

**Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 24-0733.01 Megan McCall x4215

HOUSE BILL 24-1134

HOUSE SPONSORSHIP

Weissman and Rutinel, Amabile, Brown, deGruy Kennedy, Garcia, Hernandez, Jodeh, Joseph, Kipp, Lindsay, Mabrey, Martinez, Marvin, Story, Titone, Velasco, Woodrow

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A BILL FOR AN ACT

101 **CONCERNING ADJUSTMENTS TO EXISTING INCOME TAX EXPENDITURES**
102 **TO REDUCE TAXPAYER BURDEN, AND, IN CONNECTION**
103 **THEREWITH, MAKING ADJUSTMENTS TO THE CREDIT FOR CHILD**
104 **AND DEPENDENT CARE EXPENSES; INCREASING THE VALUE OF**
105 **THE EARNED INCOME TAX CREDIT AS A PERCENTAGE OF THE**
106 **FEDERAL CREDIT FOR INCOME TAX YEARS COMMENCING ON OR**
107 **AFTER JANUARY 1, 2024; REPEALING OBSOLETE PROVISIONS**
108 **CONCERNING THE CORPORATE INCOME TAX; AND MAKING THE**
109 **STATE'S CORPORATE INCOME TAX MORE UNIFORM COMPARED**
110 **TO OTHER STATES BY REPLACING THE CURRENT COMBINED**
111 **REPORTING STANDARD WITH THE MULTISTATE TAX**
112 **COMMISSION'S STANDARD AND MODIFYING THE COMPUTATION**
113 **OF THE RECEIPTS FACTOR TO MAKE IT MORE CONGRUENT WITH**

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

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>.)

Sections 1 and 2 of the bill modify 2 existing state income tax credits for child care expenses. Under current law, one of the credits can be claimed by an individual who claims the federal credit allowed for child and dependent care expenses (federal credit). The other credit can be claimed under the same parameters as the first credit but by an individual who does not meet the minimum income threshold to be able to claim the federal credit. The bill streamlines the 2 state income tax credits into one credit to be claimed for income tax years commencing on and after January 1, 2026. The bill also clarifies that the credit is for expenses related to child care and dependent care, as such expenses are qualified under the federal credit.

Section 3 increases the amount of the state earned income tax credit (EITC) that can be claimed by an individual as a percentage of the individual's federal earned income tax credit (federal credit) amount for all income tax years commencing on or after January 1, 2024, from current levels of 38% for income tax years commencing in 2024, 25% for income tax years commencing in 2025, and 20% for income tax years commencing in 2026 or any later year to 50%.

Sections 4 and 5 make the state's corporate income tax more uniform compared to other states by replacing the current combined reporting standard with the multistate tax commission's standard. In addition, these sections modify the computation of receipts factor to make it more congruent with the unitary business principle. Section 4 also repeals obsolete provisions concerning corporate income tax.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-119, **amend**
3 (1.7), (2), (3), and (4); **repeal** (1); and **add** (1.3) and (10) as follows:

4 **39-22-119. Expenses related to child and dependent care -**
5 **refundable credit against state tax - tax preference performance**

1 **statement - definition - repeal.** (1) (a) ~~For income tax years beginning~~
2 ~~on and after January 1, 1996, but before January 1, 2019, if a resident~~
3 ~~individual claims a credit for child care expenses on the individual's~~
4 ~~federal tax return, the individual shall be allowed a child care expenses~~
5 ~~credit against the income taxes due on the individual's income under this~~
6 ~~article 22 calculated as follows:~~

7 (I) ~~If the resident individual's federal adjusted gross income is~~
8 ~~twenty-five thousand dollars or less, the credit shall be in an amount equal~~
9 ~~to fifty percent of the credit for child care expenses claimed on the~~
10 ~~resident individual's federal tax return.~~

11 (II) ~~If the resident individual's federal adjusted gross income is~~
12 ~~between twenty-five thousand one dollars and thirty-five thousand~~
13 ~~dollars, the credit shall be in an amount equal to thirty percent of the~~
14 ~~credit for child care expenses claimed on the resident individual's federal~~
15 ~~tax return.~~

16 (III) ~~If the resident individual's federal adjusted gross income is~~
17 ~~between thirty-five thousand one dollars and sixty thousand dollars, the~~
18 ~~credit shall be in an amount equal to ten percent of the credit for child~~
19 ~~care expenses claimed on the resident individual's federal tax return.~~

20 (b) ~~If the resident individual's federal adjusted gross income is~~
21 ~~sixty thousand one dollars or more, the resident individual shall not be~~
22 ~~allowed a credit under this subsection (1).~~

23 (1.3) (a) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT,
24 PURSUANT TO SECTION 39-21-304 (1), THE INCOME TAX CREDIT CREATED
25 IN THIS SECTION IS INTENDED TO PROVIDE TAX RELIEF FOR CERTAIN
26 INDIVIDUALS. SPECIFICALLY, THE CREDIT IS INTENDED TO ASSIST LOW-
27 AND MODERATE-INCOME COLORADANS IN MEETING THE HIGH COST OF

1 CHILD AND DEPENDENT CARE BY PROVIDING ADDITIONAL SUPPORT
2 BEYOND WHAT MAY BE AVAILABLE THROUGH FEDERAL TAX LAW.

3 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
4 MEASURE THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSE
5 SPECIFIED IN SUBSECTION (1.3)(a) OF THIS SECTION BASED ON THE NUMBER
6 OF RESIDENT INDIVIDUALS WHO HAVE CLAIMED THE CREDIT AND THE
7 TOTAL AMOUNT OF CREDITS CLAIMED.

