CHAPTER 172

TAXATION

HOUSE BILL 24-1134

BY REPRESENTATIVE(S) Weissman and Rutinel, Amabile, Brown, deGruy Kennedy, Garcia, Hernandez, Jodeh, Joseph, Kipp, Lindsay, Mabrey, Martinez, Marvin, Story, Titone, Velasco, Woodrow, Bacon, Bird, Boesenecker, Daugherty, English, Epps, Froelich, Hamrick, Herod, Lieder, McCormick, Ricks, Sirota, Valdez, Willford, McCluskie, McLachlan;
also SENATOR(S) Hinrichsen and Hansen, Bridges, Buckner, Cutter, Exum, Gonzales, Jaquez Lewis, Kolker, Marchman, Michaelson Jenet, Mullica, Priola, Roberts, Winter F.

AN ACT

CONCERNING ADJUSTMENTS TO EXISTING INCOME TAX EXPENDITURES TO REDUCE TAXPAYER BURDEN, AND, IN CONNECTION THEREWITH, MAKING ADJUSTMENTS TO THE CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES; INCREASING THE VALUE OF THE EARNED INCOME TAX CREDIT AS A PERCENTAGE OF THE FEDERAL CREDIT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024; REPEALING OBSOLETE PROVISIONS CONCERNING THE CORPORATE INCOME TAX; AND MAKING 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 AND MODIFYING THE COMPUTATION OF THE RECEIPTS FACTOR TO MAKE IT MORE CONGRUENT WITH THE UNITARY BUSINESS PRINCIPLE.

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

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

39-22-119. Expenses related to child and dependent care - refundable credit against state tax - tax preference performance statement - definition - repeal. (1) ~~(a) For income tax years beginning on and after January 1, 1996, but before January 1, 2019, if a resident individual claims a credit for child care expenses on the individual's federal tax return, the individual shall be allowed a child care expenses credit against the income taxes due on the individual's income under this article 22 calculated as follows:~~

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

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

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

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

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

(1.3) (a) THE GENERAL ASSEMBLY FINDS AND DECLARES THAT, PURSUANT TO SECTION 39-21-304 (1), THE INCOME TAX CREDIT CREATED IN THIS SECTION IS INTENDED TO PROVIDE TAX RELIEF FOR CERTAIN INDIVIDUALS. SPECIFICALLY, THE CREDIT IS INTENDED TO ASSIST LOW- AND MODERATE-INCOME COLORADANS IN MEETING THE HIGH COST OF CHILD AND DEPENDENT CARE BY PROVIDING ADDITIONAL SUPPORT BEYOND WHAT MAY BE AVAILABLE THROUGH FEDERAL TAX LAW.

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

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

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

(b) FOR INCOME TAX YEARS BEGINNING ON AND AFTER JANUARY 1, 2026, EXCEPT AS PROVIDED IN SUBSECTION (1.7)(c) OF THIS SECTION, IF A RESIDENT INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME IS LESS THAN OR EQUAL TO SIXTY THOUSAND DOLLARS, THEN THE INDIVIDUAL IS ALLOWED A CHILD AND DEPENDENT CARE EXPENSES CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22. THE CREDIT IS AN AMOUNT EQUAL TO SEVENTY PERCENT OF THE FEDERAL CREDIT ALLOWED PURSUANT TO SECTION 21 OF THE INTERNAL REVENUE CODE AND CALCULATED WITHOUT REGARD TO THE LIMITATION IMPOSED BY SECTION 26 OF THE INTERNAL REVENUE CODE.

(c) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE EXECUTIVE DIRECTOR SHALL ADJUST THE FEDERAL ADJUSTED GROSS INCOME LIMIT

SET FORTH IN SUBSECTION (1.7)(b) OF THIS SECTION FOR INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT IS ALLOWED IF CUMULATIVE INFLATION SINCE THE LAST ADJUSTMENT, WHEN APPLIED TO THE CURRENT LIMITATION, RESULTS IN AN INCREASE OF AT LEAST ONE THOUSAND DOLLARS WHEN THE ADJUSTED LIMITS ARE ROUNDED TO THE NEAREST ONE THOUSAND DOLLARS.

