



Colorado
Legislative
Council
Staff

ISSUE BRIEF

Number 97-3

A Legislative Council Publication

November 14, 1997

**How Colorado Compares in
State and Local Taxes**

Rankings of state and local taxes provide a national perspective for evaluating the relative tax burden of Coloradans and for comparing differences in overall tax structures. Rankings highlight the differences among states in state tax burden versus local tax burden. Colorado, with its high rank in local taxes and low rank in state taxes, provides an excellent example of the variation in state and local tax burden. Rankings also point out differences among states in their reliance on specific taxes, whether they are state taxes or local taxes. New Hampshire, for example, leads the nation in local property taxes, but has no local sales tax.

This issue brief examines Colorado's ranking in a number of state and local tax categories. The state tax rankings are for FY 1995-96; the combined state and local and local tax rankings are for FY 1993-94, the most recent data available. The basis for ranking states is tax collections per \$1,000 of personal income. This statistic is used to rank states because it provides a more accurate measure of the ability of taxpayers to pay taxes than, for example, tax collections per capita.

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

Colorado ranks 42nd in the nation in *combined* state and local tax collections (Table 1). Colorado's combined tax collections per \$1,000 of personal income are just over two-thirds of the collections in the highest-ranked state, New York.

Table 1: Combined State and Local Tax

Collections Per \$1,000 Income

State	Rank	Tax
New York	1	\$155.36
U.S. Average	n/a	\$116.71
Colorado	42	\$107.17
Alabama	50	\$94.32

In the six tax categories examined, Colorado split evenly in its relation to the average. Sales and use, individual income, and gas taxes are above the national average, while corporate income, property and unemployment insurance 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	18	\$29.60	\$57.80	\$27.81	\$0.00
Individual Income	22	\$25.15	\$44.64	\$24.03	\$0.00
Corporate Income	46	\$1.91	\$12.77	\$5.28	\$0.00
Property	26	\$34.64	\$65.74	\$36.78	\$11.53
Gas	31	\$5.30	\$10.79	\$4.70	\$1.09
Unemployment Insurance	40	\$3.73	\$12.33	\$5.58	(\$1.34)

Colorado Ranks 48th in State Tax Collections

Colorado ranks 48th in the nation in total state tax collections, with half the collections of the highest-ranked state (Table 3). This ranking reflects the fact that Coloradans pay, on average, 51 percent of their non-federal taxes to the state and 49 percent to local governments, while nationally taxpayers pay 60 percent of these taxes to the state and 40 percent to local governments.

Table 3: State Tax Collections Per \$1,000 Income

State	Rank	Tax
-------	------	-----

Alaska	1	\$104.31
U.S. Average	n/a	\$68.40
Colorado	48	\$52.53
New Hampshire	50	\$28.37

Nationally, sales and income taxes are the primary sources of state tax revenue. In Colorado, sales and income taxes made up 79 percent of total state tax collections in FY 1995-96. These two sources of tax revenue made up an even higher percentage, 90 percent, of General Fund revenues. Table 4 looks at Colorado's ranking nationally in these state revenue sources.

Table 4: Colorado's Rank in Selected State Taxes Per \$1,000 Income

Tax	Colorado		National	
	Rank	Tax	High	Low
Sales/Use	43	\$14.40	\$48.38	\$0.00
Individual Income	23	\$24.78	\$41.03	\$0.00
Corporate Income	45	\$2.24	\$22.40	\$0.00

Colorado's low ranking in state tax collections can be traced to its ranking in state sales and use tax collections. While Colorado ranks 18th in *combined* state and local sales tax collections, it ranks 43rd in *state* sales tax collections. Of the 45 states that collect a state sales tax, only two states collect less than Colorado. Colorado's individual income tax collections are above the U.S. average, but corporate income taxes are below average. Unlike some states, Colorado does not collect a state property tax.

Colorado Ranks 6th in Local Taxes

Colorado ranks 6th in the nation in local taxes (Table 5). Property taxes are the predominant source of local taxes nationally, with localities in all states collecting the tax. Sales taxes are the second leading source of local tax revenues; income taxes play a much less significant role in local finances.

Table 5: Local Tax Collections Per \$1,000 Income

State	Rank	Tax
New York	1	\$81.52
Colorado	6	\$52.86

U.S. Average	n/a	\$47.06
Delaware	50	\$20.82

Colorado ranks second of the 33 states that collected local sales taxes in FY 1993-94. Colorado's collections were slightly more than three times the U.S. average. In property tax collections, Colorado is just below average. Colorado local governments collected about half the property taxes of the highest-ranked state per \$1,000 of personal income.

Colorado Taxes Compare Favorably to Taxes in Neighboring States

Tax comparisons with neighboring states provide information on a state's tax competitiveness. Table 6 compares Colorado's *combined* state and local tax burden with its seven neighboring states. Colorado's ranking of 42 is the lowest of the eight states.

Table 6: Combined State and Local Taxes of Neighboring States Per \$1,000 Income

State	Income		Property	Sales	Total	Total Rank
	Indiv.	Corp.				
Arizona	\$19.75	\$4.25	\$38.23	\$43.01	\$124.42	12
Colorado	\$25.15	\$1.91	\$34.64	\$29.60	\$107.17	42
Kansas	\$23.75	\$5.07	\$36.83	\$30.97	\$117.31	20
Nebraska	\$22.54	\$3.56	\$43.13	\$27.36	\$117.05	21
New Mexico	\$21.87	\$4.64	\$16.49	\$53.31	\$131.70	5
Oklahoma	\$23.89	\$2.95	\$17.89	\$31.80	\$109.27	37
Utah	\$30.82	\$4.17	\$31.25	\$39.64	\$122.05	14
Wyoming	\$0.00	\$0.00	\$48.22	\$28.65	\$128.99	7

The Legislative Council is the research arm of the Colorado General Assembly.

The Council provides non-partisan information services and staff support to the Colorado Legislature.

Room 029, State Capitol, Denver, CO 80203-1784 (303) 866-3521 FAX: 866-3855 TDD 866-3472 http://www.state.co.us/gov_dir/leg_dir/lcsstaff/research.htm