LATER THAN MARCH 31, 2027, AND MAKE RECOMMENDATIONS TO THE GENERAL ASSEMBLY NO LATER THAN APRIL 10, 2027. THE GENERAL ASSEMBLY SHALL THEN ENACT SUCH NECESSARY LEGISLATION TO ASSURE THAT ADOPTION OF THE TAX REDUCTION MEASURE IS AT LEAST REVENUE NEUTRAL.

SECTION 6. Effective date. THIS ACT SHALL TAKE EFFECT UPON PROCLAMATION BY THE GOVERNOR PURSUANT TO SEC. 1(4) OF ARTICLE V OF THE COLORADO CONSTITUTION.