



Legislative Council Staff
Research Note

Version: House Finance
Committee
Date: 4/20/2017

Bill Number

Senate Bill 17-075

Sponsors

Senator Crowder
Representative Landgraf

Short Title

***Income Tax Deduction for
Military Retirement Benefits***

Research Analyst

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Status

The bill is currently pending before the House Finance Committee. This research note reflects the reengrossed bill.

Background

Under current law, qualifying taxpayers ages 55 to 64 may deduct up to \$20,000 in retirement income, including military retirement benefits, from their taxable income each year and qualifying taxpayers ages 65 and older may deduct up to \$24,000 each year. Individuals under the age of 55 are not eligible for a deduction of military retirement benefits.

For federal fiscal year 2015, about 46,131 individuals in Colorado claimed an average estimated annual military retirement benefit of \$31,713, according to data from the Department of Defense Office of the Actuary. This population excludes retirees who are disabled whose benefits are assumed to be excluded from federal taxable income and includes only those receiving benefits greater than \$0.

Legislative Council Staff estimates there are 12,534 taxpayers under age 55, 13,632 taxpayers ages 55 to 65, and 22,451 ages 65 and older who would qualify for an exemption under the bill in tax year 2018.

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Senate Action

Senate Finance Committee (January 24, 2017). Representatives from the United Veterans Committee and the Senior Lobby, as well as individuals from the public, testified in support of the bill. The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (April 6, 2017). The committee adopted amendment L.001, which implements a graduated tax deduction schedule for qualifying individuals based on a percentage of gross income. The schedule increases the percentage from 10 percent in tax year 2018 to 100 percent in tax year 2027 and each tax year thereafter. The committee referred the bill, as amended, to the Senate Committee of the Whole.

Senate second reading (April 11, 2017). The Senate adopted the Senate Appropriations committee report and adopted the bill on second reading.

Senate third reading (April 12, 2017). The Senate adopted the bill on third reading.