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Colorado Legislative Council

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ESTIMATES OF REVENUE AND TAX BURDEN EFFECTS OF SOME PROPOSED CHANGES IN THE COLORADO STATE TAX STRUCTURE

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ESTIMATES OF REVENUE AND TAX BURDEN EFFECTS OF SOME PROPOSED CHANGES IN THE COLORADO STATE TAX STRUCTURE

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The following analyses and attached tables are in response to the Legislative Council request for projected estimates of revenue and tax burden effects of six specific proposals for changing the present Colorado state tax structure. The cost and distributional impact of a "circuit-breaker" property tax refund provision was presented in the Colorado Predictive Income Tax Model Report and is not included below.[1/] All of the analyses were based on revised tax information provided by the computerized CTPS data bank. The overall state revenue effects of these proposed modifications were first calculated for fiscal year 1972 and then updated to fiscal years 1974 and 1975. The latter estimates were developed primarily from income and population growth information obtained from secondary sources. The distributional effects of these tax changes were developed by classifying Colorado taxpayers on a merged household basis into the same five major income categories used in the original Colorado Tax Profile Study. Although the tax burden analysis was based on fiscal year 1972 data it is believed that the distributional pattern will not be materially different for fiscal years 1974 and 1975.

[1/] See Colorado Predictive Income Tax Model, Phase I Report, Colorado Legislative Council, Research Publication No. 204, (Denver, Colorado), March 1974, pp. 22-27.

1. SALES TAX FOOD CREDITS VERSUS FOOD EXEMPTION

It is generally recognized that providing food sales tax refunds or exempting food from the sales tax base will reduce the regressivity of the tax. However, a fixed food tax credit program will result in a relatively larger tax reduction for low income households than the food exemption proposal. Of course, the total state revenue loss associated with a refund program depends upon the dollar size of the credit.

a) Revenue Effects -- It is estimated that raising the food tax credit from $7 to $14 per normal exemption would result in a revenue loss of $15.5 million for fiscal year 1974, and raising the credit to $21 will reduce taxes by $31.0 million for the same year. On the other hand, it is estimated that if the $7 tax credit had been replaced by a provision exempting all food consumed off premises, the net tax reduction would have been only $26.6 million or about 14 percent less than the estimated cost of the $21 food tax credit.

The above cost figures are considered to be reasonable estimates of the overall revenue losses. For example, the Colorado estimate of food purchased for home consumption was checked against the national ratios of reported food expenditures to income. According to the Revenue Department's Annual Report, net sales tax collections from retail food stores for fiscal year 1972 amounted to only $27.5 million. But the Revenue Department figure is based on sales tax collections classified by type of business firm and does not represent actual food expenditures of Colorado households. In contrast, based on the consumer expenditure analysis developed for the original Colorado Tax Profile Study, a 3 percent sales tax on food consumed at home by Colorado residents for the same period amounted to $33.4 million. The latter figure is a more accurate estimate since it represents Colorado food purchases of $1,120 million, or 15.1 percent of the revised adjusted gross income of $7,349 million for that year. This Colorado ratio of food expenditures to income is only slightly less than the 1971 national ratio of 15.4 percent derived from independent sources.[2/] Updating the Colorado data for price inflation and population growth raises the dollar amount of the estimate of the 3 percent Colorado sales tax on food from $33.4 million for fiscal year 1972 to $42.1 million for fiscal year 1974.

The net tax reductions that would result from these alternative means of modifying the present state sales tax structure are summarized below:

For Fiscal Year 1974	Dollar Value (in millions)	Tax Reduction (in millions)
Food tax credit of $7	$15.5	--
Food tax credit of $14	31.0	$15.5
Exempt food from tax base	42.1	26.6
Food tax credit of $21	46.5	31.0

b) Tax Burden Effects -- The percentage distributions of the state sales tax and the alternative tax reduction plans among Colorado

[2/] On the national level, food consumed off premises in 1971 amounted to $103.5 billion (U.S. Department of Commerce, Survey of Current Business, July 1973) and adjusted gross income reported on 1971 federal tax returns was $673.6 billion (U.S. Internal Revenue Service, Statistics of Income, 1971 Individual Tax Returns, 1974).

resident households, classified by the five major income categories used in the original CTPS study, are as follows:

Adjusted Gross Income Classes	Revised Adjusted Gross Income	Sales Tax Without Food Exemption or Tax Credits	Tax Reduction Resulting from Food: Exemption	Tax Credits
Under $ 5,000	8.2%	15.5%	18.5%	23.7%
$ 5,000 to $10,000	22.8	24.8	26.0	27.7
$10,000 to $15,000	27.1	27.2	26.0	26.6
$15,000 to $25,000	25.1	27.1	20.3	17.2
$25,000 and over	16.9	10.8	9.2	4.8
Totals	100.0%	100.0%	100.0%	100.0%

