

CHAPTER 474

TAXATION

HOUSE BILL 24-1142

BY REPRESENTATIVE(S) Holtorf and Joseph, Amabile, Bird, Boesenecker, Brown, Duran, Froelich, Hamrick, Lindsay, Mabrey, Ortiz, Titone, Valdez, McCluskie;
also SENATOR(S) Winter F. and Pelton B., Bridges, Cutter, Danielson, Exum, Gardner, Hinrichsen, Jaquez Lewis, Kirkmeyer, Kolker, Lundeen, Marchman, Michaelson Jenet, Pelton R., Priola, Roberts, Simpson, Van Winkle, Will.

AN ACT**CONCERNING THE EXPANSION OF THE STATE INCOME TAX SUBTRACTION FOR SOCIAL SECURITY BENEFITS.**

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

SECTION 1. In Colorado Revised Statutes, 39-22-104, **amend** (4)(f)(III)(A) and (4)(f)(III)(B); and **add** (4)(f)(III)(E) and (4)(f)(III)(F) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - report - tax preference performance statement - legislative declaration - definitions - repeal. (4) There shall be subtracted from federal taxable income:

(f) (III) (A) ~~Except as provided in subsection (4)(f)(III)(B) of this section,~~ Amounts subtracted under this subsection (4)(f) are capped at twenty thousand dollars per tax year FOR ANY INDIVIDUAL WHO IS FIFTY-FIVE YEARS OF AGE OR OLDER BUT LESS THAN SIXTY-FIVE YEARS OF AGE AT THE CLOSE OF THE TAXABLE YEAR. FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, THE CAP SET FORTH IN THIS SUBSECTION (4)(f)(III)(A) IS CALCULATED BY FIRST CONSIDERING THE TOTAL AMOUNT OF SOCIAL SECURITY BENEFITS A TAXPAYER RECEIVED THAT WERE INCLUDED IN FEDERAL TAXABLE INCOME AT THE CLOSE OF THE TAXABLE YEAR. IF THE TOTAL AMOUNT OF SUCH SOCIAL SECURITY BENEFITS EXCEEDS THE CAP SET FORTH IN THIS SUBSECTION (4)(f)(III)(A), AND THE TAXPAYER'S ADJUSTED GROSS INCOME FOR THE APPLICABLE TAX YEAR IS LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS IF FILING INDIVIDUALLY OR NINETY-FIVE THOUSAND DOLLARS IF FILING JOINTLY, THEN THE CAP IS INCREASED TO AN AMOUNT EQUAL TO THE TOTAL AMOUNT OF SUCH SOCIAL SECURITY BENEFITS.

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.

(B) Amounts subtracted under this subsection (4)(f) are capped at twenty-four thousand dollars per tax year for any individual who is sixty-five years of age or older at the close of the taxable year. For income tax years commencing on or after January 1, 2022, the cap set forth in this subsection (4)(f)(III)(B) is calculated by first considering the total AMOUNT OF social security benefits a taxpayer received that were included in federal taxable income at the close of the taxable year. ~~and only~~ If the total AMOUNT OF SUCH social security benefits ~~received that year were included in federal taxable income at the close of the taxable year exceed~~ EXCEEDS the cap set forth in this subsection (4)(f)(III)(B), then the cap is increased to an amount equal to the TOTAL AMOUNT OF SUCH social security benefits. ~~received by the taxpayer that were included in federal taxable income at the close of the taxable year~~

(E) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE GENERAL PURPOSE OF THE TAX EXPENDITURE CREATED IN SUBSECTION (4)(f)(III)(B) OF THIS SECTION IS TO PROVIDE TAX RELIEF FOR CERTAIN INDIVIDUALS AND THAT THE SPECIFIC PURPOSE OF THE TAX EXPENDITURE IS TO PROVIDE SUCH TAX RELIEF TO PERSONS AGED FIFTY-FIVE AND OLDER IN LIGHT OF THE INCREASE IN PROPERTY TAX RATES IN THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2023. THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE EXEMPTION ALLOWED BY THIS SECTION BASED ON THE TOTAL AMOUNT OF SOCIAL SECURITY BENEFITS IN EXCESS OF TWENTY THOUSAND DOLLARS PER INDIVIDUAL PER TAX YEAR THAT INDIVIDUALS AGED FIFTY-FIVE TO SIXTY-FOUR, INCLUSIVE, SUBTRACT FROM THEIR FEDERAL TAXABLE INCOME WHEN CALCULATING THEIR STATE TAXABLE INCOME.

(F) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE STATE AUDITOR, SHALL COLLECT THE INFORMATION NECESSARY FOR THE STATE AUDITOR TO MEASURE THE EFFECTIVENESS OF THE INCOME TAX SUBTRACTION ALLOWED BY THIS SECTION BASED ON THE TOTAL AMOUNT OF SOCIAL SECURITY BENEFITS IN EXCESS OF TWENTY THOUSAND DOLLARS PER INDIVIDUAL PER TAX YEAR THAT INDIVIDUALS WHO ARE AGED FIFTY-FIVE TO SIXTY-FOUR, AND WHOSE ADJUSTED GROSS INCOME IS LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS IF FILING INDIVIDUALLY OR NINETY-FIVE THOUSAND DOLLARS IF FILING JOINTLY, SUBTRACT FROM THEIR FEDERAL TAXABLE INCOME WHEN CALCULATING THEIR STATE TAXABLE INCOME.

SECTION 2. 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: June 6, 2024