A BILL FOR AN ACT

Concerning a state income tax deduction for military retirement benefits for an individual who is under fifty-five years of age.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

The starting point for determining state income tax liability is federal taxable income. This number is adjusted for additions and subtractions (deductions) that are used to determine Colorado taxable income, which amount is multiplied by the state's 4.63% income tax rate. The bill allows an individual who is under 55 years old to claim a
Be it enacted by the General Assembly of the State of Colorado:

**SECTION 1. Legislative declaration.** The general assembly hereby finds and declares that the purpose of the tax deduction created by this act is to honor the sacrifice and service of veterans and to create an incentive for more veterans to make their post-military homes in the state.

**SECTION 2.** In Colorado Revised Statutes, 39-22-104, add (4)(y) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - legislative declaration - definitions - repeal.

(4) There shall be subtracted from federal taxable income:

(I) For income tax years commencing on or after January 1, 2019, but prior to January 1, 2020, an amount equal to twenty-five percent of a qualified individual's military retirement benefits included in federal adjusted gross income.

(II) For income tax years commencing on or after January 1, 2020, but prior to January 1, 2021, an amount equal to fifty percent of a qualified individual's military retirement benefits included in federal adjusted gross income or ten thousand dollars, whichever is less.

(III) For income tax years commencing on or after January 1, 2021, but prior to January 1, 2023, an amount equal to a qualified individual's military retirement benefits included in federal adjusted gross income or ten thousand dollars, whichever is less.

(IV) In order to measure the efficacy of the subtraction

(V) AS USED IN THIS SUBSECTION (4)(y):

(A) "MILITARY RETIREMENT BENEFITS" MEANS ANY RETIREMENT BENEFITS RECEIVED AS A RESULT OF THE INDIVIDUAL'S SERVICE IN THE ARMED FORCES OF THE UNITED STATES.

(B) "QUALIFIED INDIVIDUAL" MEANS AN INDIVIDUAL WHO IS UNDER FIFTY-FIVE YEARS OF AGE AT THE CLOSE OF THE TAXABLE YEAR AND WHOSE MILITARY RETIREMENT BENEFITS FOR THE TAXABLE YEAR ARE LESS THAN OR EQUAL TO FORTY THOUSAND DOLLARS.

SECTION 3. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 8, 2018, if adjournment sine die is on May 9, 2018); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2018 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.