8 (1.7) (a) (I) For income tax years beginning on and after January
9 1, 2019, BUT BEFORE JANUARY 1, 2026, if a resident individual's federal
10 adjusted gross income is less than or equal to sixty thousand dollars and
11 the individual claims a credit for child AND DEPENDENT care expenses on
12 the individual's federal tax return AS ALLOWED PURSUANT TO SECTION 21
13 OF THE INTERNAL REVENUE CODE, then the individual is allowed a child
14 AND DEPENDENT care expenses credit against the income taxes ~~due on the~~
15 ~~individual's income under~~ IMPOSED BY this article 22. The ~~amount of the~~
16 credit is an amount equal to fifty percent of the credit for child AND
17 DEPENDENT care expenses claimed on the individual's federal tax return
18 FOR THE SAME INCOME TAX YEAR.

19 (II) THIS SUBSECTION (1.7)(a) IS REPEALED, EFFECTIVE DECEMBER
20 31, 2030.

21 (b) FOR INCOME TAX YEARS BEGINNING ON AND AFTER JANUARY
22 1, 2026, EXCEPT AS PROVIDED IN SUBSECTION (1.7)(c) OF THIS SECTION, IF
23 A RESIDENT INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME IS LESS THAN
24 OR EQUAL TO SIXTY THOUSAND DOLLARS, THEN THE INDIVIDUAL IS
25 ALLOWED A CHILD AND DEPENDENT CARE EXPENSES CREDIT AGAINST THE
26 INCOME TAXES IMPOSED BY THIS ARTICLE 22. THE CREDIT IS AN AMOUNT
27 EQUAL TO SEVENTY PERCENT OF THE FEDERAL CREDIT ALLOWED

1 PURSUANT TO SECTION 21 OF THE INTERNAL REVENUE CODE AND
2 CALCULATED WITHOUT REGARD TO THE LIMITATION IMPOSED BY SECTION
3 26 OF THE INTERNAL REVENUE CODE.

4 (c) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
5 JANUARY 1, 2027, THE EXECUTIVE DIRECTOR SHALL ADJUST THE FEDERAL
6 ADJUSTED GROSS INCOME LIMIT SET FORTH IN SUBSECTION (1.7)(b) OF THIS
7 SECTION FOR INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE
8 CREDIT IS ALLOWED IF CUMULATIVE INFLATION SINCE THE LAST
9 ADJUSTMENT, WHEN APPLIED TO THE CURRENT LIMITATION, RESULTS IN AN
10 INCREASE OF AT LEAST ONE THOUSAND DOLLARS WHEN THE ADJUSTED
11 LIMITS ARE ROUNDED TO THE NEAREST ONE THOUSAND DOLLARS.

12 (II) AS USED IN THIS SUBSECTION (1.7)(c), "INFLATION" MEANS
13 THE ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT
14 OF LABOR BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX, OR A
15 SUCCESSOR INDEX, FOR DENVER-AURORA-LAKEWOOD FOR ALL ITEMS
16 PAID BY URBAN CONSUMERS.

17 (2) If the ~~credits~~ CREDIT allowed ~~under subsections (1) and (1.7)~~
18 ~~of~~ PURSUANT TO this section ~~exceed~~ EXCEEDS the income taxes due on the
19 resident individual's income, the amount of the ~~credits~~ CREDIT not used
20 to offset income taxes ~~shall not be carried forward as tax credits against~~
21 ~~the resident individual's subsequent years' income tax liability and shall~~
22 ~~be~~ IS NOT CARRIED FORWARD AND MUST BE refunded to the individual.

23 (3) The child AND DEPENDENT care expenses ~~credits~~ CREDIT
24 allowed ~~under subsections (1) and (1.7)~~ of PURSUANT TO this section ~~shall~~
25 IS not ~~be~~ allowed to a resident individual who is receiving child care
26 assistance from the department of early childhood except to the extent of
27 the taxpayer's unreimbursed out-of-pocket expenses that result in a

1 federal credit for child AND DEPENDENT care expenses.

2 (4) In the case of a resident for part of a tax year, the ~~credits~~
3 CREDIT allowed by this section ~~shall be~~ IS apportioned in the ratio
4 determined under section 39-22-110 (1).

