



HOW COLORADO'S TAX BURDENS RANK NATIONALLY

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IP-1-2012
January 2012

How COLORADO'S TAX BURDENS RANK NATIONALLY

Residents of Colorado should know how their tax burden compares with Americans throughout the nation. Colorado ranks 26th nationally, compared to all other states for the combined state and local tax burden, on a per capita basis.

The amount of taxes citizens pay ranks in the middle compared to all other states.

Many Coloradans watch the news, read web and print articles, and strive to make the right choices in their civic participation. To properly make sense of the options and to gain insight and perspective on

the demands for taxes to finance the many government proposals, it helps to know where Colorado stands in the bigger picture.

Citizens armed with dependable statistics will be able to weigh the claims of researchers, activists and pundits. Access to reliable, reproducible information should better enable reporters, opinion

leaders and elected officials to base argument and advocacy on a strong, factual foundation.

See Appendix 1 for all 50 states' ranking of total tax burden. The entire spreadsheet developed for this analysis is available on the Independence Institute web site.¹

GENERAL TAX INFO

Colorado levies every major type of tax, but the rate on each particular one is frequently among the lowest in the country.² These taxes include corporate taxes, individual income taxes, sales taxes, property taxes, excise taxes, severance taxes, and inheritance taxes.

Colorado local governments rank seventh in the nation in per capita taxation, while the state government ranks 40th.

HOW DOES COLORADO COMPARE TO OTHER STATES?

Colorado's combined tax burden ranks very close to the national average. Considering all 50 states and ranking them from the highest per capita tax burden at the top (first) down to the lowest per capita burden (50th), our state's ranking is 26th. Colorado's combined per capita tax burden is \$4,039 per resident, only \$338 below the national average (see table 1).

New York places the greatest burden on its citizens, at \$7,095. New Yorkers pay 62 percent more than Coloradans. South Carolinians pay \$1,439 less than the national average. (Please note that Alaska officially collects even more than New York, at \$14,185 per person; but we did not rank it as number one, for reasons explained in Appendix 2.)

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Table 1.

	US Average	Colorado	High #1	Low #50
Total Tax burden per capita	\$4,377	\$4,039 Rank 26	NY \$7,095	SC \$2,938

METHODOLOGY

The most reliable data are collected nationally and published by the U.S. Census Bureau.³ The Bureau's "Annual Survey of State Government Finances"⁴ provides a breakdown by all 50 states of their general fund revenues, and also disaggregates the information by sources of revenue. There is a significant lag in the process; as of February 2011, the most recent data in the Census Bureau tables were for states' fiscal years 2007-08. The tables are available in downloadable Excel spreadsheet format.

We started with Census Bureau data for each state's combined revenues. We divided those figures by 2008 populations⁵ to yield total per capita burdens. The outcomes, which allow direct comparisons to

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obtain the rankings, are available on our web site in the form of detailed Excel spreadsheets.⁶

Outliers are discussed in Appendix 2

WHY CONSIDER A COMBINED LOCAL AND STATE TAX BURDEN?

There is great variation in how states impose taxes. Some states prefer to collect the bulk of all taxes at the state level and fund local governments from a centralized pot of money. Other states collect taxes at the same level at which they are spent, preferring that towns, cities, school districts and special districts take in and spend their funds under control of the citizens who are most directly affected.

Colorado historically has found itself among the latter group. Colorado citizens keep the incidence of taxation close to the same government body that does the actual spending. Colorado's local governments have significant control over raising revenue and determining their expenditures.

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As a result, Colorado has a low relative tax burden at the state level and a very high relative burden on the local level. Understanding this fact is key to recognizing the errors in the claim that "Colorado's government" spends near the bottom

of all states for public services. The claim considers only state funding of services, ignoring the fact that state and local governments combine to fund services at an overall level that is average compared to other states.

STATE GOVERNMENT

Table 2.

	US Average	Colorado	High #1	Low #50
State tax burden per capita	\$2,755	\$1,980 Rank 40	WY \$4,515	SD \$1,643+

According to Census Bureau data, the Colorado state government ranks 40th in the nation (see table

2) in state tax burden. The State's total annual tax burden per capita is \$1,980, which represents 49 percent of citizens' taxes. Colorado residents have a state tax burden 13 percent lower than the national average. That difference is \$775, or 62 percent lower than the national median of \$2,755.

