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HOW COLORADO COMPARES IN STATE AND LOCAL TAXES

by Tom Dunn

This *Issue Brief* provides an update on how Colorado's state and local taxes compare with the rest of the country.¹ These rankings provide a national perspective for evaluating the relative tax burden of Colorado's citizens and businesses and for comparing the differences in overall tax structures. For instance, Colorado's tradition of strong local government causes our local government taxes to rank near the top, while state government taxes typically rank near the bottom.

The rankings in this *Issue Brief* are based on tax collections per \$1,000 of personal income. This statistic is used to rank the states because it provides a better measure of the ability of taxpayers to pay taxes than per capita tax collections. It should be noted that Colorado typically ranks higher with the use of a per capita measure. The state tax rankings are for FY 1998-99. The combined state and local tax rankings are for FY 1996-97, as this is the most recent year for which local tax data is available.

Colorado Ranks Below the National Average in Combined State and Local Tax Collections

Colorado's tax burden of \$100.99 per \$1,000 of income was 9.4 percent below the national average tax burden of \$111.44. Our state and local taxes were the 44th highest (or 7th lowest) in the nation (Table 1). Four of the six states with a lower rank than Colorado have a limited or no individual income tax. In FY 1993-94, Colorado state and local taxes ranked 42nd in the nation.

Table 1: Combined State and Local Tax Collections Per \$1,000 Income

State	Rank	Tax
Alaska	1	\$153.00
U.S. Average	n/a	\$111.44
Colorado	44	\$100.99
Tennessee	50	\$89.08

Table 2 illustrates Colorado's ranking for six major tax categories. Sales and use, individual income, and gas taxes are above the national average, while corporate income, property, and liquor/tobacco taxes are below the national average.

Table 2: Colorado's Rank in Selected State and Local Taxes (Combined) per \$1,000 Income

Tax	Colorado		National		
	Rank	Tax	High	Avg.	Low
Sales/Use	21	\$29.11	\$54.11	\$27.34	\$0.00
Individual Income	22	\$25.60	\$43.31	\$22.17	\$0.00
Corporate Income	45	\$2.24	\$21.02	\$4.70	\$0.00
Property	30	\$29.66	\$60.05	\$33.47	\$11.87
Gas	31	\$4.91	\$10.32	\$4.16	\$0.89
Liquor/Tobacco	48	\$0.91	\$2.99	\$1.71	\$0.61

Colorado Ranks 47th in State Tax Collections

Colorado ranked 47th in the nation in total state tax collections in FY 1998-99, one position higher than in FY 1996-97 (Table 3). The state's tax burden was 25.5 percent below the national average. Colorado's low ranking is attributable to the degree of fiscal decentralization in the state. State taxes accounted for

1. Issue Brief 97-3, *How Colorado Compares in State and Local Taxes*, November 14, 1997.

52.4 percent of combined state and local taxes in Colorado, or the third-lowest ratio in the country. The national average was 61.0 percent, while the national high mark was 80.9 percent.

Table 3: State Tax Collections Per \$1,000 Income, FY 1998-99

State	Rank	Tax
Hawaii	1	\$99.53
U.S. Average	n/a	\$67.83
Colorado	47	\$50.52
New Hampshire	50	\$30.43

Income and sales taxes are the primary revenue sources for the states. Income taxes comprised 34.5 percent of state tax revenue in FY 1998-99. However, Colorado income taxes are a much higher portion — 46.9 percent, ranking fifth in the country — of its state taxes. Sales taxes accounted for 28.5 percent of Colorado’s state taxes, ranking 33rd. Colorado’s ranking in its major state taxes is shown in Table 4. Colorado’s ranking for the state income tax dropped from 22nd in FY 1996-97 to 31st in FY 1998-99. Colorado’s revenues exceeded the constitutional limit in FY 1997-98 and approximately \$541 million was refunded during FY 1998-99 on state income tax returns. The state did not have surplus revenues in FY 1995-96 that would have been refunded in FY 1996-97.

Table 4: Colorado’s Rank in Selected State Taxes Per \$1,000 Income, FY 1998-99

Tax	Colorado		National	
	Rank	Tax	High	Low
Individual Income	31	\$23.69	\$43.54	\$0.00
Sales/Use	42	\$14.37	\$45.49	\$0.00
Corporate Income	40	\$2.54	\$12.34	\$0.00
Gas	32	\$4.35	\$9.59	\$0.86
Liquor/Tobacco	48	\$0.79	\$3.78	\$0.59

Colorado Ranks 10th in Local Taxes

Colorado’s local tax burden in FY 1996-97 ranked 10th in the nation (Table 5), an improvement from 6th in FY 1993-94. Property and sales taxes are the predominant sources of tax revenue for local governments. While local governments in every state collected property taxes, local governments in 18 states did not collect sales taxes. The strong tendency to fiscal

decentralization in Colorado particularly manifests itself in high local sales taxes. The Colorado local sales tax burden (\$14.98 per \$1,000 of income) was the second highest in the country, while the local property tax burden (\$29.66) was the 26th highest in FY 1996-97.

Table 5: Local Tax Collections per \$1,000 Income, FY 1996-97

State	Rank	Tax
New York	1	\$76.47
Colorado	10	\$48.09
U.S. Average	n/a	\$43.50
Delaware	50	\$21.30

How Does Colorado Compare with Other Western States?

Tax comparisons with other states in the Western and Rocky Mountain regions provide information on our tax competitiveness. Table 6 compares Colorado’s combined state and local tax burden with the other states in these regions. Colorado’s overall ranking of 44 is the lowest of these 11 states. The rankings do not attempt to take into account the degree to which a state can take advantage of taxes on a particular industry. For example, gaming taxes in Nevada and severance taxes in Wyoming are largely paid by nonresidents, but are accounted as taxes against its own citizens.

Table 6: Combined State and Local Taxes of Other Regional States per \$1,000 Income, FY 1996-97

State	Income		Property	Sales	Total	Rank
	Indiv.	Corp.				
Arizona	\$17.42	\$6.27	\$31.15	\$38.18	\$108.83	31
California	\$28.65	\$7.14	\$28.56	\$29.68	\$111.42	23
Colorado	\$25.60	\$2.24	\$29.66	\$29.11	\$100.99	44
Idaho	\$29.44	\$5.72	\$29.43	\$25.74	\$112.48	20
Montana	\$23.91	\$4.83	\$48.55	\$0.00	\$113.65	17
Nevada	\$0.00	\$0.00	\$23.03	\$41.36	\$105.41	37
New Mexico	\$22.50	\$5.21	\$15.79	\$49.85	\$127.72	6
Oregon	\$43.31	\$5.08	\$33.52	\$0.00	\$106.75	33
Utah	\$30.66	\$4.85	\$27.21	\$38.29	\$115.91	14
Washington	\$0.00	\$0.00	\$37.39	\$54.11	\$117.49	10
Wyoming	\$0.00	\$0.00	\$43.73	\$35.89	\$116.93	12