5 (10) NOTWITHSTANDING SECTION 39-21-304 (4), THE CREDIT
6 ALLOWED PURSUANT TO THIS SECTION CONTINUES INDEFINITELY.

7 **SECTION 2.** In Colorado Revised Statutes, 39-22-119.5, **amend**
8 (3)(a) introductory portion; and **add** (8) as follows:

9 **39-22-119.5. Child care expenses tax credit - legislative**
10 **declaration - definitions - repeal.** (3) (a) For income tax years
11 beginning on and after January 1, 2014, but ~~prior to~~ BEFORE January 1,
12 2017, and for income tax years beginning on and after January 1, 2018,
13 but ~~prior to January 1, 2029~~ BEFORE JANUARY 1, 2026, a resident
14 individual is allowed a credit against the taxes due under this article 22
15 for child care expenses that the individual incurred during the taxable
16 year if:

17 (8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2030.

18 **SECTION 3.** In Colorado Revised Statutes, 39-22-123.5, **amend**
19 (2)(b), (2)(c)(I), (2)(d)(I), (2.5)(b), (2.5)(d)(I), (2.5)(e)(I), (2.7)(a),
20 (2.7)(b)(I), and (2.7)(c)(I); **repeal** (2)(d)(II), (2.5)(e)(II), and (2.7)(c)(II);
21 and **add** (2.8)(c) as follows:

22 **39-22-123.5. Earned income tax credit - legislative declaration**
23 **- repeal.** (2) (b) (I) For income tax years commencing on or after January
24 1, 2022, but before January 1, 2023, ~~and income tax years commencing~~
25 ~~on or after January 1, 2026~~, a resident individual who claims an earned
26 income tax credit on the individual's federal tax return is allowed an
27 earned income tax credit against the taxes due under this article 22 that

1 is equal to twenty percent of the federal credit that the resident individual
2 claimed on his or her federal tax return for the same tax year.

3 (II) THIS SUBSECTION (2)(b) IS REPEALED, EFFECTIVE DECEMBER
4 31, 2033.

5 (c) (I) For income tax years commencing on or after January 1,
6 2023, but before January 1, 2024, ~~and for the income tax year~~
7 ~~commencing on January 1, 2025~~, a resident individual who claims an
8 earned income tax credit on the individual's federal tax return is allowed
9 an earned income tax credit against the taxes due under this article 22 that
10 is equal to twenty-five percent of the federal credit that the resident
11 individual claimed on his or her federal tax return for the same tax year.

12 (d) (I) For ~~the~~ income tax ~~year~~ YEARS commencing on OR AFTER
13 January 1, 2024, a resident individual who claims an earned income tax
14 credit on the individual's federal tax return is allowed an earned income
15 tax credit against the taxes due under this article 22 that is equal to
16 ~~thirty-eight~~ FIFTY percent of the federal credit that the resident individual
17 claimed on his or her federal tax return for the same tax year.

18 (II) ~~This subsection (2)(d) is repealed, effective December 31,~~
19 ~~2034.~~

20 (2.5) (b) (I) For income tax years commencing on or after January
21 1, 2022, but before January 1, 2023, ~~and income tax years commencing~~
22 ~~on or after January 1, 2026~~, a resident individual is allowed an earned
23 income tax credit against the taxes due under this article 22 that is equal
24 to twenty percent of the federal credit that the resident individual would
25 have been allowed, but for the fact that the resident individual, the
26 resident individual's spouse, or one or more of the resident individual's
27 dependents do not have a social security number that is valid for

1 employment.

2 (II) THIS SUBSECTION (2.5)(b) IS REPEALED, EFFECTIVE DECEMBER
3 31, 2033.

4 (d) (I) For income tax years commencing on or after January 1,
5 2023, but before January 1, 2024, ~~and for the income tax year~~
6 ~~commencing on January 1, 2025~~, a resident individual is allowed an
7 earned income tax credit against the taxes due under this article 22 that
8 is equal to twenty-five percent of the federal credit that the resident
9 individual would have been allowed, but for the fact that the resident
10 individual, the resident individual's spouse, or one or more of the resident
11 individual's dependents do not have a social security number that is valid
12 for employment.

13 (e) (I) For ~~the income tax year~~ YEARS commencing on OR AFTER
14 January 1, 2024, a resident individual is allowed an earned income tax
15 credit against the taxes due under this article 22 that is equal to
16 ~~thirty-eight~~ FIFTY percent of the federal credit that the resident individual
17 would have been allowed, but for the fact that the resident individual, the
18 resident individual's spouse, or one or more of the resident individual's
19 dependents do not have a social security number that is valid for
20 employment.

21 (II) ~~This subsection (2.5)(c) is repealed, effective December 31,~~
22 ~~2034.~~

23 (2.7) (a) (I) For income tax years commencing on or after January
24 1, 2022, but before January 1, 2023, ~~and income tax years commencing~~
25 ~~on or after January 1, 2026~~, a resident individual is allowed an earned
26 income tax credit against the taxes due under this article 22 that is equal
27 to twenty percent of the federal credit that the resident individual would

1 have been allowed under section 32 (n)(1) of the internal revenue code,
2 notwithstanding the date limitation set forth in section 32 (n) of the
3 internal revenue code as specified in section 9621 (a) of the "American
4 Rescue Plan Act of 2021", Pub.L. 117-2.

