

Fees, regulations outpace tax advantages

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Editor's Note: Once among the nation's fastest-growing economies, Colorado today confronts mounting challenges that threaten its momentum. This series reveals how a state once defined by prosperity is navigating economic cliffs and ridges. We explore the impact that increased regulations, tariffs, shifting tax policies, the high cost of living and widening urban– rural divides have on businesses, workers, and communities. The series also highlights the push to leverage Colorado's outdoor economy — one of its most valuable assets — for renewed growth, while working to attract industries like quantum and aerospace.



New Registered Bus
Business Renewals
2025 Tax State Tax
competitive index = 33
overall sales tax rating = 39
Use of fees vs taxes

Note

From income and property taxes to sales, payroll and local levies, taxes and fees make up a substantial share of the cost of doing business in Colorado. The exact obligations depend on a company's structure and its operating locations.

When considering only taxes, Colorado appears to have a favorable rating nationally. However, once other fees and obligations are factored in, business experts said the Centennial state is slipping, and it will likely continue to do so under the Democratic-led legislature and Gov. Jared Polis.

The number of new registered businesses and corporations in Colorado has increased by more than 7% since this time last year, according to the Secretary of State's Office.

However, signs of a slowdown are emerging: in the third quarter of 2025, new registrations declined by nearly 13% from the previous quarter.

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Business renewals, which occur when companies notify the state that they are still operating, also declined slightly, down just under 2% from the third quarter of 2024 and 6.2% from the second quarter of this year.

At the national level, Colorado continues to fall in the 2025 state tax competitiveness index, released Oct. 30, ranking 33rd.

The upside is that Colorado had the lowest sales tax rate in the country at 2.9%. However, the study, published by the Tax Foundation, an international think tank based in Washington, D.C., finds a lack of uniform sales tax administration that – the group said – affects remote sellers without a physical presence in Colorado. And Colorado's overall sales tax ranking is 39th, down from 2024.

More telling, the rankings for sales tax, corporate and individual income tax, and overall taxes dropped in the past year. All of Colorado's seven neighboring states were ranked as better for small businesses in the study.

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Beyond taxes

Kelly Caulfield, executive director of the Common Sense Institute, said state-imposed fees are the real headache for Colorado businesses – not taxes. ↗

The number of fees exempt from the Taxpayer's Bill of Rights, or TABOR, in Colorado has increased by 3,400% since the amendment was adopted in 1994. Additionally, government revenue from taxes and fees increased by over 60% from 2011 to 2021, according to a CSI study.

"If things feel more expensive, they are, and it's something that businesses small and large are feeling here in Colorado," Caulfield said.

Caulfield said that while businesses in Colorado tend to see lower taxes than

"I don't know which way things will go over the next decade, but what I hope is that dialogue reigns supreme at the end of the day, and we can have conversations, work on where we want to go, and find solutions that are making Colorado better and also ensuring that Colorado is a great place to do business."

Parker White, executive director of the Colorado Competitive Council

average, once fees are factored in, "it becomes a more concerning story and it's not necessarily as easy to understand."

At a recent conference hosted by the Common Sense Institute, the organization's enterprise fellow, Ross Kaminsky, criticized the state for often bragging about low tax rates but not acknowledging that increased fees across a variety of areas are just as costly and frequently push the boundaries established by TABOR.

Kaminsky said that by creating fee limits that meet TABOR requirements – where lawmakers must obtain voter approval for tax increases – Colorado has been able to establish a variety of new fees.

Kaminsky also criticized the Colorado Supreme Court for allowing this practice to continue.

CSI ranked Colorado 26th nationally in free-enterprise competitiveness, down 11 points from 2011.

Earlier this year, Nash Herman, a policy analyst at the Independence Institute, wrote that policymakers and advocates who push for government regulations hope to restrict "big corporations from exploiting workers and the environment."

"What really happens is that increased regulations raise the barrier to entry for small businesses and consolidate more of the market share for big corporations," he wrote.

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The problems that Colorado is seeing is the direct result of a “shift toward bigger government and away from the free market,” he argued. “Over-regulation, over-spending, and over-taxation are the key culprits. To Coloradans who have witnessed the economy’s decline, the most noticeable difference between today and twenty years ago is that the state now more closely resembles California more than the entrepreneurial Colorado of old.”

