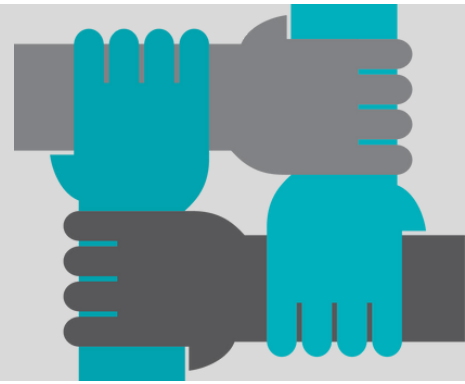


Progressive Income Tax

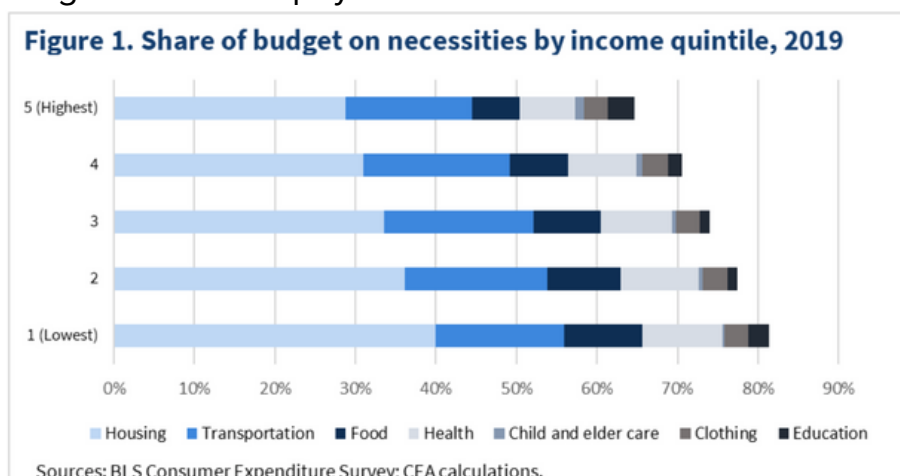
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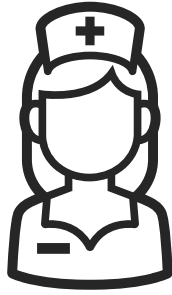
From the parks where we play, to the schools where we learn, to the roads where we drive, we rely on and utilize services every day that are publicly funded. None of us can pay for these things alone, which is why we all pay taxes, like income tax, together. Currently, Colorado has a “**flat income tax**,” which means that no matter how much you earn, *everyone* gets taxed at the same rate, which is set at 4.25% as of the 2024 tax year.

Lower income earners pay higher percentages of their income towards housing, food, healthcare, transportation, and other necessities, compared to higher income earners. For low income earners, necessities account for about 82% of their budget vs. 65% of the budget of highest income earners. A flat income tax ends up disproportionately affecting low income individuals and families and reducing the amount of savings that they are able to rely on. On the other hand, the highest income earners have more disposable income, meaning that a flat income tax doesn't get in the way of their savings as much because they have more “cushion” in their budget.

See the figure below, which demonstrates the percentage of their income that the lowest to highest earners pay towards their necessities.



How does this play out in real life?



Home Health Aide

Salary: \$24,000 per year



Budget: \$1,000 per paycheck



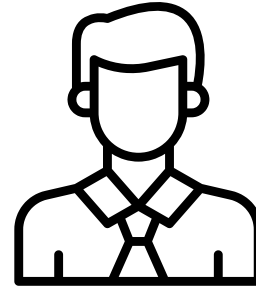
Necessary expenses: \$820



Flat income tax: \$42.50



Remainder: \$137.50
(13.75% of budget)