5 (II) THIS SUBSECTION (2.7)(a) IS REPEALED, EFFECTIVE DECEMBER
6 31, 2033.

7 (b) (I) For income tax years commencing on or after January 1,
8 2023, but before January 1, 2024, ~~and for the income tax year~~
9 ~~commencing on January 1, 2025~~, a resident individual is allowed an
10 earned income tax credit against the taxes due under this article 22 that
11 is equal to twenty-five percent of the federal credit that the resident
12 individual would have been allowed under section 32 (n)(1) of the
13 internal revenue code, notwithstanding the date limitation set forth in
14 section 32 (n) of the internal revenue code as specified in section 9621 (a)
15 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

16 (c) (I) For ~~the~~ income tax ~~year~~ YEARS commencing on OR AFTER
17 January 1, 2024, a resident individual is allowed an earned income tax
18 credit against the taxes due under this article 22 that is equal to
19 ~~thirty-eight~~ FIFTY percent of the federal credit that the resident individual
20 would have been allowed under section 32 (n)(1) of the internal revenue
21 code, notwithstanding the date limitation set forth in section 32 (n) of the
22 internal revenue code as specified in section 9621 (a) of the "American
23 Rescue Plan Act of 2021", Pub.L. 117-2.

24 (II) ~~This subsection (2.7)(c) is repealed, effective December 31,~~
25 ~~2034.~~

26 (2.8) (c) THIS SUBSECTION (2.8) IS REPEALED, EFFECTIVE
27 DECEMBER 31, 2034.

1 **SECTION 4.** In Colorado Revised Statutes, 39-22-301, **amend**
2 (1)(d)(I) introductory portion and (1)(d)(I)(J); and **repeal** (1)(a), (1)(b),
3 (1)(c), (1)(d)(I)(A), (1)(d)(I)(B), (1)(d)(I)(C), (1)(d)(I)(D), (1)(d)(I)(E),
4 (1)(d)(I)(F), (1)(d)(I)(G), (1)(d)(I)(H), (1)(d)(I)(I), (1.1), (1.2), and (1.3)
5 as follows:

6 **39-22-301. Corporate tax imposed - repeal.** (1) (a) ~~For income~~
7 ~~tax years commencing on or after January 1, 1983, but before July 1,~~
8 ~~1986, a tax is imposed upon each domestic C corporation and foreign C~~
9 ~~corporation doing business in Colorado annually in an amount equal to~~
10 ~~five percent of the net income of such C corporation during the year~~
11 ~~derived from sources within Colorado. Income from sources within~~
12 ~~Colorado includes income from tangible or intangible property located or~~
13 ~~having a situs in this state and income from any activities carried on in~~
14 ~~this state, regardless of whether carried on in intrastate, interstate, or~~
15 ~~foreign commerce.~~

16 (b) ~~For income tax years commencing on or after January 1, 1981,~~
17 ~~but before January 1, 1983, a tax is imposed upon each domestic C~~
18 ~~corporation and foreign C corporation doing business in Colorado~~
19 ~~annually in an amount equal to five percent of the net income of such C~~
20 ~~corporation during the year derived from sources within Colorado~~
21 ~~reduced pursuant to the reduction tables set forth in subsections (1.1) and~~
22 ~~(1.2) of this section. Income from sources within Colorado includes~~
23 ~~income from tangible or intangible property located or having a situs in~~
24 ~~this state and income from any activities carried on in this state,~~
25 ~~regardless of whether carried on in intrastate, interstate, or foreign~~
26 ~~commerce. In the case of a C corporation which is a component member~~
27 ~~of a controlled group of corporations as defined in section 1563 (a) of the~~

1 internal revenue code, the sum of the Colorado net incomes of all the
2 component members of the controlled group, but not the losses of each
3 component member thereof, shall be used in computing the reduction for
4 the controlled group. The reduction for the controlled group may be
5 allocated between or among the component members thereof as agreed
6 to by such members. If such an agreement is not reached, the executive
7 director shall allocate the reduction based on the ratio of the Colorado net
8 income of each component member to the total Colorado net incomes of
9 all component members.

