



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. 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 its local taxes to rank among the highest in the country, while state taxes typically rank among the lowest.

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. For instance, use of a per capita measure ranked our state taxes 6th lowest (\$1,521) in the country in FY 2003-04.

The state tax rankings are for FY 2003-04, while the local and combined tax rankings are for FY 2001-02, as this is the most recent year for which local tax data is available.

Colorado Has the Lowest State Tax Burden

Colorado had the lowest state tax collections (\$44.57) per \$1,000 of personal income in FY 2003-04. It was the second consecutive year that Colorado had the lowest state tax burden. The state tax burden has declined by \$7.84 over the past three years. The decline is due to the national economic recession that affected Colorado to an even greater extent. The decline in capital gains realizations also impacted our tax receipts. By comparison, the average nationwide

tax burden decreased by only \$2.94 during the past three years. The ability of other states to increase taxes somewhat mitigated the effects of the recession and lower capital gains realizations. At least 30 states increased taxes during the past three years.

In FY 2003-04, the state's tax burden was 30 percent below the national average of \$63.70. Figure 1 indicates the state's ranking in selected state taxes.

Figure 1. Colorado's Rank in Selected State Taxes per \$1,000 Income, FY 2003-04

Tax	Colorado		National	
	Rank	Tax	High	Low
Total Taxes	50	\$44.57	\$100.07	\$44.57
Individual Income	27	\$21.68	\$41.65	\$0.00
Sales/Use	44	\$12.11	\$49.40	\$0.00
Corporate Income	42	\$1.51	\$15.74	\$0.00
Gas	34	\$3.81	\$8.35	\$0.76
Liquor/Tobacco	50	\$0.61	\$3.67	\$0.61

Colorado Ranks 12th Highest in Local Tax Collections

Colorado's local tax burden in FY 2001-02, the latest information available, ranked 12th highest in the nation. Our local tax burden ranked 7th highest only two years earlier. Colorado's high ranking for local taxes is attributable to the high degree of fiscal decentralization in the state. Local taxes accounted for 50.2 percent of combined state and local taxes in

Colorado, the 3rd highest ratio in the country. The national average was 40.9 percent, while the national high mark was 51.4 percent in Texas.

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 17 states did not collect sales taxes. The strong tendency of fiscal decentralization in Colorado particularly manifests itself in high local sales taxes. This tax burden was the 2nd highest in the country, while the local property tax was the 30th highest. Figure 2 displays the state's rankings and comparisons for these taxes.

Figure 2. Local Tax Collections per \$1,000 Income, FY 2001-02

	Colorado		National	
	Rank	Tax	High	Low
Total Taxes	12	\$45.69	\$67.19	\$19.82
Sales/Use	2	\$14.57	\$22.74	\$0.00
Property	30	\$27.25	\$53.10	\$8.29

Colorado's Combined Taxes are Below the National Average

Colorado's state and local tax burden of \$91.02 per \$1,000 of personal income was 12.6 percent below the national average tax burden of \$104.11 in FY 2001-02. The state's taxes were the 46th highest (or 5th lowest) in the nation. The state's ranking was 8th lowest two years

earlier. Figure 3 shows Colorado's ranking and combined taxes. The combined sales tax burden of \$27.03 ranked the state 19th highest.

Figure 3. Combined State and Local Tax Collections per \$1,000 Income, FY 2001-02

State	Rank	Tax
New York	1	\$130.92
U.S. Average	n/a	\$104.11
Colorado	46	\$91.02
Tennessee	50	\$84.01

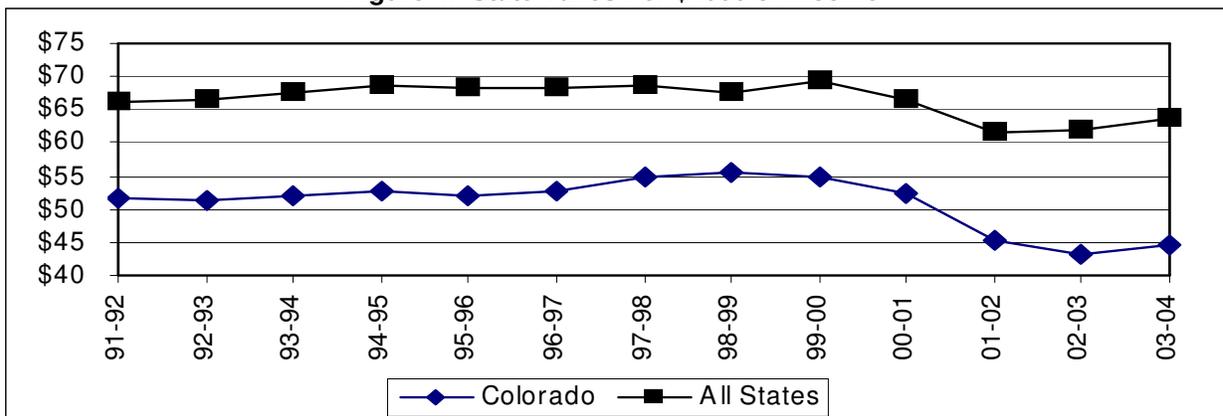
How has the State Tax Burden Changed?

Figure 4 shows the trend of the state tax burden compared with the tax burden of all states since FY 1991-92. As the state's economy took off and capital gains income grew more than sevenfold during the decade of the 1990s, the tax burden rose gradually. It reached a peak in FY 1998-99. Tax reductions reduced the tax burden in the next two years. The recession and shrinking capital gains severely reduced the trend of the tax burden over the past three years.

Meanwhile, the ranking of state taxes did not appreciably change during the period. In FY 1991-92, state taxes were the 3rd lowest in the nation, while they were the lowest in FY 2003-04.

A full 50-state comparison can be found at: www.state.co.us/gov_dir/leg_dir/lcsstaff/lcs/Econ/2005/05FiftystateCompare.htm

Figure 4. State Taxes Per \$1000 of Income





Fifty-State Comparison of State and Local Taxes

A full fifty-state comparison and ranking of state and local taxes from FY 2001-02 through FY 2003-04 may be seen by clicking on the links below. Local taxes are available for FY 2001-02 only. The comparisons use the most recent tax collection and population data from the U.S. Census Bureau and personal income data from the U.S. Bureau of Economic Analysis.

For a copy of the Colorado Legislative Council Staff Issue Brief on this topic, please click below:

["How Colorado Compares in State and Local Taxes"](#)

Fifty-State Comparison and Ranking

[FY 2003-2004 \(state taxes only\)](#)

[FY 2002-03 \(state taxes only\)](#)

[FY 2001-02 \(state, local, and combined taxes\)](#)

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