

Colorado

Suspension of State EITC Threatens Recent Progress in Reducing Income Taxes on Poor Families

Colorado's 2004 income tax threshold — the income level at which families begin paying income tax:

- ⇒ For single-parent families of three: **\$16,500.**
- ⇒ For two-parent families of four: **\$22,100.**

Ranking among 42 states with income taxes
20th lowest (tie)
23rd lowest (tie)

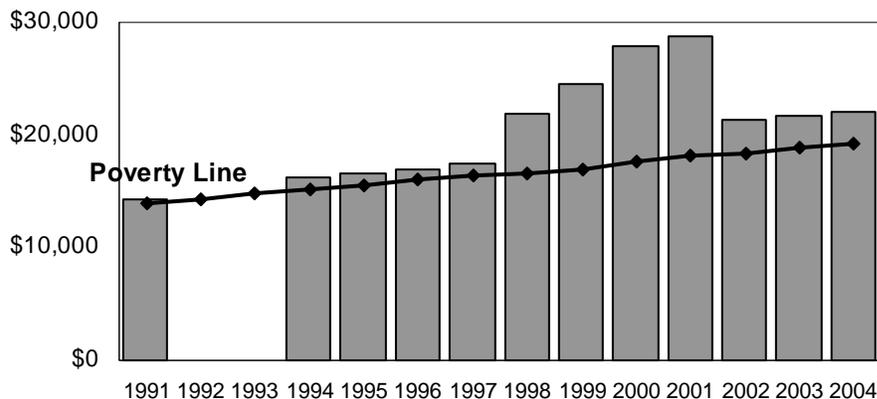
Colorado's 2004 income tax on working-poor and near-poor families:

- ⇒ No tax on families of three or four with *full-time minimum wage earnings* (\$10,712).
- ⇒ No tax on families of three with *incomes at the poverty line* (\$15,071).
- ⇒ No tax on families of four with *incomes at the poverty line* (\$19,311).
- ⇒ For families of three with *incomes at 125% of poverty line* (\$18,839): **\$109.** **21st highest**
- ⇒ For families of four with *incomes at 125% of poverty line* (\$24,139): **\$95.** **26th highest**

Colorado has consistently exempted families with below-poverty earnings from the income tax, but the suspension of the state EITC threatens the progress made in recent years in reducing income taxes on poor families.

- ⇒ A state EITC in Colorado enacted in the late 1990s continued to be suspended for tax year 2004 due to insufficient state revenues, reducing that state's income tax threshold for a family of four from \$28,700 in 2001 to \$22,100 in 2004.
- ⇒ In 1991, a family of four owed income tax when its income reached 3 percent above the poverty line. In 2001, Colorado's tax threshold was 59 percent above the poverty line. In 2004, the threshold dropped to 14 percent above the poverty line.

Income Tax Threshold for Family of Four



Year	Threshold
1991	\$14,300
1994	\$16,200
1995	\$16,600
1996	\$16,900
1997	\$17,500
1998	\$21,900
1999	\$24,600
2000	\$27,900
2001	\$28,700
2002	\$21,400
2003	\$21,700
2004	\$22,100