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

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

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

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

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

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

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

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

SECTION 3. In Colorado Revised Statutes, 39-22-123.5, **amend** (2)(b), (2)(c)(I), (2)(d), (2.5)(b), (2.5)(d)(I), (2.5)(e), (2.7)(a), (2.7)(b)(I), and (2.7)(c); and **add** (2.8)(c) and (3.5) as follows:

39-22-123.5. Earned income tax credit - legislative declaration - repeal. (2) (b) (I) For income tax years commencing on or after January 1, 2022, but before January 1, 2023, ~~and income tax years commencing on or after January 1, 2026,~~ a resident individual who claims an earned income tax credit on the individual's

federal tax return is allowed an earned income tax credit against the taxes due under this article 22 that is equal to twenty percent of the federal credit that the resident individual claimed on his or her federal tax return for the same tax year.

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

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

(d) (I) ~~For the income tax year commencing on January 1, 2024,~~ A resident individual who claims an earned income tax credit on the individual's federal tax return is allowed an earned income tax credit against the taxes due under this article 22 that is equal to ~~thirty-eight percent of the federal credit that the resident individual claimed on his or her federal tax return for the same year.~~ THE APPLICABLE AMOUNT SET FORTH IN SUBSECTION (2)(d)(II) OF THIS SECTION.

(II) ~~This subsection (2)(d) is repealed, effective December 31, 2034.~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3.5) OF THIS SECTION, THE CREDIT AMOUNT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION (2)(d)(I) OF THIS SECTION IS:

(A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2024, FIFTY PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX RETURN FOR THE SAME TAX YEAR;

(B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2025, THIRTY-FIVE PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX RETURN FOR THE SAME TAX YEAR; AND

(C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, TWENTY-FIVE PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX RETURN FOR THE SAME TAX YEAR.

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

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

(d) (I) For income tax years commencing on or after January 1, 2023, but before January 1, 2024, ~~and for the income tax year commencing on January 1, 2025,~~ a resident individual is allowed an earned income tax credit against the taxes due

under this article 22 that is equal to twenty-five percent of the federal credit that the resident individual would have been allowed, but for the fact that the resident individual, the resident individual's spouse, or one or more of the resident individual's dependents do not have a social security number that is valid for employment.

(e) (I) ~~For the income tax year commencing on January 1, 2024,~~ A resident individual is allowed an earned income tax credit against the taxes due under this article 22 that is equal to ~~thirty-eight percent~~ THE APPLICABLE PERCENTAGE SET FORTH IN SUBSECTION (2.5)(e)(II) OF THIS SECTION of the federal credit that the resident individual would have been allowed, but for the fact that the resident individual, the resident individual's spouse, or one or more of the resident individual's dependents do not have a social security number that is valid for employment.

(II) ~~This subsection (2.5)(e) is repealed, effective December 31, 2034.~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3.5) OF THIS SECTION, THE PERCENTAGE USED TO CALCULATE THE AMOUNT OF CREDIT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION (2.5)(e)(I) OF THIS SECTION IS:

(A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2024, FIFTY PERCENT;

(B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2025, THIRTY-FIVE PERCENT; AND

(C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, TWENTY-FIVE PERCENT.

(2.7) (a) (I) For income tax years commencing on or after January 1, 2022, but before January 1, 2023, ~~and income tax years commencing on or after January 1, 2026,~~ a resident individual is allowed an earned income tax credit against the taxes due under this article 22 that is equal to twenty percent of the federal credit that the resident individual would have been allowed under section 32 (n)(1) of the internal revenue code, notwithstanding the date limitation set forth in section 32 (n) of the internal revenue code as specified in section 9621 (a) of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

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

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

(c) (I) ~~For the income tax year commencing on January 1, 2024,~~ A resident individual is allowed an earned income tax credit against the taxes due under this

article 22 that is equal to ~~thirty-eight percent~~ THE APPLICABLE PERCENTAGE SET FORTH IN SUBSECTION (2.7)(c)(II) OF THIS SECTION of the federal credit that the resident individual would have been allowed under section 32 (n)(1) of the internal revenue code, notwithstanding the date limitation set forth in section 32 (n) of the internal revenue code as specified in section 9621 (a) of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

(II) ~~This subsection (2.7)(c) is repealed, effective December 31, 2034.~~ EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (3.5) OF THIS SECTION, THE PERCENTAGE USED TO CALCULATE THE AMOUNT OF CREDIT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION (2.7)(c)(I) OF THIS SECTION IS:

(A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2024, FIFTY PERCENT;

(B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2025, THIRTY-FIVE PERCENT; AND

(C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, TWENTY-FIVE PERCENT.

