HOUSE BILL 18-1060

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
deduction of up to $20,000 for the individual's military retirement
benefits.

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:

(y) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
JANUARY 1, 2019, BUT PRIOR TO JANUARY 1, 2020, FOR AN INDIVIDUAL
WHO IS UNDER FIFTY-FIVE YEARS OF AGE AT THE CLOSE OF THE TAXABLE
YEAR, AN AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE INDIVIDUAL’S
MILITARY RETIREMENT BENEFITS INCLUDED IN FEDERAL ADJUSTED GROSS
INCOME OR TWENTY THOUSAND DOLLARS, WHICHEVER IS LESS.

(II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
1, 2020, BUT PRIOR TO JANUARY 1, 2021, FOR AN INDIVIDUAL WHO IS
UNDER FIFTY-FIVE YEARS OF AGE AT THE CLOSE OF THE TAXABLE YEAR, AN
AMOUNT EQUAL TO FIFTY PERCENT OF THE INDIVIDUAL’S MILITARY
RETIREMENT BENEFITS INCLUDED IN FEDERAL ADJUSTED GROSS INCOME OR
TWENTY THOUSAND DOLLARS, WHICHEVER IS LESS.

(III) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
1, 2021, FOR AN INDIVIDUAL WHO IS UNDER FIFTY-FIVE YEARS OF AGE AT
THE CLOSE OF THE TAXABLE YEAR, AN AMOUNT EQUAL TO THE
INDIVIDUAL'S MILITARY RETIREMENT BENEFITS INCLUDED IN FEDERAL
ADJUSTED GROSS INCOME OR TWENTY THOUSAND DOLLARS, WHICHEVER
IS LESS.

(IV) AS USED IN THIS SUBSECTION (4)(y), "MILITARY RETIREMENT
BENEFITS" MEANS ANY RETIREMENT BENEFITS RECEIVED AS A RESULT OF
THE INDIVIDUAL'S SERVICE IN THE ARMED FORCES OF THE UNITED STATES.

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.