The first two columns reveal the inherent regressivity of the sales tax when it includes food in the base without any offsetting food tax credits. Under this situation taxpayers in the lowest income category with only 8 percent of the income would account for about 16 percent of the tax, whereas those in the highest stratum with almost 17 percent of the income would account for only 11 percent of the tax. The latter two columns compare the distributions of the tax reductions that would result from removing food from the sales tax base with that obtained by use of the food tax credit. It is strikingly clear that the poorest households fare best under the food tax credit plan. Taxpayers with adjusted gross incomes of less than $5,000 would receive about 19 percent of the tax benefit resulting from the exemption of food, but 24 percent of the total refunds under the food tax credit plans. In contrast, taxpayers with adjusted gross incomes of $15,000 or more would receive almost 30 percent of the tax reduction under the food exemption plan, but only 22 percent of the food tax refunds. The detailed distributional effects of these alternative methods for reducing the regressivity of the sales tax are presented in the appended Tables 1 through 4.

The following tabulation shows the sales tax burdens expressed as percentages of adjusted broad income for both the lowest and highest income categories:

	Relative Tax Burden on Adjusted Broad Income for Taxpayers with Income: Under $5,000	$25,000 or More	CTPS Progressivity Index
No food tax credit	1.85	.92	2.01
$ 7 food tax credit	1.47	.87	1.69
All food exempt	1.23	.70	1.76
$14 food tax credit	1.16	.82	1.41
$21 food tax credit	.81	.77	1.05

The sales tax burden is minimized for the highest income families when food is exempt from the sales tax base, and for the poorest households under the $21 tax credit plan. Evan a $14 credit would result in a smaller burden that the food exemption plan for taxpayers in the lowest income stratum. In terms of the progressivity measure developed for the CTPS study,[3/] i.e., the ratio of the sales tax burden of the lowest income class to the highest, the index on an adjusted broad income basis would drop from 1.69 for the $7 credit to 1.05 for the $21 credit, whereas it would actually increase to 1.76 under the food exemption plan.

In summary, the overall state revenue loss of raising the food tax credit to $21 per normal exemption is estimated to be $31 million for fiscal

[3/]See Colorado Tax Profile Study, Colorado Legislative Council, Research Publication No. 202, (Denver, Colorado), October 1973, p. 34.

year 1974, or only about $4 million more than the cost of removing all food from the sales tax base. However, the tax burden effects of these two plans are significantly different -- exempting food in lieu of the $7 food tax credit actually makes the tax more regressive, whereas increasing the credit to $21 makes the sales tax about proportional.

2. RAISE THE VALUE OF PERSONAL EXEMPTIONS

Despite the fact that the Colorado income tax structure has remained unchanged for more than a decade, Colorado taxpayers actually have been subjected to increased state income taxation because of inflation and the growth of nominal income which has shifted taxpayers into higher tax rate brackets. The present $750 personal exemption has been in effect since 1957, but during this period (1957-1973) the consumer price index rose by 64 percent and Colorado per capita personal income increased by 149 percent.[4/] It is evident that the basic $750 exemption value does not approximate the cost of a minimum standard of living in Colorado today. Moreover, the Colorado tax code does not provide any preferential treatment for taxpayers who qualify under the federal code as "heads of households," i.e., single persons with one or more dependents. This section analyzes the revenue and distributional effects of raising the present $750 personal exemption to $1,000 and providing a $1,250 exemption to taxpayers who qualify as heads of households. The detailed results are presented in Tables 5 and 6.

a) Revenue Effects -- If the above described exemptions had been in effect in fiscal year 1972 the normal income tax liability for all Colorado taxpayers would have been $135 million instead of $154 million. These data projected to fiscal year 1975 indicate that with the present $750 exemption the income tax liability will be about $265 million, whereas with raised exemptions it would be about $242 million -- a reduction of $23 million or almost 9 percent.

[4/] See Colorado Predictive Income Tax Model, Phase I Report, Colorado Legislative Council, Research Publication No. 204, (Denver, Colorado), March 1974, p. 12

b) <u>Tax Burden Effects</u> -- Raising the value of exemptions makes the tax structure markedly more progressive since the number of exemptions per household does not vary directly or proportionately with income. In other words, the dollar value of a family's exemptions expressed as a ratio of its income is highest for taxpayers with the lowest incomes, and conversely smallest for those with the highest incomes.