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

(3.5) (a) AS USED IN THIS SUBSECTION (3.5), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(I) "APPLICABLE FORECAST" MEANS EITHER THE QUARTERLY DECEMBER REVENUE FORECAST PREPARED BY LEGISLATIVE COUNCIL STAFF OR THE QUARTERLY DECEMBER REVENUE FORECAST PREPARED BY THE OFFICE OF STATE PLANNING AND BUDGETING IN THE DECEMBER IMMEDIATELY PRECEDING THE APPLICABLE STATE FISCAL YEAR AS DETERMINED BY WHICH IMMEDIATELY PRECEDING MARCH FORECAST THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY USED IN THE PREPARATION OF THE STATE BUDGET.

(II) "APPLICABLE STATE FISCAL YEAR" MEANS THE FISCAL YEAR THAT BEGINS IN THE INCOME TAX YEAR FOR WHICH THE CREDIT IS ALLOWED.

(III) "BV" MEANS, ON OR BEFORE DECEMBER 31, 2024, THE ESTIMATE OF THE STATE'S NONEXEMPT REVENUE FOR STATE FISCAL YEAR 2024-25 INCLUDED IN THE APPLICABLE FORECAST EXCLUDING THE PROJECTED AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTION (3.5)(b) OR (3.5)(c) OF THIS SECTION AND THE PROJECTED AGGREGATE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SECTION 39-22-130, CREATED IN HOUSE BILL 24-1311, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR AND AFTER DECEMBER 31, 2024, THE AMOUNT OF THE STATE'S NONEXEMPT REVENUE FOR STATE FISCAL YEAR 2024-25 EXCLUDING THE AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTION (3.5)(b) OR (3.5)(c) OF THIS SECTION AND THE AGGREGATE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SECTION 39-22-130, CREATED IN HOUSE BILL 24-1311, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR.

(IV) "CAGR" MEANS THE ESTIMATED COMPOUND ANNUAL GROWTH RATE.

(V) "ESTIMATED ADJUSTMENT FACTOR" MEANS, FOR A GIVEN INCOME TAX YEAR, THE CAGR FOR NONEXEMPT REVENUE THAT IS CALCULATED BY THE EXECUTIVE DIRECTOR ACCORDING TO THE FOLLOWING FORMULA:

$$\text{CAGR} = \left(\left(\frac{\text{EV}}{\text{BV}} \right)^{1/n} - 1 \right) \times 100$$

(VI) "EV" MEANS THE ESTIMATE OF THE STATE'S NONEXEMPT REVENUE FOR THE APPLICABLE STATE FISCAL YEAR INCLUDED IN THE APPLICABLE FORECAST EXCLUDING THE PROJECTED AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTION (3.5)(b) OR (3.5)(c) OF THIS SECTION AND THE PROJECTED AGGREGATE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SECTION 39-22-130, CREATED IN HOUSE BILL 24-1311, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR.

(VII) "N" MEANS, FOR THE APPLICABLE STATE FISCAL YEAR, THE NUMBER OF STATE FISCAL YEARS THAT HAVE PASSED SINCE THE 2024-25 STATE FISCAL YEAR.

(VIII) "NONEXEMPT REVENUE" MEANS, FOR THE APPLICABLE STATE FISCAL YEAR, THE REVENUES THAT ARE IDENTIFIED AS NONEXEMPT REVENUES IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT PUBLISHED BY THE OFFICE OF THE STATE CONTROLLER.

(b) (I) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2025, THE PERCENTAGE OF THE FEDERAL EARNED INCOME TAX CREDIT THAT THE RESIDENTIAL INDIVIDUAL CLAIMED OR COULD HAVE CLAIMED THAT IS USED TO CALCULATE THE AMOUNT OF EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTIONS (2)(d), (2.5)(e), AND (2.7)(c) OF THIS SECTION IS INCREASED BY FIFTEEN PERCENTAGE POINTS IF THE ESTIMATED ADJUSTMENT FACTOR IS EQUAL TO OR GREATER THAN TWO PERCENT.

(II) THIS SUBSECTION (3.5)(b) IS REPEALED, EFFECTIVE DECEMBER 31, 2035.

