



The Bell Policy Center

Research • Advocacy • Opportunity

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Preliminary Analysis of Proposition 101

Proposition 101 (“Concerning limits on government charges”) is intended to drastically reduce a wide range of state and local taxes and fees in Colorado.

The first sentence of the measure reads, “This voter-approved revenue change shall be strictly enforced to reduce government revenue.” Proponents say they intend for this language to be interpreted according to the provision in TABOR that defines spending limits. If so, then **proponents clearly intend to repeal Referendum C**, passed by voters in 2005, and impose a new, lower state spending limit moving forward. And just like before Ref C, this new limit would ratchet down state spending after recessions.

Proponents also intend the measure to impose new, lower spending limits in all cities and counties in Colorado.

Based on preliminary estimates from the Bell Policy Center, when fully implemented the provisions of Proposition 101 would reduce state income tax revenues by \$1.2 billion per year (current value), state and local revenues from a range of sales taxes and vehicle fees by well over \$1.1 billion per year (current value), and state revenues from telecommunications charges and fees by \$4.5 million (current value) per year.

When fully implemented, the provisions of Proposition 101 would cut **state revenue** (current value) by at least:

1. \$1.2 billion in income tax revenues (rate reduced from 4.63% to 3.5%)
2. \$179 million in transportation revenues from elimination of FASTER fees
3. \$164 million in transportation revenues by cutting registration, license and title fees to \$10 per vehicle
4. \$100 million in sales taxes from exempting \$10,000 in vehicle value from sales taxes
5. \$22 million by eliminating sales taxes on rental vehicles
6. \$4.5 million in telecommunications fees by prohibiting all fees, except those to fund 911 services. Another \$72 million that is used to subsidize telecommunications services in rural areas would be cut, but these funds go to a private escrow account and not the state.

Total equals \$1.7 billion

When fully implemented, the provisions of Proposition 101 would cut **local government revenue** by at least:

1. \$500 million in specific ownership taxes by cutting them to \$2 per new vehicle and \$1 per used vehicle
2. \$100 million in sales taxes from exempting \$10,000 in vehicle value from sales taxes (based on an average 3 percent sales tax rate for local governments)
3. \$22 million by eliminating sales taxes on rental vehicles (based on an average 3 percent sales tax rate for local governments)

Total equals \$622 million

Totals do not include the loss of state and local sales taxes on leased vehicles because we were not able to gather the necessary data on vehicle leases to calculate this amount.

Our calculations for the amount of sales taxes reduced by the \$10,000 exemption on the value of a vehicle are based on sales of new and used vehicles at Colorado franchised new vehicle dealers only. They do not include sales by independent auto dealers and private individuals.