

Colorado

Colorado Exempts Working-Poor Families from the Income Tax

Colorado's 2006 income tax threshold

(The income level at which families begin paying income tax)

Rank among the 42 states with income taxes

(1 = lowest threshold)

- For single-parent families of three: \$17,500 (tied for) 18
- For two-parent families of four: \$23,500 (tied for) 20

Colorado's 2006 income tax levied on working-poor and near-poor families

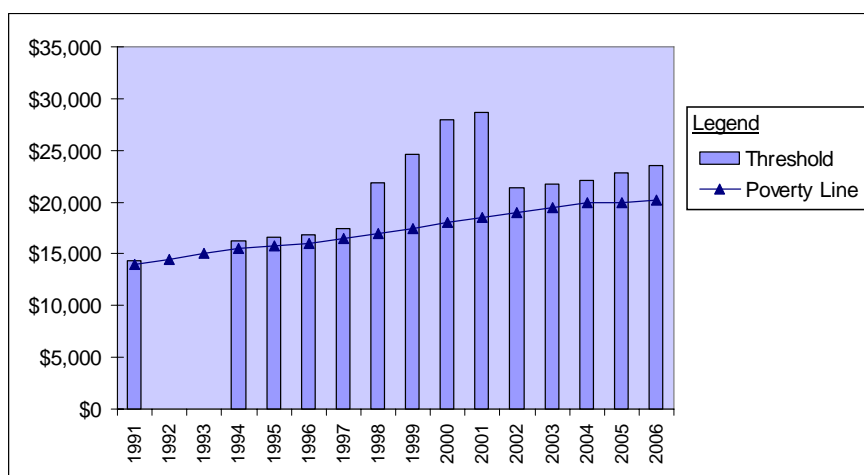
Rank (1 = highest tax)

- For families of three with incomes at the poverty line (\$16,079): \$0 (tied for) 16
- For families of four with incomes at the poverty line (\$20,615): \$0 (tied for) 20
- For families of three with minimum-wage earnings (\$10,712): \$0 (tied for) 7
- For families of three with incomes at 125% of poverty line (\$20,099): \$123 21
- For families of four with incomes at 125% of poverty line (\$25,769): \$104 23

Colorado continues to exempt families living in poverty from its income tax, but suspension of the Earned Income Tax Credit has worsened its income-tax treatment of the poor and near-poor.

- Between 1998 and 2001, Colorado's refundable Earned Income Tax Credit shielded poor and near-poor families from the income tax and provided a wage supplement for working families. The suspension of the EITC — likely to continue through at least 2011 — reduced Colorado's thresholds and eliminated the tax refunds.
- In 2001, a family of four in Colorado paid no income tax until its income climbed to 59 percent above the poverty line. By 2006, the tax threshold had fallen to just 14 percent above the poverty line.

Income Tax Threshold for Family of Four



Year	Threshold
1991	\$14,300
1992	no data
1993	no data
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
2005	\$22,800
2006	\$23,500