(c) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, THE PERCENTAGE OF THE FEDERAL EARNED INCOME TAX CREDIT THAT THE RESIDENTIAL INDIVIDUAL CLAIMED OR COULD HAVE CLAIMED THAT IS USED TO CALCULATE THE AMOUNT OF EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTIONS (2)(d), (2.5)(e), AND (2.7)(c) OF THIS SECTION IS INCREASED AS FOLLOWS IF THE ESTIMATED ADJUSTMENT FACTOR IS AS FOLLOWS:

(I) EQUAL TO OR GREATER THAN THREE PERCENT BUT LESS THAN THREE AND EIGHTEEN ONE-HUNDREDTHS PERCENT, BY FIVE PERCENTAGE POINTS;

(II) EQUAL TO OR GREATER THAN THREE AND EIGHTEEN ONE-HUNDREDTHS PERCENT BUT LESS THAN THREE AND THIRTY-SEVEN ONE-HUNDREDTHS PERCENT, BY TEN PERCENTAGE POINTS;

(III) EQUAL TO OR GREATER THAN THREE AND THIRTY-SEVEN ONE-HUNDREDTHS

PERCENT BUT LESS THAN THREE AND FIFTY-SIX ONE-HUNDREDTHS PERCENT, BY FIFTEEN PERCENTAGE POINTS;

(IV) EQUAL TO OR GREATER THAN THREE AND FIFTY-SIX ONE-HUNDREDTHS PERCENT BUT LESS THAN THREE AND SEVENTY-FIVE ONE-HUNDREDTHS PERCENT, BY TWENTY PERCENTAGE POINTS; AND

(V) EQUAL TO OR GREATER THAN THREE AND SEVENTY-FIVE ONE-HUNDREDTHS PERCENT, BY TWENTY-FIVE PERCENTAGE POINTS.

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

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

(b) ~~For income tax years commencing on or after January 1, 1981, but before January 1, 1983, a tax is imposed upon each domestic C corporation and foreign C corporation doing business in Colorado annually in an amount equal to five percent of the net income of such C corporation during the year derived from sources within Colorado reduced pursuant to the reduction tables set forth in subsections (1.1) and (1.2) of this section. Income from sources within Colorado includes income from tangible or intangible property located or having a situs in this state and income from any activities carried on in this state, regardless of whether carried on in intrastate, interstate, or foreign commerce. In the case of a C corporation which is a component member of a controlled group of corporations as defined in section 1563 (a) of the internal revenue code, the sum of the Colorado net incomes of all the component members of the controlled group, but not the losses of each component member thereof, shall be used in computing the reduction for the controlled group. The reduction for the controlled group may be allocated between or among the component members thereof as agreed to by such members. If such an agreement is not reached, the executive director shall allocate the reduction based on the ratio of the Colorado net income of each component member to the total Colorado net incomes of all component members.~~

(c) ~~For income tax years commencing on or after July 1, 1986, but before July 1, 1987, a tax is imposed upon each domestic C corporation and foreign C corporation doing business in Colorado annually in an amount equal to six percent of the net income of such C corporation during the year derived from sources within Colorado reduced pursuant to the reduction table set forth in subsection (1.3) of this section. Income from sources within Colorado includes income from tangible or intangible property located or having a situs in this state and income from any activities carried~~

~~on in this state, regardless of whether carried on in intrastate, interstate, or foreign commerce. In the case of a C corporation which is a component member of a controlled group of corporations as defined in section 1563 (a) of the internal revenue code, the sum of the Colorado net incomes of all the component members of the controlled group, but not the losses of each component member thereof, shall be used in computing the reduction for the controlled group. The reduction for the controlled group may be allocated between or among the component members thereof as agreed to by such members. If such an agreement is not reached, the executive director shall allocate the reduction based on the ratio of the Colorado net income of each component member to the total Colorado net incomes of all component members.~~

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

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

~~**If the Colorado net income is:**~~	~~**The tax is:**~~
~~$50,000.00 or less~~	~~5.5% of the Colorado net income~~
~~Over $50,000.00~~	~~$2,750.00 plus 6% of the excess~~

~~Colorado net income over $50,000.00~~

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

~~**If the Colorado net income is:**~~	~~**The tax is:**~~
~~$50,000.00 or less~~	~~5% of the Colorado net income~~
~~Over $50,000.00~~	~~$2,500.00 plus 5.5% of the excess~~

~~Colorado net income over $50,000.00~~

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

~~**If the Colorado net income is:**~~	~~**The tax is:**~~
~~$50,000.00 or less~~	~~5% of the Colorado net income~~
~~Over $50,000.00~~	~~$2,500.00 plus 5.4% of the excess~~