Most state governments primarily rely on income and sales taxes for revenue. Wyoming has the highest state government share at \$4,515, while the second-ranked state, Connecticut, collects \$4,169. The state with the lowest share is South Dakota, collecting \$1,643. Reinforcing the point that Colorado has a relatively light statewide burden is the fact that it collects only \$337 per capita more than South Dakota, while it collects \$2,535 less than Wyoming and \$2,189 less than Connecticut, respectively.

Wyoming is unusual in that it places a very heavy reliance on severance taxes due to high activity in energy development. Thus, national consumers of energy and other extracted materials actually pay much of the Wyoming state taxes. Wyoming residents themselves are not highly taxed by their state government.

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LOCAL GOVERNMENTS

Table 3.

	US Average	Colorado	High #1	Low #50
Local tax burden per capita	\$1,706	\$2,059 Rank 7	NY \$3,741	VT \$630

Colorado's local governments primarily use property and sales taxes for revenue. According to Census Bureau statistics, Colorado local governments rank seventh in the nation (see table 3) in total

tax burden. The total annual local tax burden is \$2,059. (Of course, there are variations from county to county; the figure provided is the statewide average.)⁷ Colorado's local tax burden, which

represents 51 percent of per capita taxes in the state, is \$353, or 13 percent higher than the national median of \$1,706. New York has the highest local tax burden of \$3,741, while the lowest local tax burden is in Vermont, with a per capita burden of \$630.

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Colorado is one of four states that where the local tax burden is higher than the state tax burden. Those four states are Colorado, Florida, New York, and New Hampshire. Table 4 below ranks those states in local tax burden.

Table 4.

	Local	Rank
New York	\$3,741	1
New Hampshire	\$2,061	6
Colorado	\$2,059	7
Florida	\$2,046	8

PROPERTY TAXES

Table 5.

	US Average	Colorado	High #1	Low #50
Property tax per capita	\$1,291	\$1,261 Rank 21	NJ \$2,615	AL \$498

Colorado is ranked 21st in the nation in per capita property taxes (see table 5). Colorado taxpayers pay an average of \$1,261 per capita. New Jersey is ranked first, collecting \$2,615, while Alabama is ranked last, collecting \$498. In comparison, Colorado residents' property tax burden is less than half of New Jersey's. All property taxes in Colorado are collected at the local level, not by the state.

INCOME TAXES

Table 6.

	US Average	Colorado	High #1	Low #50
Income tax per capita	\$923	\$1,042 Rank 19	NY \$2,383	Seven states do not collect individual income taxes of those that do TE ranks 44th/last \$47

Colorado is ranked 19th in per capita income tax. The state collects \$1,042, 13 percent higher than the national average of \$923 (see table 6). New York has the highest per capita income taxes, collecting \$2,383. Of states with an income tax, Tennessee has the lowest, collecting \$47. In comparison, Colorado citizens' income tax burden is \$1,341 less than that of New York and \$995 more than the burden of Tennessee's citizens.

Colorado's personal income tax system imposes a flat tax of 4.63 percent on the individual's taxable federal income. That rate ranks 38th highest among states levying an individual income tax.⁸ Corporate taxes impose the same flat tax of 4.63 percent on all corporate income.

SALES TAX

Looking only at the state level, of all the states that have a state sales tax, Colorado has the lowest rate, 2.9 percent.⁹ California has the highest state sales tax burden at 8.25 percent. The next lowest is 4 percent, a rate levied in seven states: Alabama, Georgia, Hawaii, Louisiana, New York, South Dakota and Wyoming.¹⁰

Of Colorado's 64 counties, 53 impose a sales tax on top of the 2.9 percent state rate. Arapahoe County imposes the lowest county sales tax at a rate of .25 percent, while the highest county sales tax is Hinsdale County at a rate of 5 percent. For home rule cities, the highest rate is Black Hawk at 5.5 percent. The lowest rate is Lone Tree at 1.8125 percent.¹¹

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Other local governments, from towns and cities to special taxing districts, such as the Regional Transportation District (RTD) and the stadium district (Sports Authority Field at Mile High), impose additional sales tax rates. Because of overlaps between counties, cities, and special districts, there are many variations in the total sales tax within Colorado. As a result, computing the total sales tax burden in Colorado is difficult.

