F I S C A L   I M P A C T   R E P O R T

SPONSOR Payne **DATE TYPED** 1/28/2005 **HB** HJR 6

SHORT TITLE Voter Approval of New Taxes **SB**

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HJR 5

SOURCES OF INFORMATION
LFC Files
Department of Finance and Administration (DFA)
National Conference of State Legislature (NCSL)

SUMMARY

HJR 6 proposes a constitutional amendment that beginning January1, 2007 would not allow the legislature to enact a new tax or increase rates on existing taxes without approval by a majority of voters. If tax increases are approved by the voters, they would become effective immediately upon certification by the state canvassing board unless a later effective date is specified in the proposal. The question would be put to voters at the next general election.

Putting the proposed increase before voters would require a two-thirds vote from both the house and the senate.

FISCAL IMPLICATIONS

There are no immediate fiscal implications associated with this resolution. Approval would make future revenue increases difficult since any increases would first have to get a two-thirds vote from each house of the legislature and then approval of the voters. The provision putting the vote before the voters at the next general election would make it difficult, if not impossible for the legislature, to address immediate fiscal problems.

SUBSTANTIVE ISSUES

The Department of Finance and Administration submitted the following analysis:

> As a policy guideline, tax policy should be symmetrical, meaning that enacting tax increases and decreases should be equally difficult. This resolution would detract from that ideal by making tax increases much more difficult to enact than tax decreases, putting downward pressure on revenue collections. In practice, the tax system is already tilted in favor of tax cuts by the backlash politicians receive from the voters when attempting to raise taxes.
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> Because general elections occur every two years, the resolution would delay the state's ability to respond to revenue shortfalls. If the legislature passed and the governor signed into law a tax increase in the 2007 session, voters could not approve that increase until the state canvassing board certified the results of the November 2008 vote, a 1 1/2 year delay.
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> Colorado's Taxpayer Bill of Rights Amendment (TABOR) also requires that tax increases be approved by voters. Because of this restriction, Colorado's legislature and governor did not consider raising revenue to balance any of it's budget shortfalls in the fiscal crisis FY 2001-2004. Further, during the state fiscal crisis of FY2001-2004, states generally did not rely on tax increases to balance budget shortfalls, but relied instead on short-term solutions such as reserve spending, debt refinancing, and tobacco settlement securitization. This hesitance to raise taxes tended to stem from fear of political backlash, not from constitutional or statutory restrictions against doing so.

BT/lg