



HOW COLORADO COMPARES IN STATE AND LOCAL TAXES

by Ron Kirk

This *issue brief* provides an update on how Colorado's state and local taxes compare with other states in the nation. These rankings provide a national perspective for evaluating the relative tax level of Colorado's citizens and businesses and for comparing the differences in overall tax structures. For instance, Colorado's tradition of decentralized local governments causes our local government taxes to rank near the top, while state government taxes rank near the bottom.

The rankings are based on tax collections per \$1,000 of personal income. This statistic is used to rank the states because it provides a way to measure taxes paid across different geographic regions with varying costs of living and is more aligned with the ability of taxpayers to pay taxes than per capita tax collections. Colorado typically ranks higher with the use of a per capita measure. The combined state and local tax rankings are for FY 2008-09 and the state tax rankings are for FY 2010-11.

Combined State and Local Tax Collections

Colorado's state and local taxes amounted to \$86.82 per \$1,000 of income in FY 2008-09. This was 15 percent below the national average of \$102.10. Colorado ranked 45th in the nation in combined state and local taxes, as illustrated in Table 1. Three of the five states with a lower rank than Colorado have either a limited individual income tax or do not have an income tax. Alaska does not have an income tax, but its top ranking results from high severance, property, and sales taxes.

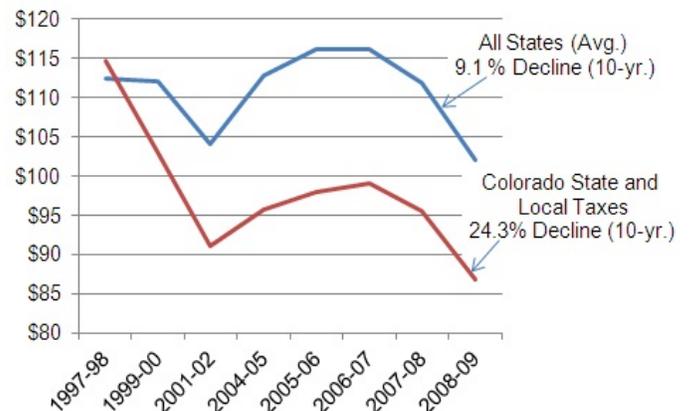
Table 1
Combined State and Local Tax Collections
Per \$1,000 Income, FY 2008-09

State	Rank	Tax
Alaska	1	\$206.46
U.S. Avg. (all states)	N/A	\$102.10
Colorado	45	\$86.82
South Dakota	50	\$79.32

Source: U.S. Census Bureau.

Combined state and local taxes collected for all states have declined over the past ten years, as shown in Figure 1. The decline is due to the two most recent recessions and tax policy changes that have reduced taxes. From the peak in FY 1997-98 through the bottom of the business cycle in FY 2008-09, state and local taxes declined 9.1 percent nationwide and 24.3 percent in Colorado.

Figure 1
History of State and Local
Taxes Collected Per \$1,000 of Personal Income,



Data source, U.S. Census Bureau.

Table 2 illustrates Colorado's ranking for combined state and local property and sales taxes. Combined property taxes were ranked 31st at \$29.17 per \$1,000 of personal income, while sales taxes were ranked 26th at \$23.45. Colorado has traditionally had lower combined property taxes when compared to other states. The effect of high local sales tax rates and a low state sales tax rate places Colorado's combined sales tax level near the median among all states.

Table 2
Combined State and Local Property and Sales Tax Collections Per \$1,000 Income, FY 2008-09

State	Rank	Tax
Colorado (property)	31	\$29.17
U.S. Avg. (all)	N/A	\$34.05
Colorado (sales)	26	\$23.45
U.S. Avg. (all states)	N/A	\$23.37

Source: U.S. Census Bureau.

Colorado Ranks 9th Highest In Local Taxes

Colorado's local tax collections in FY 2008-09 ranked 9th in the nation, as illustrated in Table 3, a slight change from 11th ten years ago. Property and sales taxes are the predominant sources of tax revenue for local governments. While local governments in every state collected property taxes, 7,500 local governments in 32 states levy sales taxes. The strong tendency to fiscal decentralization in Colorado particularly manifests itself in high local sales taxes. Colorado's local property taxes were ranked 28th in FY 2008-09, while local sales taxes were the 2nd highest in the country (\$13.61).

Table 3
Local Tax Collections Per \$1,000 Income, FY 2008-09

State	Rank	Local Taxes
New York	1	\$74.58
Colorado	9	\$46.61
U.S. Average	N/A	\$44.64
Vermont	50	\$16.21
Colorado Property Taxes	28	\$29.17
Colorado Sales Taxes	2	\$13.61

Source: U.S. Census Bureau.

Colorado Ranks 48th In State Tax Collections

As indicated in Table 4, Colorado ranked 48th in the nation in total state tax collections in FY 2010-11, compared with 47th in FY 1997-98. Colorado's state tax collections were 27.7 percent below the national average. Colorado's low ranking is attributable to the degree of fiscal decentralization in the state.

Table 4
State Tax Collections Per \$1,000 Income, FY 2010-11

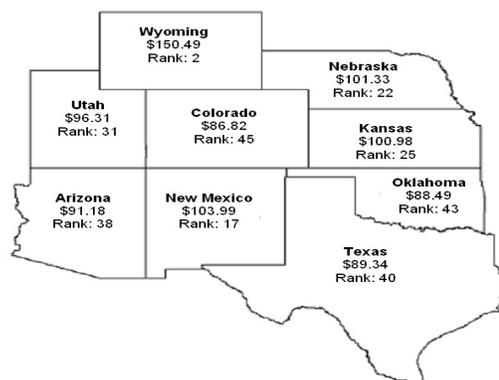
State	Rank	Tax
State Total Taxes		
Alaska	1	\$175.30
U.S. Average	N/A	\$61.30
Colorado	48	\$44.35
New Hampshire	50	\$40.32
Colorado Income Taxes	27	\$21.27
Colorado Sales Taxes	44	\$10.18

Source: U.S. Census Bureau.

Colorado's Comparison with Western States

Tax comparisons with other states in the Western and Rocky Mountain regions provide information on the state's tax competitiveness. Figure 2 compares Colorado's combined state and local tax collections with neighboring states. Colorado's overall ranking of 45th is the lowest of these 9 states.

Figure 2
Combined State and Local Taxes in Colorado and Neighboring States Per \$1,000 Income, FY 2008-09



Source: Legislative Council Staff.