10 (c) For income tax years commencing on or after July 1, 1986, but
11 before July 1, 1987, a tax is imposed upon each domestic C corporation
12 and foreign C corporation doing business in Colorado annually in an
13 amount equal to six percent of the net income of such C corporation
14 during the year derived from sources within Colorado reduced pursuant
15 to the reduction table set forth in subsection (1.3) of this section. Income
16 from sources within Colorado includes income from tangible or
17 intangible property located or having a situs in this state and income from
18 any activities carried on in this state, regardless of whether carried on in
19 intrastate, interstate, or foreign commerce. In the case of a C corporation
20 which is a component member of a controlled group of corporations as
21 defined in section 1563 (a) of the internal revenue code, the sum of the
22 Colorado net incomes of all the component members of the controlled
23 group, but not the losses of each component member thereof, shall be
24 used in computing the reduction for the controlled group. The reduction
25 for the controlled group may be allocated between or among the
26 component members thereof as agreed to by such members. If such an
27 agreement is not reached, the executive director shall allocate the

1 ~~reduction based on the ratio of the Colorado net income of each~~
2 ~~component member to the total Colorado net incomes of all component~~
3 ~~members:~~

4 (d) (I) A tax is imposed upon each domestic C corporation, and
5 foreign C corporation, AND COMBINED GROUP, AS DEFINED IN SECTION
6 39-22-303 (12)(a.3), doing business in Colorado annually in an amount
7 of the net income of such C corporation during the year derived from
8 sources within Colorado as set forth in the following schedule of rates:

9 ~~(A) For income tax years commencing on or after July 1, 1987,~~
10 ~~but before July 1, 1988:~~

11 ~~**If the Colorado**~~

12 net income is:	The tax is:
13 \$50,000.00 or less	5.5% of the Colorado net income
14 Over \$50,000.00	\$2,750.00 plus 6% of the excess
	Colorado net income over \$50,000.00

16 ~~(B) For income tax years commencing on or after July 1, 1988,~~
17 ~~but before July 1, 1989:~~

18 ~~**If the Colorado**~~

19 net income is:	The tax is:
20 \$50,000.00 or less	5% of the Colorado net income
21 Over \$50,000.00	\$2,500.00 plus 5.5% of the excess
	Colorado net income over \$50,000.00

23 ~~(C) For income tax years commencing on or after July 1, 1989,~~
24 ~~but before July 1, 1990:~~

25 ~~**If the Colorado**~~

26 net income is:	The tax is:
27 \$50,000.00 or less	5% of the Colorado net income

1 Over \$50,000.00 \$2,500.00 plus 5.4% of the excess
2 Colorado net income over \$50,000.00

3 (D) For income tax years commencing on or after July 1, 1990,
4 but before July 1, 1991:

5 **If the Colorado**

6 net income is:	The tax is:
7 \$50,000.00 or less	5% of the Colorado net income
8 Over \$50,000.00	\$2,500.00 plus 5.3% of the excess
9	Colorado net income over \$50,000.00

10 (E) For income tax years commencing on or after July 1, 1991, but
11 before July 1, 1992:

12 **If the Colorado**

13 net income is:	The tax is:
14 \$50,000.00 or less	5% of the Colorado net income
15 Over \$50,000.00	\$2,500.00 plus 5.2% of the excess
16	Colorado net income over \$50,000.00

17 (F) For income tax years commencing on or after July 1, 1992, but
18 before July 1, 1993:

19 **If the Colorado**

20 net income is:	The tax is:
21 \$50,000.00 or less	5% of the Colorado net income
22 Over \$50,000.00	\$2,500.00 plus 5.1% of the excess
23	Colorado net income over \$50,000.00

24 (G) For income tax years commencing on or after July 1, 1993,
25 but prior to January 1, 1999, five percent of the Colorado net income;

26 (H) For income tax years commencing on or after January 1, 1999,
27 but prior to January 1, 2000, four and three-quarters percent of the

1 Colorado net income;

2 (I) Except as otherwise provided in section 39-22-627, for income
3 tax years commencing on or after January 1, 2000, but before January 1,
4 2020, four and sixty-three one hundredths percent of the Colorado net
5 income;

6 (J) Except as otherwise provided in section 39-22-627, for income
7 tax years commencing on or after January 1, 2020, but before January 1,
8 2022, four and fifty-five one-hundredths percent of the Colorado net
9 income. THIS SUBSECTION (1)(d)(I)(J) IS REPEALED, EFFECTIVE DECEMBER
10 31, 2026.

11 (1.1) For income tax years commencing on or after January 1,
12 1981, but before January 1, 1982, the tax imposed by paragraph (b) of
13 subsection (1) of this section shall be reduced in accordance with the
14 following table:

15 **If the Colorado**

16 **net income is:**

The reduction is:

17 Not over \$25,000.00	1% of the Colorado net income
18 Over \$25,000.00 but not 19 over \$50,000.00	\$250.00 plus 0.5% of the excess over \$25,000.00
20 Over \$50,000.00	\$375.00

21 (1.2) For income tax years commencing on or after January 1,
22 1982, but before January 1, 1983, the tax imposed by paragraph (b) of
23 subsection (1) of this section shall be reduced in accordance with the
24 following table:

25 **If the Colorado**

26 **net income is:**

The reduction is:

27 Not over \$25,000.00	1% of the Colorado net income
-------------------------	-------------------------------

1	Over \$25,000.00 but not	\$250.00 plus 0.5% of the excess
2	over \$75,000.00	over \$25,000.00
3	Over \$75,000.00	\$500.00