APPENDIX I

State	Tax Burden Per Capita	Rank
Alabama	3,033.97	49
Alaska	14,185.01	1
Arizona	3,537.19	37
Arkansas	3,294.03	44
California	5,060.71	8
Colorado	4,039.12	26
Connecticut	6,602.02	4
Delaware	4,252.04	19
Florida	4,002.08	27
Georgia	3,472.37	38
Hawaii	5,229.62	7
Idaho	3,241.68	45
Illinois	4,482.71	15
Indiana	3,599.68	33
Iowa	3,843.79	29
Kansas	4,238.67	20
Kentucky	3,315.97	42
Louisiana	4,069.67	24
Maine	4,506.62	14
Maryland	4,908.24	10
Massachusetts	5,232.00	6
Michigan	3,763.70	31
Minnesota	4,736.02	11
Mississippi	3,135.08	46
Missouri	3,361.62	41
Montana	3,564.06	34
Nebraska	4,209.88	21
Nevada	4,071.95	23
New Hampshire	3,771.68	30
New Jersey	6,195.21	5
New Mexico	3,903.91	28
New York	7,095.22	2
North Carolina	3,600.79	32
North Dakota	4,947.94	9

Ohio	4,062.38	25
Oklahoma	3,380.92	40
Oregon	3,306.43	43
Pennsylvania	4,346.75	17
Rhode Island	4,638.22	13
South Carolina	2,938.23	50
South Dakota	3,108.58	47
Tennessee	3,057.11	48
Texas	3,550.90	35
Utah	3,424.71	39
Vermont	4,725.16	12
Virginia	4,209.84	22
Washington	4,365.34	16
West Virginia	3,542.68	36
Wisconsin	4,330.58	18
Wyoming	6,934.50	3

APPENDIX 2: OUTLIERS

Data on Alaska are greatly skewed because of the existence of very high taxes on oil development, collected by a state with a very small population. Alaska is indeed the highest ranked for combined tax burdens, and highest for state burden. Recognize that the high revenues are paid, not by residents of Alaska, but disproportionately by energy companies. It is not the case that Alaska has the highest tax burden on citizens. In fact, most of them receive annual payments from the state government, distributing some of the oil tax revenue to them. Washington, D.C., is frequently included in national comparisons. The nearly 600,000 residents of the District number more than several states’ populations, and the per capita tax spending is very high. We did not include the federal district in these computations. Figures on its tax revenues are skewed by Congressional appropriations, and comparisons are more direct and understandable when analyzing only the 50 states.

ENDNOTES

¹ <http://tax.i2i.org/files/2012/02/IP-1-2012-spreadsheet.xls>.
² Tax Foundation: Research area Colorado <http://www.taxfoundation.org/research/topic/16.html>.
³ Attempts by the Independence Institute were unsuccessful to locate previously-published information with detailed rankings and analysis, such as we developed here. We searched for publications and reports that might have been released by colleges, governments,

non-profit organizations and other public policy entities regarding Colorado's relative tax burdens.

⁴ U.S. Census Bureau, State and Local Government Finance, <http://www.census.gov/govs/estimate/>.

⁵ Ibid.

⁶ State populations, 1970 to 2009 <http://www.infoplease.com/ipa/A0004986.html>.

⁷ This figure is a mean, and it is not meant to overlook the variance from county to county. It is important to note that some areas of our state are relatively wealthy while others are poorer. High residential and commercial values support high property taxes. High levels of commercial activity support large sales tax collections.

⁸ The facts on Colorado's tax climate can be found at <http://www.taxfoundation.org/taxdata/show/251.html>.

⁹ Tax Foundation, "Ranking State and Local Sales Tax," <http://taxfoundation.org/publications/show/27023.html>.

¹⁰ Ibid.

¹¹ Colorado Department of Revenue, "Colorado's Sales/ Use Tax Rate," http://www.colorado.gov/cs/Satellite?c=D ocument_C&cid=1185353127906&pagename=Revenue/ Document_C/REVXAddLink, DR 1002

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ADDITIONAL RESOURCES on tax policy can be found at: <http://www.i2i.org/>

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