Based on the revised income tax liability for fiscal year 1972 the following tabulation shows the average tax before and after raising exemption values for each of the five major income categories:

Adjusted Gross Income Classes	Average Normal Tax With Present Exemption	Average Normal Tax With Raised Exemption	Average Reduction in Normal Tax Amount	Average Reduction in Normal Tax Percent
Under $ 5,000	$ 18	$ 14	$ 4	22%
$ 5,000 to $10,000	107	86	21	20
$10,000 to $15,000	222	184	38	17
$15,000 to $25,000	449	396	53	12
$25,000 and over	1,502	1,447	55	4
Totals	$ 186	$ 163	$23	12%

This revision would reduce the average tax by 22 percent for taxpayers with adjusted gross incomes of less than $5,000, contrasted with a 4 percent reduction for those in the highest income stratum. Moreover, taxpayers in the latter group, accounting for 28 percent of the total tax would receive only 8 percent of the dollar value of the tax reduction; whereas those with incomes of less than $10,000, accounting for less than 20 percent of the tax would receive more than 30 percent of the reduction.

Similarly, the distributional effects of a change in exemptions is revealed when the tax liability is expressed as a percentage of either adjusted gross or broad income. The following tabulation compares the relative income tax burdens of households in the lowest and highest income classes under these alternative exemption provisions:

Adj. Gross Income Basis	Income Tax Burden on Households with Income: Under $5,000	Income Tax Burden on Households with Income: $25,000 or More	CTPS Progress-ivity Index
Present Exemption	.81	3.49	.232
Raised Exemptions	.63	3.37	.187
Adj. Broad Income Basis			
Present Exemption	.49	3.08	.159
Raised Exemptions	.38	2.97	.128

Although raising the value of the exemptions reduces the tax burdens for all income groups, its progressive nature is clearly indicated by the change in the CTPS progressivity index based on either adjusted gross or broad income. Measured in terms of adjusted gross income, this revision of the state income tax would reduce the tax burden ratio of the lowest to the highest income class from .23 to .19 (i.e., the relative income tax burden of the rich would become approximately five times instead of four times as heavy as that on the poor). Also, it is important to note that the progressivity index for the state income tax would be about the same as that for the federal income tax on Colorado resident taxpayers. In other words, raising the value of the regular exemptions by $250 and the head of household exemptions by $500 would make the Colorado state income tax relatively as progressive as the federal income tax.

3. COLORADO INCOME TAX COMPUTED AS A FIXED PERCENTAGE OF THE FEDERAL INCOME TAX

It has often been suggested that one of the most effective means for simplifying tax reporting and improving taxpayer compliance on the state level would be to compute the state income tax as some fixed percentage of the taxpayer's federal income tax. In order to raise the same amount of revenue as that provided by the present tax would require a uniform rate of slightly more than 16 percent of each Colorado taxpayer's federal tax liability.[5/] A uniform tax rate initially could be established which would not have any effect on the level of total revenues. However, if such a rate remained unchanged over a period of years during which income was steadily rising, the increases in revenues would be greater under the revised tax plan than under the present state tax because of differences in progressivity. In other words, the income elasticity of the federal tax is greater than that of the state tax, and therefore any increase in before tax income will give rise to higher revenue yields under the proposed revision than the amount that would be generated under the present tax structure.

More importantly, even if the total tax revenues were approximately the same under both methods, "piggy-backing" the state tax on the federal tax will result in a significant change in the distribution of the state tax burden among income categories since the revised state tax would simply parallel the federal tax pattern. The following tabulation based on data for fiscal year 1972 compares present average state income taxes

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[5/] Based on revised income tax data for fiscal year 1972, the Colorado state income tax amounted to $154.1 million or 16.24 percent of the $948.6 million of federal income tax taken as deductions on state returns.

for each of the five major income categories with those derived as a fixed percentage of the taxpayer's federal tax.

Adjusted Gross Income Classes	CTPS Revised: Present Federal Tax	CTPS Revised: Present State Tax	State Tax @ 16.24% of Federal Tax	Change in State Tax: Dollar Amount	Change in State Tax: As % of Present Tax
Under $ 5,000	$ 106.21	$ 18.50	$ 17.25	$- 1.25	-6.8%
$ 5,000 to $10,000	693.61	107.47	112.64	5.17	4.8
$10,000 to $15,000	1,317.89	222.10	214.03	- 8.07	-3.6
$15,000 to $25,000	2,497.46	449.61	405.59	-44.02	-9.8
$25,000 and over	10,302.02	1,501.60	1,673.05	171.45	11.4
Total	$1,142.91	$ 185.62	$ 185.62	--	--

Because the federal tax is more progressive than the present state tax this revision would result in an average tax increase of about 11 percent for taxpayers in the highest income category compared with a reduction of almost 7 percent for those in the lowest stratum. But it is important to note that because the federal tax has a split-income provision which primarily benefits married taxpayers in the upper-middle income category ($15,000 to $25,000), the average state tax for these households would actually be reduced on net balance by almost 10 percent.[6/] The detailed analysis of the distributional effects of setting the Colorado state income tax as a fixed percentage of the taxpayer's federal income tax is shown in Table 7.