4 (1.3) For income tax years commencing on or after July 1, 1986,
5 but before July 1, 1987, the tax imposed by paragraph (c) of subsection
6 (1) of this section shall be reduced in accordance with the following table:

7 **If the Colorado**

8	net income is:	The reduction is:
9	Not over \$50,000.00	.75% of the Colorado net income
10	Over \$50,000.00 but not	\$375.00 plus .5% of the excess
11	over \$200,000.00	over \$50,000.00
12	Over \$200,000.00	\$1,125.00

13 **SECTION 5.** In Colorado Revised Statutes, 39-22-303, **amend**
14 (10)(b)(II) and (10)(b)(III); **repeal** (13) and (15); and **add** (11)
15 introductory portion, (11.2), (11.5), (12)(a.3), (12)(a.5), (12)(d), and
16 (12)(e) as follows:

17 **39-22-303. Dividends in a combined report - foreign source**
18 **income - affiliated groups - definitions - rules - repeal.** (10) As
19 used in this subsection (10), "foreign source income" means taxable
20 income from sources without the United States, as used in section 862 of
21 the internal revenue code. In apportioning and allocating income pursuant
22 to section 39-22-303.5, 39-22-303.6, or 39-22-303.7, foreign source
23 income shall be considered only to the extent provided in this subsection
24 (10):

25 (b) (II) For income tax years commencing prior to January 1,
26 2000, the amount to be excluded shall be IS determined by multiplying the
27 foreign source income by a fraction, the numerator of which is the total

1 of taxes paid or accrued to foreign countries and United States
2 possessions by or on behalf of the C corporation pursuant to section 901
3 ~~or 902~~ of the internal revenue code, deemed paid pursuant to section ~~902~~
4 ~~or 960~~ of the internal revenue code for the tax year, or carried over or
5 carried back to such tax year pursuant to section 904 (c) of the internal
6 revenue code. The denominator of said fraction shall be forty-six percent
7 of the foreign source income.

8 (III) For income tax years commencing on or after January 1,
9 2000, the amount to be excluded ~~shall be~~ IS determined by multiplying the
10 foreign source income by a fraction, the numerator of which is the total
11 of taxes paid or accrued to foreign countries and United States
12 possessions by or on behalf of the C corporation pursuant to section 901
13 ~~or 902~~ of the internal revenue code, deemed paid pursuant to section ~~902~~
14 ~~or 960~~ of the internal revenue code for the tax year, or carried over or
15 carried back to such tax year pursuant to section 904 (c) of the internal
16 revenue code. The denominator of said fraction shall be the same
17 percentage as the effective federal corporate income tax rate multiplied
18 by the foreign source income. As used in this subsection (10), "effective
19 federal corporate income tax rate" means the taxpayer's federal corporate
20 income tax calculated in accordance with section 11 (a) and (b) of the
21 internal revenue code for such tax year divided by the taxpayer's federal
22 taxable income.

23 (11) FOR TAX YEARS BEGINNING BEFORE JANUARY 1, 2026:

24 (11.2) SUBSECTION (11) OF THIS SECTION AND THIS SUBSECTION
25 (11.2) ARE REPEALED, EFFECTIVE DECEMBER 31, 2031.

26 (11.5) (a) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT:

27 (I) SUBSECTION (11)(a) OF THIS SECTION WAS ENACTED IN 1985

1 TO IMPLEMENT UNITARY COMBINED REPORTING IN COLORADO. HOWEVER,
2 THAT SUBSECTION IS UNIQUE AMONG STATES THAT EMPLOY UNITARY
3 COMBINED REPORTING, USES ARBITRARY TESTS THAT HAVE BEEN
4 DIFFICULT FOR TAXPAYERS AND THE DEPARTMENT OF REVENUE TO APPLY,
5 AND HAS CREATED UNNECESSARY TAX COMPLIANCE CHALLENGES
6 BECAUSE COLORADO'S APPROACH DIVERGES FROM OTHER STATES.

7 (II) INCLUDING ALL AMOUNTS SOURCED TO COLORADO FOR THE
8 COMBINED GROUP BEST EFFECTUATES UNITARY COMBINED REPORTING,
9 REGARDLESS OF THE SEPARATE ENTITY TO WHICH THOSE FACTORS MAY BE
10 ATTRIBUTED. DOING SO RECOGNIZES THAT THE UNITARY GROUP IS A
11 SINGLE TAXPAYER AND PREVENTS CORPORATE FORM FROM GOVERNING
12 ECONOMIC SUBSTANCE.

13 (III) SECTION 39-22-301 AND THIS SECTION, AS AMENDED BY
14 HOUSE BILL 24-1134, ENACTED IN 2024, ALLOW COLORADO TO JOIN
15 OTHER STATES WITH SIMILAR COMBINED REPORTING STANDARDS AND
16 IMPLEMENT UNITARY COMBINED REPORTING IN A MANNER THAT SIMPLIFIES
17 THE PREPARATION OF CORPORATE INCOME TAX RETURNS IN COLORADO
18 WITHOUT ARBITRARY TESTS THAT ARE DIFFICULT TO APPLY.

