Colorado Amendment 87 – What It Means Now That It Has Passed

Passed – November 2026

Colorado voters have approved **Amendment 87**, which changes how Colorado calculates state income taxes.

In simple terms, Colorado is moving from a flat income tax to a graduated income tax. This means people with lower taxable incomes will pay a lower tax rate, while people with higher taxable incomes will pay higher rates.

The change removes Colorado's constitutional requirement that everyone pay the same income tax rate.

The new tax structure is scheduled to apply beginning with the **2027 tax year**.

1. What are the new Colorado income tax rates?

The current flat rate of 4.4% will be replaced by these graduated rates:

Colorado taxable income	**New tax rate**
First $25,000	3.7%
$25,001–$100,000	4.2%
$100,001–$500,000	4.4%
$500,001–$750,000	7.4%
$750,001–$1,000,000	7.9%
Over $1,000,000	8.4%

Important: These are marginal tax rates. You do not pay the highest rate on all your income. Each rate applies only to the income within that particular bracket.

2. Who will pay more and who will pay less?

Generally:

- Taxpayers with income below $500,000 will receive a small tax reduction up to $325.

- Taxpayers with higher incomes will eventually pay more.
- The largest increases will affect taxpayers earning more than $1 million.

The state's estimates indicate that approximately 97% of individual taxpayers will receive a tax reduction, while approximately 3% will pay more.

3. Where will the additional tax revenue go?

The additional money collected will be placed in the Colorado Future's Account and dedicated to:

- **Public education:** K-12 schools, teacher compensation, and career training.
- **Health care:** Medicaid-related needs, primary care, rural health care, and health care assistance.
- **Childcare:** Early childhood education and programs to help families afford childcare.

The additional revenue is exempt from the usual TABOR revenue limits.

4. How does this affect businesses?

This is particularly important for tax preparation.

The new graduated tax structure applies to individuals and businesses, including:

- C corporations.
- S corporations.
- Partnerships.
- Estates and trusts.

For S corporations and partnerships, the owners' pass-through income can affect their individual Colorado income tax.

Corporations will also be subject to the new graduated rates.

An important exception: income from the sale of a taxpayer's principal residence remains subject to the 4.4% rate.

5. What happens to TABOR?

Amendment 87 changes Colorado's constitutional flat-tax requirement.

It also allows the state to retain the additional revenue generated by the new tax rates rather than refunding that additional revenue under the normal TABOR revenue limit.

6. When does this take effect?

The new tax rates are scheduled to apply beginning January 1, 2027, affecting 2027 individual and business tax returns.

Bottom line

Colorado has officially approved a major change to its income tax system.

- Lower-income taxpayers generally receive a small tax reduction.
- Higher-income taxpayers face higher marginal tax rates.
- Businesses are also affected.
- Additional revenue is dedicated to education, health care, and childcare.
- The additional revenue is exempt from the normal TABOR spending limit.