Finally, the effect of this proposed modification on the overall progressivity of the state income tax can be summarized by expressing the comparable tax burdens as percentages of adjusted gross and broad

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[6/] See the following section for a detailed analysis of the effect of adding a split-income provision to the present state tax.

income for each of the major income categories as shown below:

Adjusted Gross Income Classes	Relative Tax Burden on Adj. Gross Income		Relative Tax Burden on Adj. Broad Income	
	Present Tax	Tax @ 16.24% of Fed. Tax	Present Tax	Tax @ 16.24% of Fed. Tax
Under $ 5,000	0.81	0.76	0.49	0.46
$ 5,000 to $10,000	1.43	1.50	1.29	1.36
$10,000 to $15,000	1.81	1.74	1.71	1.65
$15,000 to $25,000	2.42	2.19	2.30	2.08
$25,000 and over	3.49	3.89	3.08	3.44
Total	2.06	2.06	1.81	1.81

On the adjusted gross income basis the net effect of "piggy-backing" the state tax on the federal tax would be to make the relative tax burden for taxpayers in the highest income stratum approximately five times instead of four times greater than that on those in the lowest stratum. Or in terms of the CTPS progressivity measure the index would be reduced from .23 for the present state tax to about .19 for one based on the federal tax. Of course, this change in the distributional impact of the tax should be considered against the advantage of simplified reporting and the disadvantage of having state tax revenues statutorily tied to federal tax policy developments.

4. SPLIT-INCOME PROVISION FOR MARRIED TAXPAYERS

Under the federal income tax code the tax for married taxpayers who file joint returns is approximately equivalent to a tax obtained by applying the rate structure for single taxpayers to one-half of the married couple's combined net taxable income which amount is then doubled. The net effect of this method of computation reduces the marginal rates which otherwise would be applied to their net taxable income. Since the Colorado tax code does not provide for the splitting of income, a married couple with income attributable to both spouses generally will be subjected to a higher tax if they file a joint return instead of separate returns. As noted in the original Colorado Tax Profile Study,[7/] because of this difference between the federal and state tax codes more than 31 percent of the state income tax returns filed in 1972 were "married-separate" returns, whereas on the federal level only about 3 percent were of this type.

The following analysis describes the revenue and distributional effects of a split-income provision if it were applied to the present Colorado individual income tax. The detailed results are presented in Tables 8 through 12.

a) Revenue Effects -- If a split-income provision had been in effect in fiscal year 1972 and if all taxpayers who filed "married-separate" returns had taken advantage of this provision by filing joint returns, the tax liability for that year would have been $138 million instead of $154 million -- a reduction of $16 million that would be attributable to this

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[7/] See Colorado Tax Profile Study, Colorado Legislative Council, Research Publication No. 202, (Denver, Colorado), October 1973, p. 15.

one revision. On the basis of the present Colorado income tax structure and adjusting the data for population and income growth it is estimated that the projected tax liability on the 1974 tax returns to be filed in 1975 will be approximately $265 million. If a split-income provision were enacted and in effect in fiscal year 1975 it is estimated that the tax liability would be $240 million -- a tax reduction of $25 million, or a net loss in state income tax revenues of about 9 percent.

b) Tax Burden Effects -- It is apparent that a split-income provision would only benefit married taxpayers who presently file joint or married-separate returns. Although such taxpayers represented almost 62 percent of all households, they are concentrated in the middle and upper-income categories. For example, married taxpayers represented only about 30 percent of the households in the lowest income stratum, but more than 90 percent of all taxpayers with incomes of $10,000 or more. On the basis of the tax returns filed in fiscal year 1972, the greatest absolute and relative benefits from the enactment of a split-income provision on the state level would accrue to married taxpayers in the upper-middle income class.

The following tabulation compares the percentage distributions of income, tax liability and tax reduction for married taxpayers classified by the five major income categories used in the original CTPS study:

Adjusted Gross Income Classes	Percent Distribution of Married Taxpayers: Number of Households	Adj. Gross Income	Present Normal Tax	Tax Reduction
Under $ 5,000	19.3%	4.2%	0.8%	0.1%
$ 5,000 to $10,000	28.6	18.6	10.3	7.5
$10,000 to $15,000	28.4	29.5	24.4	25.0
$15,000 to $25,000	18.5	28.8	33.0	40.0
$25,000 and over	5.2	18.9	31.5	27.4
Totals	100.0%	100.0%	100.0%	100.0%

It will be noted that married taxpayers in the $15,000 to $25,000 income stratum, representing less than 19 percent of all married households and accounting for about 30 percent of the income and present tax liability, would receive 40 percent of the tax saving. In contrast, married taxpayers with incomes of less than $10,000 and accounting for about 48 percent of the households and 11 percent of the tax would receive less than 8 percent of the total tax reduction. Also in terms of average tax reductions, the married taxpayers in the $15,000 to $25,000 income class would receive the largest percentage tax cut (more than 15 percent), whereas those with incomes of less than $5,000 would receive the smallest (less than 2 percent). Of course, the splitting of income provides very little benefit to taxpayers in this latter group since in most instances their tax liability is computed on a net taxable income which is so low that it presently is taxed at the minimum bracket rate.