19 (b) FOR TAX YEARS BEGINNING ON AND AFTER JANUARY 1, 2026:

20 (I) EXCEPT AS PROVIDED IN SUBSECTION (8) OF THIS SECTION, ALL
21 OF THE MEMBERS OF AN AFFILIATED GROUP OF C CORPORATIONS,
22 WHEREVER INCORPORATED OR DOMICILED, THAT ARE MEMBERS OF A
23 UNITARY BUSINESS SHALL FILE A COMBINED REPORT AS A COMBINED
24 GROUP.

25 (II) THE NET INCOME OF EACH MEMBER OF THE COMBINED GROUP,
26 AS DETERMINED UNDER SECTION 39-22-304, IS COMBINED, ELIMINATING
27 ITEMS OF INCOME, EXPENSE, GAIN, AND LOSS FROM TRANSACTIONS

1 BETWEEN MEMBERS OF THE COMBINED GROUP, APPLYING THE
2 CONSOLIDATED FILING RULES UNDER THE INTERNAL REVENUE CODE, AND
3 THE REGULATIONS THEREUNDER, AS IF THE COMBINED GROUP WAS A
4 CONSOLIDATED FILING GROUP. DIVIDENDS ARE ELIMINATED TO THE
5 EXTENT PERMITTED UNDER SUBSECTION (9) OF THIS SECTION.

6 (III) (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION,
7 SECTION 39-22-303.6, AS MODIFIED, IF APPLICABLE, BY SECTION
8 39-22-303.7, DETERMINES HOW INCOME OR LOSS, OR ITEMS MAKING UP
9 INCOME OR LOSS, ARE ALLOCATED AND APPORTIONED TO THIS STATE.

10 (B) THE COMBINED GROUP APPORTIONMENT FACTOR IS A
11 FRACTION DETERMINED UNDER SECTION 39-22-303.6, AS MODIFIED, IF
12 APPLICABLE, BY SECTION 39-22-303.7, WHERE THE NUMERATOR OF THE
13 FACTOR INCLUDES AMOUNTS SOURCED TO THE STATE FOR THE COMBINED
14 GROUP'S UNITARY BUSINESS, REGARDLESS OF THE SEPARATE ENTITY TO
15 WHICH THOSE FACTORS MAY BE ATTRIBUTED, AND THE DENOMINATOR OF
16 THE FACTOR INCLUDES AMOUNTS ASSOCIATED WITH THE COMBINED
17 GROUP'S UNITARY BUSINESS WHEREVER LOCATED.

18 (C) INTERCOMPANY TRANSACTIONS AMONG MEMBERS OF THE
19 COMBINED GROUP ARE EXCLUDED FROM THE NUMERATOR AND
20 DENOMINATOR OF THE APPORTIONMENT CALCULATION SET FORTH IN
21 SECTION 39-22-303.6, AS MODIFIED, IF APPLICABLE, BY SECTION
22 39-22-303.7.

23 (D) IF A MEMBER OF THE COMBINED GROUP HOLDS A PARTNERSHIP
24 INTEREST FROM WHICH IT DERIVES APPORTIONABLE INCOME, THE SHARE
25 OF PARTNERSHIP'S APPORTIONMENT FACTOR TO BE INCLUDED IN THE
26 APPORTIONMENT FACTOR OF THE COMBINED GROUP IS DETERMINED BY
27 MULTIPLYING THE PARTNERSHIP'S FACTOR BY A RATIO, THE NUMERATOR

1 OF WHICH IS THE AMOUNT OF THE PARTNERSHIP'S APPORTIONABLE INCOME
2 PROPERLY INCLUDED IN THE MEMBER'S INCOME, WHETHER RECEIVED
3 DIRECTLY OR INDIRECTLY, AND INCLUDING ANY GUARANTEED PAYMENTS,
4 AND THE DENOMINATOR OF WHICH IS THE AMOUNT OF THE PARTNERSHIP'S
5 TOTAL APPORTIONABLE INCOME. IF A MEMBER OF THE COMBINED GROUP
6 DIRECTLY OR INDIRECTLY RECEIVES AN ALLOCATION OF A PARTNERSHIP
7 TAX ITEM, SUCH AS AN ITEM OF LOSS OR EXPENSE, SO THAT IT IS NOT
8 POSSIBLE TO DETERMINE THE MEMBER'S SHARE OF APPORTIONABLE
9 INCOME, THE EXECUTIVE DIRECTOR MAY ADOPT RULES FOR INCLUSION OF
10 PARTICULAR PARTNERSHIP FACTORS, OR PORTIONS OF FACTORS, IN THE
11 COMBINED GROUP'S FACTORS.

