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INITIATIVE 232: INCOME TAX RATE CAP

COLORADO 2026 BALLOT GUIDE

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SUMMARY

Colorado has used a flat income tax since 1987 and currently taxes all income at a rate of 4.4%. The 2026 ballot will include two competing tax measures. Initiative 232 would keep the state's individual and corporate tax rate at its current level of 4.4%. Initiative 195, proposing a progressive tax structure, would increase taxes on those making more than $500,000, and slightly reduce the tax rate for $100,000 or less of income.

If both measures pass, the future of Colorado's income tax will be decided by which initiative garners more votes. Should Initiative 232 get a higher "yes" vote total, not only will the top tax rate remain at 4.4%, but the tax cuts proposed by Initiative 195 on $100,000 and less of income would also take effect. On net, Colorado taxpayers would see an income tax reduction.

KEY FACTS

- Initiative 232 passing alone would keep Colorado's income tax rate at the current rate of 4.4%, preventing the state's top income tax rate from rising above that level.
    - The initiative is in opposition to a proposed progressive tax, Initiative 195, which would create a graduated income tax system in which individuals would be taxed at different rates based on their income levels.
- If both initiatives pass and Initiative 232 receives more votes, only the tax cuts from 195 are implemented, and the state's top tax rate remains at 4.4%.
- Initiative 195 is projected to generate approximately $2.7 billion in additional revenue, while Initiative 232 focuses on preventing changes to the current tax system.
    - Under Initiative 195, new revenue generated by the measure would be exempt from TABOR restrictions.

Colorado Income Tax Rates Under Initiatives 195 and 232

Marginal rates by taxable income bracket and election outcome

Taxable income bracket	Tax rates under 232 alone	Tax rates under 195 alone	Tax rates if both pass: 232 receives more yes votes	Tax rates if both pass: 195 receives more yes votes
$25,000 or less	4.40%	3.70%	3.70%	3.70%
$25,001 to $100,000	4.40%	4.20%	4.20%	4.20%
$100,001 to $500,000	4.40%	4.40%	4.40%	4.40%
$500,001 to $750,000	4.40%	7.40%	**4.40% cap**	7.40%
$750,001 to $1,000,000	4.40%	7.90%	**4.40% cap**	7.90%
More than $1,000,000	4.40%	8.40%	**4.40% cap**	8.40%

Note: This specific outcome has not been adjudicated and could face a legal challenge.

BOTTOM LINE

Colorado voters will decide whether to retain the state's 4.4% flat income tax cap or adopt a graduated system that would raise an estimated $2.7 billion annually. The outcome will determine how much Coloradans pay in income taxes and how the new revenue is treated under TABOR.