The regressive nature of a split-income provision also is revealed by the following tabulation which shows the tax burdens expressed as percentages of adjusted gross income before and after the "splitting of income" for each of the major income categories (including single as well as married taxpayer returns):

Adjusted Gross Income Classes	Relative Tax Burdens on Adj. Gross Income Before Split-Income	After Split-Income
Under $ 5,000	.81	.81
$ 5,000 to $10,000	1.43	1.35
$10,000 to $15,000	1.81	1.60
$15,000 to $25,000	2.42	2.07
$25,000 and over	3.49	3.13
Total	2.06	1.84

On this basis, the split-income provision has practically no effect on the relative burden borne by the lowest income stratum, whereas for the two highest income categories the burden would be reduced by about 15 and 10 percent, respectively. In terms of the CTPS progressivity measure the index would increase from .23 to .26. Thus, a split-income provision will make the Colorado income tax structure slightly less progressive. Of course, this change in the progressivity of the state income tax may be considered a trade-off against the advantage of having the Colorado tax conform more closely to the federal code and thereby simplify tax reporting and compliance for about one-third of the resident taxpayers who currently file "joint" federal returns but "married-separate" Colorado returns.

TABLE 1. REVISED CTPS HOUSEHOLD DATA FOR COLORADO SALES TAX AND CREDIT ANALYSIS, FISCAL YEAR 1972

Adjusted Gross Income Classes	Number of Households[a]	Revised Adj. Gross Income	Revised Adj. Broad Income	State Sales Tax With No Credits
	A. DOLLAR AMOUNTS IN THOUSANDS			
Under $ 5,000	285,104 [b]	$ 601,222	$ 995,624	$ 18,395
$ 5,000 to $10,000	221,970	1,673,501	1,844,198	29,494
$10,000 to $15,000	162,257	1,994,987	2,107,704	32,258
$15,000 to $25,000	99,583	1,847,147	1,942,275	25,760
$25,000 and over	28,751	1,232,076	1,395,449	12,853
Total	797,665	$7,348,933	$8,285,250	$118,760
	B. PERCENTAGE DISTRIBUTION			
Under $ 5,000	35.8	8.2	12.0	15.5
$ 5,000 to $10,000	27.8	22.8	22.3	24.8
$10,000 to $15,000	20.3	27.1	25.4	27.2
$15,000 to $25,000	12.5	25.1	23.5	21.7
$25,000 and over	3.6	16.8	16.8	10.8
Total	100.0	100.0	100.0	100.0

[a] Full-year and part-year residents. Non-residents excluded.

[b] Includes 74,307 households which filed food tax credit refunds of $935,622, but did not file state income tax returns. Omits 85,165 returns with one exemption and no food tax credit with adjusted gross income of less than $3,000.

TABLE 2. VALUES OF ALTERNATIVE TAX CREDITS AND FOOD EXEMPTION FOR THE COLORADO SALES TAX, FISCAL YEAR 1972

Adjusted Gross Income Classes	Present $7 Food Tax Credit	$14 Food Tax Credit	Food Exempt[a]	$21 Food Tax Credit
A. TOTAL DOLLAR AMOUNTS IN THOUSANDS				
Under $ 5,000	$ 3,441	$ 6,882	$ 6,168	$10,323
$ 5,000 to $10,000	4,023	8,046	8,686	12,069
$10,000 to $15,000	3,871	7,742	8,678	11,613
$15,000 to $25,000	2,500	5,000	6,761	7,500
$25,000 and over	703	1,406	3,068	2,109
Total	$14,538	$29,076	$33,361	$43,614
B. AVERAGE DOLLAR AMOUNTS				
Under $ 5,000	$12	$24	$22	$36
$ 5,000 to $10,000	18	36	39	54
$10,000 to $15,000	24	48	53	72
$15,000 to $25,000	25	50	68	75
$25,000 and over	24	49	107	73
Total	$18	$36	$42	$55

[a] Only applies to food consumed at home, i.e., food consumed off-premises.

