

Group resubmits ballot initiative aiming to raise taxes and state revenue

By Tim Hoover

The Denver Post

Posted: 02/05/2011 01:00:00 AM MST

A liberal group that pushed a tax-increase initiative thrown out on a technicality is back with new proposals that would ask Colorado voters to increase taxes by up to \$1.5 billion a year.

The Colorado Center on Law and Policy last year proposed an initiative that would have returned the state to a graduated income tax and extended sales taxes to include services. But the state's Title Setting and Review Board in December rejected the measure on a technicality, saying proponents would have to start the process over.

They did. The group this week filed six mix-and-match versions of its reworked tax-increase proposal, a strategy aimed at seeing which combination of constitutional changes would pass muster with the title board under the state's single-subject requirement for initiatives.

Unlike Referendum C in 2005, there is no apparent broad coalition of businesses, politicians and civic groups lining up behind the new initiatives, but supporters of the latest effort say they're trying to force a conversation about more revenue for the state.

"We really feel like it's time to start a more complete conversation about how to solve the budget crisis," said Carol Hedges, executive director of the Colorado Fiscal Policy Institute, an arm of the Colorado Center on Law and Policy.

"We're really only talking about one half of the equation right now, and that's cuts," Hedges said. "It feels a little bit like doing heart surgery with one hand. We aren't talking about revenue."

All six of the initiatives would impose a graduated individual income tax, replacing the state's current flat income tax of 4.63 percent. The graduated income tax is more complex, imposing differing rates of taxation on segments of a person's income.

For example, while the highest rate for individuals would be 9.5 percent, this would apply only to income earned over \$1 million a year. Income earned below that would be taxed at various lower rates, so, for example, the same person's income would be taxed at 9 percent for the portion between \$500,000 and \$1 million a year.

The lowest rate would be 4.2 percent, which for an individual would apply to taxable income of \$50,000 or less.

Four of the six proposals would raise the state's corporate income tax from its current 4.63 percent to 7 percent, and two of the six proposals would require that all corporations pay a minimum of \$1,000 a year in state income tax.

Meanwhile, three of the six proposals would make the state's Earned Income Tax Credit, a tax credit for the working poor, permanent.

Hedges said that under the new graduated income-tax system, about 60 percent of Coloradans would pay the same or less than they now pay in state income tax.

Unlike the 2010 effort, none of the six proposals would require lawmakers to set up the new tax system; voters would directly approve it. Another big change: None of the measures would extend the state's sales tax, which now applies only to the sale of goods, to services.

Hedges said her group decided to abandon extending the sales tax to services because it is still a regressive tax that hits the poor harder.

Finally, all the initiatives are written with the title of "A Fair Income Tax System," replacing the title on last year's initiative: "Modernizing Colorado's Revenue System."

If all the proposed tax increases were added up, they would total somewhere in the neighborhood of \$1.5 billion a year, Hedges said.

Jon Caldara, president of the libertarian-conservative Independence Institute, said Colorado had a graduated income tax system but abandoned it over two decades ago.

"This is really a throwback to the '80s," Caldara said. "I'm expecting Michael J. Fox to pop out of a DeLorean."

"We had a progressive tax structure, and we scrapped it in the '80s, wisely, for a flat tax, which was a real boost for the state of Colorado."

The initiatives now must be heard before legislative analysts at a hearing Feb. 17 before they can come before the title board.

Tim Hoover: 303-954-1626 or thoover@denverpost.com

Read more: [Group resubmits ballot initiative aiming to raise taxes and state revenue - The Denver Post](http://www.denverpost.com/legislature/ci_17299701#ixzz1OnFKWEpW) http://www.denverpost.com/legislature/ci_17299701#ixzz1OnFKWEpW

Read The Denver Post's Terms of Use of its content:

<http://www.denverpost.com/termsfuse>