CEO

Salary: \$2.4 million per year



Budget: \$100,000 per paycheck



Necessary expenses: \$65,000



Flat income tax: \$4,250



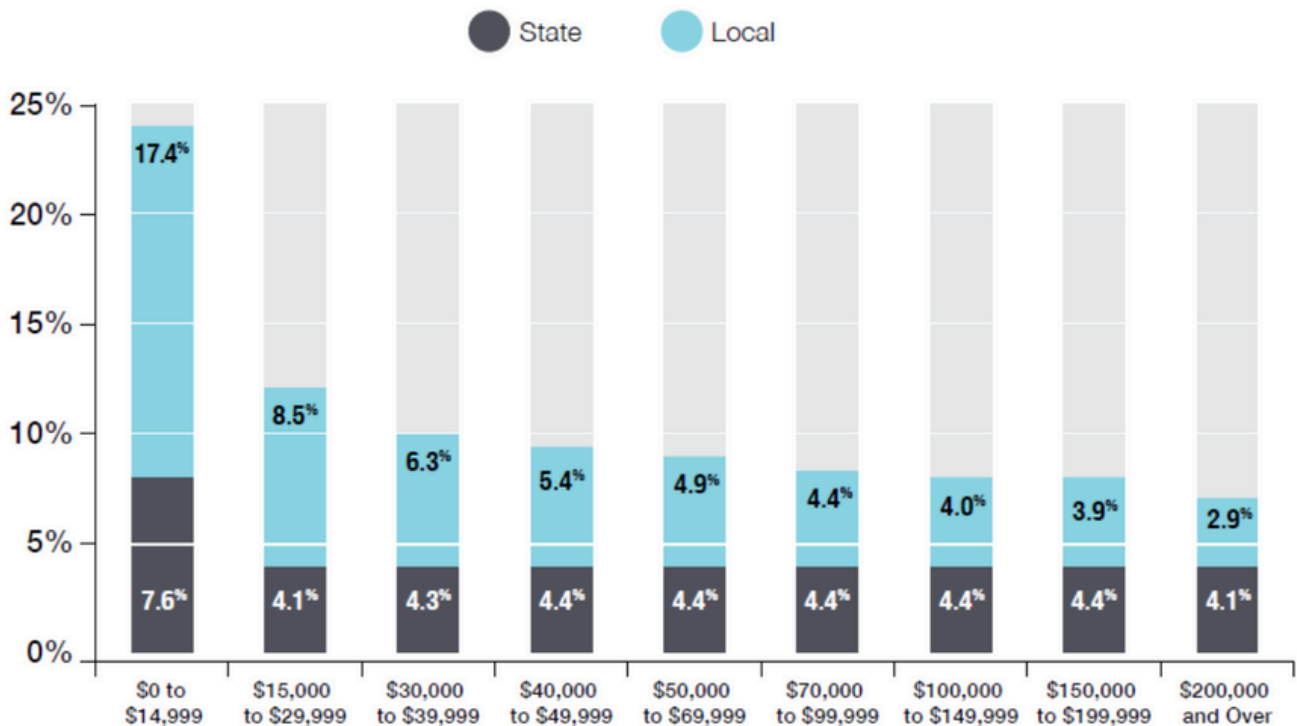
Remainder: \$30,750
(30.75% of budget)



What does this mean in an emergency?

In this example, the Home Health Aide has **17% less** of their paycheck that they are able to put away for emergencies and savings. What happens when each of these people has an emergency or an unexpected expense?

Another reason that the flat income tax affects lowest income earners more is because it contributes to an unequal **effective tax rate** (the total amount you pay in all taxes compared to your income). In Colorado, the lowest income taxpayers pay the highest percentage in taxes, and the highest income taxpayers pay the smallest percentage in taxes relative to their income. The figure below illustrates the effective tax rate on different income levels here in Colorado.



(From CO Department of Revenue 2022 Tax Report: cdor.colorado.gov/data-and-reports/tax-profile-and-expenditure-reports > 2022 > "Overview Slides")

So what's a better way to tax?

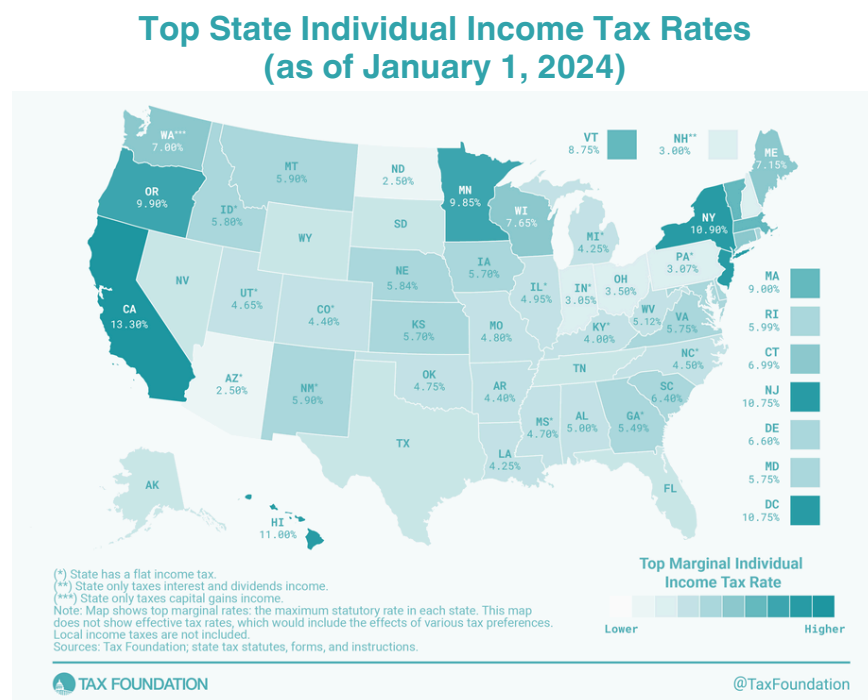


Progressive Income Tax

A progressive income tax is when the tax rate increases as income increases. We currently have this at the federal level.

Where has this been passed?

There are currently 29 states and the District of Columbia that have a graduated income tax. Here is a map that demonstrates the variation in individual income tax rates across the U.S.:



(Source: [Tax Foundation](#), 2024)

What will it do?

When low to moderate income families pay a lower proportion of their income towards income tax, this allows them to afford their necessities for their family to survive, like housing, food, and child care, while higher income families can offset the difference by paying a higher proportion of their income towards income tax while still maintaining a generous cushion in their budget. A progressive income tax is a step in the right direction towards reducing economic inequality while also ensuring that we are all equitably contributing to well-funded community services and resources.