



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative # 181

INITIAL FISCAL IMPACT STATEMENT

Date: February 4, 2020

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LCS TITLE: VOTER APPROVAL OF TAX MEASURES

***Disclaimer.** This initial fiscal impact statement has been prepared for the Title Board. If the initiative is placed on the ballot, Legislative Council Staff may revise this estimate for the ballot information booklet (Blue Book) if new information becomes available.*

Summary of Measure

The measure amends the Colorado Constitution to specify that voter approval in advance is not required for a new state tax or tax rate increase unless:

- the combined increase in revenue attributable to all such changes taking effect in a given fiscal year is estimated to exceed 5 percent of the state government's total fiscal year spending for the preceding year; or
- the combined increase in revenue attributable to all such changes taking effect in the last five years is estimated to exceed 10 percent of the state government's total fiscal year spending for the preceding year.

The new provision does not apply to local governments.

Assumptions

Most of the effects of the measure are indeterminate because they depend on subsequent decisions to be made by policy makers. The measure allows the state government to raise tax rates or impose new taxes without voter approval provided that the estimated additional revenue does not exceed certain thresholds. This fiscal impact statement does not make assumptions about what subsequent policy changes will be made in response to the measure's enactment.

State Revenue

The measure has no direct impact on state revenue; however, the measure allows state lawmakers to increase revenue through the enactment of policy changes that currently require voter approval or are otherwise prohibited. Indirect impacts on revenue are indeterminate as discussed in the Assumptions section of this fiscal impact statement. Any indirect increase in state tax revenue would be subject to the state TABOR revenue limit.

State Expenditures

To the extent that state tax revenue is increased in years when revenue exceeds the state TABOR limit, state expenditures for TABOR refunds will correspondingly increase. In years when state revenue does not exceed the TABOR limit, the state government will have more money available to spend or save.

Economic Impact

The measure empowers the state government to raise revenue through policies that currently require voter approval. The specific effects of this change will depend on decisions made by the state government in the future. To the extent that the state enacts new taxes or tax rate increases as a result of the measure, taxpayers will have less household or business income to spend or save elsewhere in the economy. Higher spending on state services, including health care, education, social services, infrastructure, and public safety, will increase demand for some private goods and services. Demand for goods and services sold by other private industries will be reduced to the extent that the state government offers these services, or to the extent that households and businesses have less income to spend on these products.

Taxpayer Impacts

The measure broadens the authority of the state government to implement tax policies that currently require voter approval. The impacts on taxpayers are indeterminate and will depend on future decisions to be made by policy makers.

Effective Date

If approved by voters at the 2020 general election, this measure takes effect upon proclamation of the Governor, no later than 30 days after the official canvass of the vote is completed.

State and Local Government Contacts

Legislative Council Staff Economics Section

Abstract of Initiative 181: VOTER APPROVAL OF TAX MEASURES

The abstract includes estimates of the fiscal impact of the proposed initiative. If this initiative is to be placed on the ballot, Legislative Council Staff will prepare new estimates as part of a fiscal impact statement, which includes an abstract of that information. All fiscal impact statements are available at www.ColoradoBlueBook.com and the abstract will be included in the ballot information booklet that is prepared for the initiative.

This initial fiscal estimate, prepared by the nonpartisan Director of Research of the Legislative Council as of February 2020, identifies the following impacts:

State revenue. The measure has no direct impact on state revenue, but will allow state lawmakers to raise revenue without voter approval in future years.

State expenditures. To the extent that state tax revenue is increased, the amount of money available for the state to spend, save, or refund to taxpayers if required under TABOR will correspondingly increase.

Economic impacts. The measure is expected to increase revenue and spending for the state government over the long term, shifting a portion of the state's economy from the private sector to the public sector. If government spending for public goods and services, including for example health care, education, social services, infrastructure, and public safety, increases, as expected, household and business spending or saving will be correspondingly reduced.

Taxpayer impacts. The impacts on taxpayers are indeterminate and will depend on future decisions to be made by policy makers.