

MEMORANDUM

To: Sustainability Committee

From: James Jacobs

Revenue Differences Between 5% Income Tax Rate and 3% Sales Tax Rate and Current Rate

Income Tax Revenue

What would be generated if the state income and state sales taxes were restored to their status as of 1999? The General Assembly began the process of permanently reducing the rates in 1999. They adopted these bills in order to reduce revenue due to provisions of the TABOR Amendment that required excess revenue to be returned to the taxpayers.

	FY 09	FY 10 est.	FY 11 est.	FY 12 est.
\$ Millions				
Net Individual Income	4,333.3	4,335.9	4,608.5	4,675.8
Net Corporate Income	292.5	329.1	341.6	364.7
Total	\$4,626	\$4,665	\$4,950	\$5,041
Total divided by current				
state income tax rate of 4.6%	999	1,007	1,069	1,089
Roughly each 1% =	\$1.0 billion			
5%-4.63% =	0.37%			
Revenue from 0.37%	about \$370 million			

Sales Tax Revenue

The current state sales tax rate of 2.9% generates about \$2.1 billion each year. That translates about \$745 million in revenue for each 1% on the state sales and use tax rate. Each 0.1% would therefore generate about \$75 million in revenue.

	FY 09	FY 10 est.	FY 11 est.	FY 12 est.
\$ Millions				
Sales	1,931.1	1,881.2	2,010.0	1,979.2
Use	176.7	155.8	164.4	170.8
Total	\$2,108	\$2,037	\$2,174	\$2,150
Total divided by current				
state sales tax rate of 2.9%	727	702	750	741
Roughly each 1% =	\$745 million			
3%-2.9% =	0.10%			
Therefore, each 0.1% =	about \$75 million			

Total Income and Sales \$370 million plus \$75 million = \$445 million