TABLE 3. SALES TAX LIABILITY WITH ALTERNATIVE TAX CREDITS AND FOOD EXEMPTION FOR THE COLORADO SALES TAX, FISCAL YEAR 1972

Adjusted Gross Income Classes	No Food Tax Credit	Present $7 Food Tax Credit	$14 Food Tax Credit	Food Exempt[a]	$21 Food Tax Credit
	A. TOTAL DOLLAR AMOUNTS IN THOUSANDS				
Under $ 5,000	$ 18,395	$ 14,954	$11,513	$12,227	$ 8,072
$ 5,000 to $10,000	29,494	25,471	21,448	20,808	17,425
$10,000 to $15,000	32,258	28,387	24,516	23,580	20,645
$15,000 to $25,000	25,760	23,260	20,760	18,999	18,260
$25,000 and over	12,853	12,150	11,447	9,785	10,744
Total	$118,760	$104,222	$89,684	$85,399	$75,146
	B. AVERAGE DOLLAR AMOUNTS				
Under $ 5,000	$ 65	$ 52	$ 40	$ 43	$ 28
$ 5,000 to $10,000	133	115	97	94	79
$10,000 to $15,000	199	175	151	145	127
$15,000 to $25,000	259	234	208	191	183
$25,000 and over	447	423	398	340	374
Total	$149	$131	$112	$107	$ 94

[a] Only applies to food consumed at home, i.e., food consumed off-premises.

TABLE 4. SALES TAX BURDENS FOR THE COLORADO SALES TAX UNDER ALTERNATIVE FOOD TAX CREDITS AND FOOD EXEMPTION PROGRAMS, FISCAL YEAR 1972

Adjusted Gross Income Classes	No Food Tax Credit	$7 Food Tax Credit	$14 Food Tax Credit	Food Exempt[a]	$21 Food Tax Credit
A. EXPRESSED AS PERCENT OF ADJUSTED GROSS INCOME					
Under $ 5,000	3.06	2.49	1.91	2.03	1.34
$ 5,000 to $10,000	1.76	1.52	1.28	1.24	1.04
$10,000 to $15,000	1.62	1.42	1.23	1.18	1.03
$15,000 to $25,000	1.39	1.26	1.12	1.03	0.99
$25,000 and over	1.04	0.99	0.93	0.79	0.87
Total	1.62	1.42	1.22	1.16	1.02
B. EXPRESSED AS PERCENT OF ADJUSTED BROAD INCOME					
Under $ 5,000	1.85	1.47	1.16	1.23	0.81
$ 5,000 to $10,000	1.60	1.38	1.16	1.13	0.94
$10,000 to $15,000	1.53	1.35	1.16	1.12	0.98
$15,000 to $25,000	1.33	1.20	1.07	0.98	0.94
$25,000 and over	0.92	0.87	0.82	0.70	0.77
Total	1.43	1.26	1.08	1.03	0.91

[a] Only applies to food consumed at home, i.e., food consumed off-premises.

TABLE 5. IMPACT OF RAISING THE VALUES OF EXEMPTIONS TO $1,000 PER EXEMPTION[a/] AND $1,250 FOR HEAD OF HOUSEHOLD EXEMPTIONS, COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972

Adjusted Gross Income Classes	Number of Households[b/]	Revised Adj. Gross Income	Revised Adj. Broad Income	Normal Tax Before Raising Exemptions	Normal Tax After Raising Exemptions	Reduction in Normal Tax
			A. TOTAL DOLLAR AMOUNTS IN THOUSANDS			
Under $ 5,000	315,460	$ 717,157	$1,187,612	$ 5,837	$ 4,528	$ 1,309
$ 5,000 to $10,000	223,314	1,682,335	1,853,933	24,000	19,329	4,671
$10,000 to $15,000	162,607	1,999,040	2,111,986	36,115	29,924	6,191
$15,000 to $25,000	99,765	1,850,934	1,946,257	44,855	39,544	5,311
$25,000 and over	28,800	1,237,960	1,402,113	43,246	41,683	1,563
Total	829,946	$7,487,426	$8,501,901	$154,053	$135,008	$19,045
			B. PERCENT DISTRIBUTION			
Under $ 5,000	38.0	9.6	14.0	3.8	3.3	6.9
$ 5,000 to $10,000	26.9	22.5	21.8	15.6	14.3	24.5
$10,000 to $15,000	19.6	26.7	24.8	23.4	22.2	32.5
$15,000 to $25,000	12.0	24.7	22.9	29.1	29.3	27.9
$25,000 and over	3.5	16.5	16.5	28.1	30.9	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

a/ Applied to all normal exemptions as well as extra exemptions claimed for age, blindness and retarded children.

b/ Includes all full-year, part-year and non-residents.

