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Capped or graduated income tax rate?

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Colorado voters to decide

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The proposal to create income tax tiers — which would replace Colorado's flat rate — has been certified for the November general election ballot, setting the stage for a major showdown between two competing forces seeking to define the parameters of state revenue.

Initiative No. 195, which would raise the tax obligations on higher-income earners, will compete directly with Initiative No. 232, a statutory proposal to cap the state's rate at 4.4%.

Whichever measure receives more votes will determine the rate Coloradans will pay.

Initiative No. 195's proponents have long argued that higher income earners should pay more in taxes, while those at the lower end should get a tax cut. Critics said it would hurt, not help, the state.

Those arguments are familiar in the long-running debate that perennially occurs across America over how to tax income. Supporters have insisted that bringing in more tax revenue would pay for the state's priorities, arguing programs are underfunded. Critics have countered that a graduated tax system that exponentially increases liabilities for some not only dissuades companies from moving to Colorado, it perpetuates the state's problem of overspending.

Initiative No. 195, which is backed by a coalition of about 20 mostly progressive groups, had submitted 165,765 signatures, of which 130,938 were declared valid.

That cut it close to the signature requirement for ballot measures set at 124,632.

The measure includes a constitutional change, which required supporters to gather 2% of valid signatures from voters in each of Colorado's 35 state Senate districts.

The signature requirement for the Senate districts ranged from a low of 2,000 signatures to about 3,000. And, in most of the districts, the proponents submitted nearly 1,000 signatures above the requirement.

"It's official," the Bell Policy Center, one of the proponents of the tiered rate system, said on X. "Income Tax Fairness is on the ballot! Colorado's tax system is broken. A nurse or teacher making $50K pays the same rate as a millionaire or big corporation. Under Initiative 195, 97% of taxpayers get a tax cut, & no one under $500K pays a penny more."

"Voters aren't going to support a measure that raises taxes on seniors, veterans, and small businesses," said Michael Fields of Advance Colorado, the proponent of capping the income tax rate at 4.4%.

"Game on!" he added on X.

The graduated income tax, if approved by voters, would work like this, according to Protect Colorado's Future, the coalition behind the tiered system.

Based on the coalition's chart, people and businesses earning up to $1 million would see a tax cut of roughly $300, while those who make above that threshold would pay thousands of dollars more.

In a statement, Protect Colorado's Future said the ballot measure would cut taxes for 97% of Colorado taxpayers, raise $2 billion annually for K-12 education, healthcare and childcare and increase taxes only on the wealthiest 3% of individuals and largest 5% of corporations that make more than $500,000 annually.

The measure also mandates an annual, independent public audit to ensure the dollars are spent as required.

"Young people in Colorado are facing increasing rent costs, stagnating wages and the programs we rely on being cut, all while the wealthiest keep getting wealthier. Initiative 195 qualifying for the ballot means voters have the opportunity to create a fairer tax code that rebalances the scales," said coalition co-chair Christina Soliz of New Era Colorado.

Jon Caldara of the Independence Institute told Colorado Politics that, if the measure passes, it would be a "death knell" for Colorado economically, adding it would come at a time when states across the country are fighting to be either low-tax or no-tax at all.

Note

"If this were to pass, we would join California and New York as an exit state for businesses and people," he said.

Even if people like the idea of a progressive income tax, the measure is fatally flawed because it isn't indexed to inflation, Caldara said.

And that's deliberate, he added. "You might pay a lower tax rate to begin with, but with enough time we would all be in the top bracket," Caldara said.

He pointed out that the federal government eliminated "bracket creep" in former President Ronald Reagan's first term.

He called a graduated income tax archaic.

Caldara also noted the Independence Institute promoted the flat tax in 1987, and a Democratic governor — then-Gov. Roy Romer — signed it into law.

"The flat tax has served Colorado remarkably well," Caldara said.

Initiative No. 195 was the last ballot measure awaiting approval from the Secretary of State's Office.

With the dust now settled, there will be 14 ballot measures on the 2026 general election ballot. Of those, 13 measures came through the petition process. The 14th was sent to the ballot by the Democrat-dominated state legislature.

Six of the 13 petition measures are constitutional amendments, including Initiative No. 195; the other seven are statutory in nature.

There's also a statutory ballot measure submitted by Democrats at the Colorado General Assembly, Proposition NN, which would increase the TABOR cap, with funds to be spent on K-12 education and to put some of those dollars into a "children's account" with yet-tobe-defined purposes.