Initiative #271—Fair Tax Colorado
Factual Summary for
Jefferson County R-1 School District

What is Initiative #271—Fair Tax Colorado?

*Fair Tax Colorado* is citizen’s ballot initiative #271, which will be renamed as an Amendment if/when it qualifies for the ballot. This fact sheet will be updated with the new Amendment name and the most current Fiscal Impact Statement information when those updates occur. Initiative #271—Fair Tax Colorado would:

- Create a graduated income tax for individual taxpayers by lowering the tax rate on taxable income up to $250,000, and raising the tax rates on taxable income above this amount; and
- Increase state income tax revenue, with a requirement that at least half of the new revenue be spent on pre-primary through twelfth grade (P-12) public education, *raising between $600 million to $1 billion in additional, annual revenue for Colorado schools*, bringing them closer to the national average in school funding.*

**How would it impact funding for Jefferson County R-1 School District?**

If the initiative receives a simple majority of votes (50%+1) in the November 2020 election, Jefferson County R-1 School District would receive additional ongoing revenue beginning in 2021-2022 to serve about 81,674 students. Jefferson County R-1 School District would receive an estimated 8.3% to 13.8% increase, or:

$53.5 million to $89.1 million in annual, ongoing revenue*

The initiative would help address the loss in state share of revenue experienced each year since the 2009-10 school year. The loss in state share of funding for Jefferson County R-1 School District has been:

**Cumulative loss since 2009-10:** $874.6 million

**Loss in the 2020-21 school year:** $106.1 million

*A range for revenue increases is used to account for the economic uncertainty related to the COVID-19 health emergency. The most current Fiscal Impact Statement for Initiative #271 estimated $2 billion in revenue to be raised and this was prior to the economic impact from the health emergency.
What tax changes result in the additional revenue?

After providing 100% of Colorado taxpayers a tax decrease on the first $250,000 in taxable income (income after exemptions and deductions), the initiative raises the state individual income tax rate for taxpayers with taxable income over $250,000 using a graduated income tax with rates that apply to the portion of income that falls into each tax bracket.

Those with taxable income less than $250,000 (96% of Colorado taxpayers) will experience an income tax decrease under the measure. The impact of the graduated tax increase on taxpayers with higher earnings will differ based on a taxpayer’s taxable income. For example, a taxpayer with taxable income equal to $1,100,000 would be taxed at 4.58 percent for the first $250,000 in income; the subsequent $250,000 would be taxed at a rate of 7.0 percent; the next $250,000 would be taxed at 7.75 percent; and, the final $100,000 would be taxed at a rate of 8.9 percent.

How will taxpayers in Jefferson County R-1 School District be impacted?

Unlike local Mill Levy Override (MLO) elections where school districts have looked to increase local property taxes to help offset losses in state share funding for their local school district, this initiative is statewide and would raise revenue for all school districts, while supporting other state budget priorities. Based on US Census Bureau data on income levels, in Jefferson County R-1 School District:

- 95.75% of households will experience a tax decrease
- 4.25% of households will experience a tax increase

If Jefferson County R-1 School District looked to local voters to raise this same amount of revenue, a local MLO election would require all property tax payers (residential and business) in the school district to approve an increase of between 4.92 and 8.19 mills in a local MLO election.

How will the new revenue be spent?

The initiative requires that the portion of new revenue spent on education be used to recruit, retain, and pay teachers and student service providers and to fund categorical programs. Student service providers may include school counselors, social workers, nurses, audiologists, speech language pathologists, and other service providers working in schools. Categorical programs include special education, English language learning, gifted and talented and vocational programs, and transportation.

Any remaining amount above what is spent on education must be used “to address the impacts of a growing population and a changing economy.” The state legislature will determine how to spend these funds on programs to serve other areas of the state budget.

### Arguments For

- The measure provides needed funding to Colorado’s schools. Colorado spends less on education per student than most other states, with low teacher pay limiting school districts’ ability to recruit and retain highly qualified teachers. Because of the COVID-19 pandemic, the state shortfall in funding P-12 public education has doubled and is now over $1 billion below its commitment to provide state aid to fund Colorado schools.
- The measure provides tax relief for over 96 percent of Coloradans. Most households will have more after-tax income to spend under the measure, boosting economic activity by lifting incomes for those who need it most. The measure corrects a tax system that imposes the highest combined burden from all state taxes and fees on the poorest citizens. Taxpayers with over $200,000 in income pay roughly 3.9 percent of their income in state taxes and fees, the lowest rate of any income group, while taxpayers in the bottom half of the income distribution pay 4.7 percent.

### Arguments Against

- The measure is a tax increase of up to $2 billion on households and businesses. Those whose taxes will increase under the measure already pay the most taxes under the current system. Further, the COVID-19 crisis has already sent the economy into a deep recession. The measure worsens these impacts, hiking taxes for business owners when they are trying to keep workers on payrolls and keep their doors open. This measure is being offered at the wrong time and will undermine the economic recovery.
- Instead of increasing taxes, the state government needs to be more efficient with the billions of dollars in tax revenue it already receives. Additional education funding could come from other areas in the budget. Further, the measure lacks accountability for half of the new revenue it generates because it includes no meaningful guardrails on how funds may be spent. The state government needs to prioritize spending on the most important programs within its current means.

Resource documents for additional information: Fiscal Impact Statement for Initiative #271 (Colorado Legislative Council Staff); School Finance in Colorado (Colorado Legislative Council Staff); Fair Tax Colorado: Funding Scenarios for School Districts (Colorado School Finance Project)

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