TABLE 6. IMPACT OF RAISING THE VALUE OF EXEMPTIONS TO $1,000 PER EXEMPTION[a] AND $1,250 FOR HEAD OF HOUSEHOLD EXEMPTIONS ON TAX BURDENS, COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972[b]

Adjusted Gross Income Classes	Burden on Adjusted Gross Income: Before Raising Exemptions	Burden on Adjusted Gross Income: After Raising Exemptions	Burden on Adjusted Broad Income: Before Raising Exemptions	Burden on Adjusted Broad Income: After Raising Exemptions
$ 5,000 and under	0.81	0.63	0.49	0.38
$ 5,000 to $10,000	1.43	1.15	1.29	1.04
$10,000 to $15,000	1.81	1.50	1.71	1.42
$15,000 to $25,000	2.42	2.14	2.30	2.03
$25,000 and over	3.49	3.37	3.08	2.97
Total	2.06	1.80	1.81	1.59
CTPS Progressivity Index	2.32	1.87	1.59	1.28

a/ Applied to all normal exemptions as well as extra exemptions claimed for age, blindness and retarded children.

b/ Includes all full-year, part-year and non-residents.

TABLE 7. CHANGE IN TAX BURDEN BY INCOME CLASSES,[a] COLORADO INDIVIDUAL INCOME TAX COMPUTED AS A FIXED PERCENTAGE OF FEDERAL INCOME TAX, FISCAL YEAR 1972

Adjusted Gross Income Classes	Revised CTPS Federal Tax	Present State Income Tax	State Tax @ 16.24% of Federal Tax	Change in State Tax
	A. TOTAL DOLLAR AMOUNTS IN THOUSANDS			
Under $ 5,000	$ 33,506	$ 5,837	$ 5,442	$- 395
$ 5,000 to $10,000	154,893	24,000	25,156	1,156
$10,000 to $15,000	214,298	36,115	34,804	-1,311
$15,000 to $25,000	249,159	44,855	40,465	-4,390
$25,000 and over	296,698	43,246	48,186	4,940
Total	$948,554	$154,053	$154,053	--
	B. PERCENT DISTRIBUTION			
Under $ 5,000	3.5	3.8	3.5	--
$ 5,000 to $10,000	16.3	15.6	16.3	--
$10,000 to $15,000	22.6	23.4	22.6	--
$15,000 to $25,000	26.3	29.1	26.3	--
$25,000 and over	31.3	28.1	31.3	--
Total	100.0	100.0	100.0	--

[a] Includes full-year, part-year and non-residents.

TABLE 8. TOTAL IMPACT OF THE SPLIT-INCOME PROVISION ON COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972 (DOLLAR AMOUNTS IN THOUSANDS)

	Adjusted Gross Income Classes					
	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 to $25,000	$25,000 and Over	Total
Number of Households[a]						
Single returns	216,810	76,931	17,415	5,202	2,020	318,378
Joint and M/S returns[b]	98,650	146,383	145,192	94,563	26,780	511,568
All returns	315,460	223,314	162,607	99,765	28,800	829,946
Adjusted Gross Income						
Single returns	$ 460,954	$ 549,596	$ 203,176	$ 94,909	$ 90,243	$1,398,878
Joint and M/S returns	256,203	1,132,739	1,795,864	1,756,025	1,147,717	6,088,548
All returns	$ 717,157	$1,682,335	$1,999,040	$1,850,934	$1,237,960	$7,487,426
Normal Tax Before Split-Income Provision						
Single returns	$ 4,764	$ 10,910	$ 5,121	$ 2,997	$ 3,189	$ 26,981
Joint and M/S returns	1,073	13,090	30,994	41,858	40,057	127,072
All returns	$ 5,837	$ 24,000	$ 36,115	$ 44,855	$ 43,246	$ 154,053
Normal Tax After Split-Income Provision						
Single returns	$ 4,764	$ 10,910	$ 5,121	$ 2,997	$ 3,189	$ 26,981
Joint and M/S returns	1,055	11,866	26,927	35,364	35,607	110,819
All returns	$ 5,819	$ 22,776	$ 32,048	$ 38,361	$ 38,796	$ 137,800
Dollar Reduction	$ 18	$ 1,224	$ 4,067	$ 6,494	$ 4,450	$ 16,253

a/ Includes full-year, part-year and non-residents.

b/ Includes joint returns and married-separate returns on a merged basis.

TABLE 9. PERCENT DISTRIBUTION BY INCOME CLASSES OF THE SPLIT-INCOME PROVISION ON COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972

	Adjusted Gross Income Classes					
	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 to $25,000	$25,000 and Over	Total
Number of Households[a]						
Single returns	68.1	24.2	5.5	1.6	0.6	100.0
Joint and M/S returns[b]	19.3	28.6	28.4	18.5	5.2	100.0
All returns	38.0	26.9	19.6	12.0	3.5	100.0
Adjusted Gorss Income						
Single returns	33.0	39.3	14.5	6.8	6.4	100.0
Joint and M/S returns	4.2	18.6	29.5	28.8	18.9	100.0
All returns	9.6	22.5	26.7	24.7	16.5	100.0
Normal Tax Before Split-Income Provision						
Single returns	17.7	40.4	19.0	11.1	11.8	100.0
Joint and M/S returns	0.8	10.3	24.4	33.0	31.5	100.0
All returns	3.8	15.6	23.4	29.1	28.1	100.0
Normal Tax After Split-Income Provision						
Single returns	17.7	40.4	19.0	11.1	11.8	100.0
Joint and M/S returns	1.0	10.7	24.3	31.9	32.1	100.0
All returns	4.2	16.5	23.3	27.8	28.2	100.0
Dollar Reduction	0.1	7.5	25.0	40.0	27.4	100.0

[a]/Includes full-year, part-year and non-residents.