Note

While some view taxes and fees as a burden, they fund state and local programs, including law enforcement and fire departments, transportation infrastructure maintenance, public schools, and natural resource management, their advocates countered.

And those advocates also regard the Taxpayer’s Bill of Rights as limiting the ability of governments to fully fund its operations.

Most businesses are not opposed to all taxes, said Parker White, executive director of the Colorado Competitive Council.

“They want to live in a community that has services,” he said. “They want to commute on nice roads and have a police force and fire department, and they benefit from the education to workforce pipeline. However, the more taxes a business has to pay, the less capital that business has to expand and grow.” As tax burdens increase, White stressed that businesses become less competitive, giving other states an advantage.

Losing competitiveness

Who?

Colorado is the sixth-most regulated state in the country, surpassing all of its major competitors.

“Businesses are generally looking to have as little regulation as possible,” White said.

That said, states have a responsibility to place some guardrails and regulations to protect consumers, he acknowledged.

Although businesses are often attracted to states with fewer regulations, they also want highly-skilled employees, White added. With the highest percentage of college-educated residents in the nation, Colorado’s talent pool can make the regulatory costs worthwhile for some employers, he said.

“Colorado’s workforce is exceptionally highly educated — people want to live here, and we import a lot of talent into Colorado, so businesses are looking at these things,” said White. “They’re weighing these dynamics back and forth, because it may be more expensive to do business in Colorado, but it’s also easier to hire a talented workforce and keep them in Colorado.”

While a skilled workforce is helpful, Colorado is losing ground in business friendliness, according to business leaders and advocates.

“This is showing a significant decline, and our data showed that the driving factors behind that decline were significant decreases in housing affordability, public safety, and education, as well as a decrease in our budget competitiveness,” Caulfield said.

The cost of living has been a top priority in the state legislature, and some lawmakers, particularly Republicans, are adamant that eliminating specific fees and lowering taxes could help address Colorado’s affordability crisis.

However, Caulfield said, eliminating fees isn’t as easy as it sounds.

“The state budget’s in a bit of a crisis, so really the only tool in the toolkit is to increase fees,” she said. “I think that there’s a need to make things more affordable in Colorado, and both sides of the aisle under-

stand that, yet I do express some concern because I expect that fees are the easiest way for the legislature to address some of our budget shortfall where they have control."

Looking ahead, both Caulfield and White don't expect much to change in Colorado's regulatory and tax landscape.

"I don't know which way things will go over the next decade, but what I hope is that dialogue reigns supreme at the end of the day, and we can have conversations, work on where we want to go, and find solutions that are making Colorado better and also ensuring that Colorado is a great place to do business," White said.

Caulfield said it's very likely lawmakers will continue to pass legislation imposing new fees and enterprises, especially during financially difficult times.

"With the construct of TABOR, you're gonna continue to see the legislature rely more heavily on fees to build back the state budget," she said.

White remained optimistic.

"I'm a firm believer that if you are involved in the state legislature, whether it's as a lawmaker or a policy advocate for any organization, we're all down there because we want the same thing – we want a better Colorado," he said.

'Best place to launch, grow a business'

Gov. Jared Polis said he's made it a top priority during his administration to cut property taxes and reduce "red tape" to attract businesses to Colorado.

"I'm proud that Colorado has reduced the income tax three times during my time as governor, twice at the ballot box, which I supported, and once through the legislature," he said. "We also cut the property rate and put a cap in place. I have been focused on making Colorado the best place to launch and grow a business, and that includes lower taxes for Colorado businesses."

In 2021, Polis signed Senate Bill 293 into law, which reduced property tax assessment rates for certain industries. The following year, the legislature passed the bipartisan Senate Bill 238, which reduced the assessment valuation for nonresidential properties.

"We've streamlined overburdensome regulations where possible and continue to evaluate more opportunities to scale back," he continued. "I called on the legislature to do this in my State of the State address, and earlier this year I took a table saw to more than 200 outdated executive orders to cut through red tape."

Polis noted a recent report that named Colorado the 10th-best state in the country to start a business – the state ranked seventh for its business environment and eighth for its business funding and resources.

It ranked 35th for the cost of doing business.

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