~~Colorado net income over $50,000.00~~

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

~~**If the Colorado net income is:** **The tax is:**~~
~~$50,000.00 or less 5% of the Colorado net income~~
~~Over $50,000.00 $2,500.00 plus 5.3% of the excess~~

~~Colorado net income over $50,000.00~~

~~(E) For income tax years commencing on or after July 1, 1991, but before July 1, 1992:~~
~~**If the Colorado net income is:** **The tax is:**~~
~~$50,000.00 or less 5% of the Colorado net income~~
~~Over $50,000.00 $2,500.00 plus 5.2% of the excess~~

~~Colorado net income over $50,000.00~~

~~(F) For income tax years commencing on or after July 1, 1992, but before July 1, 1993:~~
~~**If the Colorado net income is:** **The tax is:**~~
~~$50,000.00 or less 5% of the Colorado net income~~
~~Over $50,000.00 $2,500.00 plus 5.1% of the excess~~

~~Colorado net income over $50,000.00~~

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

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

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

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

~~(1.1) For income tax years commencing on or after January 1, 1981, but before January 1, 1982, the tax imposed by paragraph (b) of subsection (1) of this section shall be reduced in accordance with the following table:~~
~~**If the Colorado net income is:** **The reduction is:**~~
~~Not over $25,000.001% of the Colorado net income~~
~~Over $25,000.00 but not$250.00 plus 0.5% of the excess~~
~~over $50,000.00 over $25,000.00~~
~~Over $50,000.00 $375.00~~

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

~~**If the Colorado net income is:**~~	~~**The reduction is:**~~
~~Not over $25,000.00~~	~~1% of the Colorado net income~~
~~Over $25,000.00 but not over $75,000.00~~	~~$250.00 plus 0.5% of the excess over $25,000.00~~
~~Over $75,000.00~~	~~$500.00~~

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

~~**If the Colorado net income is:**~~	~~**The reduction is:**~~
~~Not over $50,000.00~~	~~.75% of the Colorado net income~~
~~Over $50,000.00 but not over $200,000.00~~	~~$375.00 plus .5% of the excess over $50,000.00~~
~~Over $200,000.00~~	~~$1,125.00~~

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

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

(b) (II) For income tax years commencing prior to January 1, 2000, the amount to be excluded ~~shall be~~ IS determined by multiplying the foreign source income by a fraction, the numerator of which is the total of taxes paid or accrued to foreign countries and United States possessions by or on behalf of the C corporation pursuant to section 901 ~~or 902~~ of the internal revenue code, deemed paid pursuant to section ~~902 or~~ 960 of the internal revenue code for the tax year, or carried over or carried back to such tax year pursuant to section 904 (c) of the internal revenue code. The denominator of said fraction shall be forty-six percent of the foreign source income.

(III) For income tax years commencing on or after January 1, 2000, the amount to be excluded ~~shall be~~ IS determined by multiplying the foreign source income by a fraction, the numerator of which is the total of taxes paid or accrued to foreign countries and United States possessions by or on behalf of the C corporation pursuant to section 901 ~~or 902~~ of the internal revenue code, deemed paid pursuant to section ~~902 or~~ 960 of the internal revenue code for the tax year, or carried over or carried back to such tax year pursuant to section 904 (c) of the internal revenue code. The denominator of said fraction shall be the same percentage as the effective federal corporate income tax rate multiplied by the foreign source income. As used

in this subsection (10), "effective federal corporate income tax rate" means the taxpayer's federal corporate income tax calculated in accordance with section 11 (a) and (b) of the internal revenue code for such tax year divided by the taxpayer's federal taxable income.

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

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

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

(I) SUBSECTION (11)(a) OF THIS SECTION WAS ENACTED IN 1985 TO IMPLEMENT UNITARY COMBINED REPORTING IN COLORADO. HOWEVER, THAT SUBSECTION IS UNIQUE AMONG STATES THAT EMPLOY UNITARY COMBINED REPORTING, USES ARBITRARY TESTS THAT HAVE BEEN DIFFICULT FOR TAXPAYERS AND THE DEPARTMENT OF REVENUE TO APPLY, AND HAS CREATED UNNECESSARY TAX COMPLIANCE CHALLENGES BECAUSE COLORADO'S APPROACH DIVERGES FROM OTHER STATES.