12 (IV) THE COMBINED REPORT MUST BE FILED UNDER THE NAME AND
13 FEDERAL EMPLOYER IDENTIFICATION NUMBER OF THE PARENT
14 CORPORATION IF THE PARENT IS A MEMBER OF THE COMBINED GROUP. IF
15 THERE IS NO PARENT CORPORATION, OR IF THE PARENT IS NOT A GROUP
16 MEMBER, THE MEMBERS OF THE COMBINED GROUP SHALL CHOOSE A
17 MEMBER TO FILE THE RETURN. THE FILING MEMBER MUST REMAIN THE
18 SAME IN SUBSEQUENT YEARS UNLESS THE FILING MEMBER IS NO LONGER
19 THE PARENT CORPORATION OR IS NO LONGER A MEMBER OF THE COMBINED
20 GROUP. THE RETURN MUST BE SIGNED BY A RESPONSIBLE OFFICER OF THE
21 FILING MEMBER ON BEHALF OF THE COMBINED GROUP MEMBERS AS
22 REQUIRED BY SECTION 39-22-601 (2).

23 (V) MEMBERS OF THE COMBINED GROUP ARE JOINTLY AND
24 SEVERALLY LIABLE FOR THE TAX LIABILITY OF THE COMBINED GROUP
25 INCLUDED IN THE COMBINED RETURN.

26 (VI) THE EXECUTIVE DIRECTOR SHALL NOT REQUIRE RETURNS TO
27 BE MADE ON A CONSOLIDATED BASIS, BUT AN AFFILIATED GROUP OF C

1 CORPORATIONS MAY ELECT TO FILE A CONSOLIDATED RETURN AS
2 OTHERWISE PROVIDED IN THIS ARTICLE 22.

3 (12) As used in this section, unless the context otherwise requires:

4 (a.3) "COMBINED GROUP" MEANS THE AFFILIATED GROUP OF C
5 CORPORATIONS THAT MUST FILE A COMBINED REPORT AS REQUIRED BY
6 SUBSECTION (11.5) OF THIS SECTION.

7 (a.5) "COMBINED REPORT" MEANS A TAX RETURN REQUIRED TO BE
8 FILED FOR THE COMBINED GROUP CONTAINING INFORMATION AS PROVIDED
9 IN THIS ARTICLE 22 OR REQUIRED BY THE EXECUTIVE DIRECTOR.

10 (d) "TAXPAYER" MEANS A C CORPORATION OR COMBINED GROUP
11 SUBJECT TO THE TAX IMPOSED BY SECTION 39-22-301.

12 (e) "UNITARY BUSINESS" MEANS A SINGLE ECONOMIC ENTERPRISE
13 MADE UP EITHER OF SEPARATE PARTS OF A SINGLE C CORPORATION OR OF
14 AN AFFILIATED GROUP OF C CORPORATIONS THAT ARE SUFFICIENTLY
15 INTERDEPENDENT, INTEGRATED, AND INTERRELATED THROUGH THEIR
16 ACTIVITIES SO AS TO PROVIDE A SYNERGY AND MUTUAL BENEFIT THAT
17 PRODUCES A SHARING OR EXCHANGE OF VALUE AMONG THEM AND A
18 SIGNIFICANT FLOW OF VALUE TO THE SEPARATE PARTS. A UNITARY
19 BUSINESS INCLUDES THAT PART OF THE BUSINESS THAT IS CONDUCTED BY
20 A TAXPAYER THROUGH THE TAXPAYER'S INTEREST IN A PARTNERSHIP,
21 WHETHER THE INTEREST IN THAT PARTNERSHIP IS HELD DIRECTLY OR
22 INDIRECTLY THROUGH A SERIES OF PARTNERSHIPS OR OTHER
23 PASS-THROUGH ENTITIES.

24 (13) ~~The executive director shall, within existing appropriations~~
25 ~~to the department of revenue, promulgate rules and regulations to apply~~
26 ~~and administer the provisions of this section. Such rules and regulations~~
27 ~~shall be available for public review and comment not later than July 1,~~

1 1990:

2 (15) ~~The department of revenue shall convene a stakeholder~~
3 ~~working group on or before September 1, 2019, to discuss tax policies~~
4 ~~and issues arising from the relevant statutory provisions governing~~
5 ~~combined tax reporting. The department shall include a report regarding~~
6 ~~the activities of the stakeholder working group in its presentation made~~
7 ~~pursuant to section 2-7-203.~~

8 **SECTION 6. Act subject to petition - effective date.** This act
9 takes effect at 12:01 a.m. on the day following the expiration of the
10 ninety-day period after final adjournment of the general assembly; except
11 that, if a referendum petition is filed pursuant to section 1 (3) of article V
12 of the state constitution against this act or an item, section, or part of this
13 act within such period, then the act, item, section, or part will not take
14 effect unless approved by the people at the general election to be held in
15 November 2024 and, in such case, will take effect on the date of the
16 official declaration of the vote thereon by the governor.