[b]/Includes joint and married-separate returns on a merged basis.

TABLE 10. PERCENT DISTRIBUTION BY TYPE OF RETURN OF THE SPLIT-INCOME PROVISION ON COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972

	Adjusted Gross Income Classes					
	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 to $25,000	$25,000 and Over	Total
Number of Households[a]						
Single returns	68.7	34.4	10.7	5.2	7.0	38.4
Joint and M/S returns[b]	31.3	65.6	89.3	94.8	93.0	61.6
All returns	100.0	100.0	100.0	100.0	100.0	100.0
Adjusted Gross Income						
Single returns	64.3	32.7	10.2	5.1	7.3	18.7
Joint and M/S returns	35.7	67.3	89.8	94.9	92.7	81.3
All returns	100.0	100.0	100.0	100.0	100.0	100.0
Normal Tax Before Split-Income Provision						
Single returns	81.6	45.5	14.2	6.7	7.4	17.5
Joint and M/S returns	18.4	54.5	85.8	93.7	92.6	82.5
All returns	100.0	100.0	100.0	100.0	100.0	100.0
Normal Tax After Split-Income Provision						
Single returns	81.9	47.9	16.0	7.8	8.2	19.6
Joint and M/S returns	18.1	52.1	84.0	92.2	91.8	80.4
All returns	100.0	100.0	100.0	100.0	100.0	100.0

a/ Includes full-year, part-year and non-residents.

b/ Includes joint and married-separate returns on a merged basis.

TABLE 11. AVERAGE IMPACT OF THE SPLIT-INCOME PROVISION ON COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972

	Adjusted Gross Income Classes					
	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 to $25,000	$25,000 and Over	Total
Adjusted Gross Income[a]						
Single returns	$2,126	$7,144	$11,667	$18,245	$44,675	$ 4,394
Joint and M/S returns[b]	2,597	7,738	12,369	18,570	42,837	11,902
All returns	$2,273	$7,533	$12,294	$18,553	$42,985	$ 9,022
Normal Tax Before Split-Income Provision						
Single returns	$21.97	$141.82	$294.06	$576.12	$1,578.71	$ 84.75
Joint and M/S returns	10.88	89.42	213.47	442.65	1,495.78	248.40
All returns	$18.50	$107.47	$222.10	$449.61	$1,501.60	$185.62
Normal Tax After Split-Income Provision						
Single returns	$21.97	$141.82	$294.06	$576.12	$1,578.71	$ 84.75
Joint and M/S returns	10.69	81.06	185.46	373.97	1,329.61	216.63
All returns	$18.45	$101.99	$197.09	$384.51	$1,347.08	$166.03
Average Reduction						
Single returns	--	--	--	--	--	--
Joint and M/S returns	$ 0.19	$ 8.36	$ 28.01	$ 68.68	$ 166.17	$ 31.77
All returns	$ 0.05	$ 5.48	$ 25.01	$ 65.10	$ 154.52	$ 19.59
Percent Reduction						
Single returns	--	--	--	--	--	--
Joint and M/S returns	1.7	9.3	13.1	15.5	11.1	12.8
All returns	0.3	5.1	11.3	14.5	10.3	10.6

a/ Includes full-year, part-year and non-residents.

b/ Includes joint and married-separate returns on a merged basis.

TABLE 12. IMPACT OF THE SPLIT-INCOME PROVISION ON TAX BURDENS EXPRESSED AS PERCENTAGES OF ADJUSTED GROSS INCOME, COLORADO INDIVIDUAL INCOME TAX, FISCAL YEAR 1972[a/]

	Adjusted Gross Income Classes					
	Under $5,000	$5,000 to $10,000	$10,000 to $15,000	$15,000 to $25,000	$25,000 and Over	Total
Single Returns						
Before split-income	1.03	1.99	2.52	3.16	3.53	1.93
After split-income	1.03	1.99	2.52	3.16	3.53	1.93
Joint and M/S Returns[b/]						
Before split-income	0.42	1.16	1.73	2.38	3.49	2.09
After split-income	0.41	1.05	1.50	2.01	3.10	1.82
All Returns						
Before split-income	0.81	1.43	1.81	2.42	3.49	2.06
After split-income	0.81	1.35	1.60	2.07	3.13	1.84

[a/] Includes full-year, part-year and non-residents.

[b/] Includes joint and married-separate returns on a merged basis.