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

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

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

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

(II) THE NET INCOME OF EACH MEMBER OF THE COMBINED GROUP, AS DETERMINED UNDER SECTION 39-22-304, IS COMBINED, ELIMINATING ITEMS OF INCOME, EXPENSE, GAIN, AND LOSS FROM TRANSACTIONS BETWEEN MEMBERS OF THE COMBINED GROUP, APPLYING THE CONSOLIDATED FILING RULES UNDER THE INTERNAL REVENUE CODE, AND THE REGULATIONS THEREUNDER, AS IF THE COMBINED GROUP WAS A CONSOLIDATED FILING GROUP. DIVIDENDS ARE ELIMINATED TO THE EXTENT PERMITTED UNDER SUBSECTION (9) OF THIS SECTION.

(III) (A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, SECTION 39-22-303.6, AS MODIFIED, IF APPLICABLE, BY SECTION 39-22-303.7, DETERMINES HOW INCOME

OR LOSS, OR ITEMS MAKING UP INCOME OR LOSS, ARE ALLOCATED AND APPORTIONED TO THIS STATE.

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

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

(D) IF A MEMBER OF THE COMBINED GROUP HOLDS A PARTNERSHIP INTEREST FROM WHICH IT DERIVES APPORTIONABLE INCOME, THE SHARE OF PARTNERSHIP'S APPORTIONMENT FACTOR TO BE INCLUDED IN THE APPORTIONMENT FACTOR OF THE COMBINED GROUP IS DETERMINED BY MULTIPLYING THE PARTNERSHIP'S FACTOR BY A RATIO, THE NUMERATOR OF WHICH IS THE AMOUNT OF THE PARTNERSHIP'S APPORTIONABLE INCOME PROPERLY INCLUDED IN THE MEMBER'S INCOME, WHETHER RECEIVED DIRECTLY OR INDIRECTLY, AND INCLUDING ANY GUARANTEED PAYMENTS, AND THE DENOMINATOR OF WHICH IS THE AMOUNT OF THE PARTNERSHIP'S TOTAL APPORTIONABLE INCOME. IN THE CASE OF A PARTNERSHIP THAT IS UNITARY WITH THE PARTNER, RECEIPTS FROM INTERCOMPANY TRANSACTIONS BETWEEN THE PARTNERSHIP AND THE PARTNER, OR ANY OTHER MEMBER OF THE COMBINED GROUP, ARE EXCLUDED FROM THE NUMERATOR AND DENOMINATOR OF THE APPORTIONMENT CALCULATION AS FOLLOWS: RECEIPTS FROM SALES BY THE PARTNER, OR ANY MEMBER OF THE PARTNER'S COMBINED GROUP, TO THE PARTNERSHIP TO THE EXTENT OF THE PARTNER'S INTEREST IN THE PARTNERSHIP; AND RECEIPTS FROM SALES BY THE PARTNERSHIP TO THE PARTNER, OR ANY MEMBER OF THE PARTNER'S COMBINED GROUP, NOT TO EXCEED THE PARTNER'S INTEREST IN ALL PARTNERSHIP SALES. IF A MEMBER OF THE COMBINED GROUP DIRECTLY OR INDIRECTLY RECEIVES AN ALLOCATION OF A PARTNERSHIP TAX ITEM, SUCH AS AN ITEM OF LOSS OR EXPENSE, SO THAT IT IS NOT POSSIBLE TO DETERMINE THE MEMBER'S SHARE OF APPORTIONABLE INCOME, THE EXECUTIVE DIRECTOR MAY PROMULGATE RULES FOR INCLUSION OF PARTICULAR PARTNERSHIP FACTORS, OR PORTIONS OF FACTORS, IN THE COMBINED GROUP'S FACTORS.

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

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

(VI) THE EXECUTIVE DIRECTOR SHALL NOT REQUIRE RETURNS TO BE MADE ON A CONSOLIDATED BASIS, BUT AN AFFILIATED GROUP OF C CORPORATIONS MAY ELECT TO FILE A CONSOLIDATED RETURN AS OTHERWISE PROVIDED IN THIS ARTICLE 22.

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

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

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

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

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

(13) ~~The executive director shall, within existing appropriations to the department of revenue, promulgate rules and regulations to apply and administer the provisions of this section. Such rules and regulations shall be available for public review and comment not later than July 1, 1990.~~

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

SECTION 6. 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; 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 2024 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Approved: May 14, 2024