



Fiscal Summary

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Measure: Initiative 314 – INCOME TAX RATE REDUCTION AND TAX EVALUATION COMMITTEE

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Fiscal Summary of Initiative 314

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 3.70 percent, the measure reduces General Fund revenue from income taxes by an estimated \$1.1 billion in FY 2026-27 and by \$2.4 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. In FY 2027-28, the first full fiscal year in which the measure reduces revenue, it reduces state income tax revenue by 15.9 percent.

The measure requires that the General Assembly pass legislation to repeal tax credits and deductions as necessary to offset the estimated revenue reduction from the income tax rate reduction, based upon the recommendations of the Tax Breaks Evaluation Committee established by the measure. Specific future legislative changes cannot be estimated at this time.

State Expenditures

The income tax rate cut in 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. The three largest areas of program expenditures are Health Care Policy and Financing, Education, and Higher Education. Based on current forecasts for FY 2026-27 and FY 2027-28, this revenue reduction would be expected to eliminate projected TABOR refunds for all taxpayers and reduce the amount available for the General Fund budget. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28.

The measure requires that the reduction in revenue is offset by increases in revenue that depend on future legislative actions of the General Assembly and cannot be estimated at this time.

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Eliminating tax credits and deductions may require one-time implementation costs, but decrease administrative expenditures over time.

In order to administer the tax rate change and to support the work of the Tax Breaks Evaluation Committee, the measure is expected to increase one-time General Fund expenditures by \$155,000 and 0.9 FTE in FY 2026-27. These expenditures are incurred by the Department of Revenue (\$30,000), the Office of the State Auditor (\$50,000 for 0.3 FTE), and Legislative Council Staff (\$75,000 for 0.6 FTE).

Economic Impacts

Some taxpayers will have more after-tax income available to spend or save, increasing their consumption of goods and services. To the extent that the General Assembly repeals specific tax credits and deductions, some taxpayers may have less after-tax income available to spend or save. Any overall change in economic activity will depend on the net economic impact of changes to after-tax income for households and businesses and any change in spending on public services as a result of the measure.

Taxpayer Impacts

The table below shows the estimated decrease in state income tax owed for individual income taxpayers with different levels of adjusted gross income if the income tax rate is lowered from 4.40 percent to 3.70 percent. Any increases in income tax owed by some taxpayers due to future legislative actions by the General Assembly to repeal tax credits and deductions would offset the decrease in income taxes owed by individuals and have not been estimated at this time.

Initiative 314 Change in Income Taxes Owed by Income Category

Income Categories*	Current Average Income Tax Owed	Proposed Average Income Tax Owed	Proposed Change in Average Income Tax Owed if Passed
\$25,000 or less	\$53	\$45	-\$8
\$25,001 - \$50,000	\$727	\$611	-\$116
\$50,001 - \$100,000	\$1,879	\$1,580	-\$299
\$100,001 - \$200,000	\$4,109	\$3,455	-\$654
\$200,001 - \$500,000	\$9,367	\$7,877	-\$1,490
\$500,001 - \$1,000,000	\$19,211	\$16,155	-\$3,056
\$1,000,001 - \$2,000,000	\$29,379	\$24,705	-\$4,674
\$2,000,001 - \$5,000,000	\$45,788	\$38,504	-\$7,285

* Adjusted Gross Income reported to the federal Internal Revenue Service