

First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

REDRAFT

4/23/25

Double underlining
denotes changes from
prior draft

DRAFT

LLS NO. 25-1002.02 Jason Gelender x4330

COMMITTEE BILL

5:30pm

Joint Budget Committee

BILL TOPIC: Mod Higher Ed Expenses Income Tax Incentive

A BILL FOR AN ACT

101 CONCERNING MODIFICATION OF THE INCOME TAX INCENTIVE FOR
102 CERTAIN HIGHER EDUCATION COSTS INCURRED BY ELIGIBLE
103 STUDENTS, AND, IN CONNECTION THEREWITH, MAKING AN
104 APPROPRIATION.

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/>.)

Joint Budget Committee. The state allows a student pursuing higher education who satisfies statutorily specified eligibility criteria to claim an income tax incentive for income tax years commencing on or

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

after January 1, 2025, but before January 1, 2033, for amounts paid for tuition and fees for qualifying academic semesters or terms that the student completes. The bill limits the availability of the income tax incentive to income tax years commencing on or after January 1, 2025, but before January 1, 2027, with only a student who has claimed the incentive for an income tax year commencing in 2025 being eligible to claim the incentive for an income tax year commencing in 2026 . The bill also clarifies the statute that provides for the income tax incentives to improve the administration, including data tracking and reporting, of the incentive.

For the 2025-26 state fiscal year, \$135,446 is appropriated to the department of revenue for use by the taxation business group to implement this bill.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-570, **amend**
3 (2)(c), (3), (4)(a) introductory portion, (4)(b), (4)(c), and (6)(d); and **add**
4 (2)(b.5), (2)(c.5), and (2)(d.5) as follows:

5 **39-22-570. Tuition and fee tax incentive for qualifying**
6 **students - tax preference performance statement - report - legislative**
7 **declaration - definitions - repeal.** (2) As used in this section, unless the
8 context otherwise requires:

9 (b.5) "DEPENDENT STUDENT" MEANS A STUDENT WHO IS NOT AN
10 INDEPENDENT STUDENT.

11 (c) "Eligible student" means an individual who:

12 (I) ~~Has matriculated at a Colorado public institution of higher~~
13 ~~education within two years of completion of~~ COMPLETED high school
14 graduation or an equivalent ON OR AFTER JANUARY 1, 2024, OR IS
15 CURRENTLY ENROLLED AS OF FALL 2024;

16 (I.5) HAS MATRICULATED AT A COLORADO PUBLIC INSTITUTION OF
17 HIGHER EDUCATION WITHIN TWO ACADEMIC YEARS OF COMPLETION OF
18 HIGH SCHOOL GRADUATION OR AN EQUIVALENT;

1 (II) Is designated as a degree- or credential-seeking
2 UNDERGRADUATE student at a Colorado public institution of higher
3 education for the semester or term for which an incentive is claimed;

4 (III) Qualifies for in-state tuition, as described in article 7 of title
5 23, for the semester or term for which the incentive is claimed; ~~and~~

6 (IV) Has completed a free application for federal student aid
7 (FAFSA) or Colorado application for state financial aid (CASFA) for the
8 semester or term for which an incentive is claimed; ~~that indicates that the~~
9 ~~student's household has an adjusted gross income that is ninety thousand~~
10 ~~dollars or less _____~~

11 (V) HAS A HOUSEHOLD ADJUSTED GROSS INCOME FOR THE SECOND
12 PRECEDING INCOME TAX YEAR THAT IS NINETY THOUSAND DOLLARS OR
13 LESS; AND

14 (VI) IF THE INDIVIDUAL IS CLAIMING THE INCENTIVE FOR AN
15 INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2026, BUT
16 BEFORE JANUARY 1, 2027, HAS PREVIOUSLY CLAIMED THE INCENTIVE FOR
17 AN INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2025, BUT
18 BEFORE JANUARY 1, 2026.

19 (c.5) (I) "HOUSEHOLD ADJUSTED GROSS INCOME" MEANS:

20 (A) IN THE CASE OF A DEPENDENT STUDENT, THE SUM OF THE
21 STUDENT'S AND THE PARENT'S OR PARENTS', AS APPLICABLE, ADJUSTED
22 GROSS INCOMES TO THE EXTENT THAT THE PARENT'S OR PARENTS' INCOME
23 IS TAKEN INTO ACCOUNT FOR PURPOSES OF 20 U.S.C. SEC. 108700 (f);

24 (B) IN THE CASE OF A SINGLE INDEPENDENT STUDENT, THE
25 STUDENT'S ADJUSTED GROSS INCOME; AND

26 (C) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(c.5)(II)
27 OF THIS SECTION, IN THE CASE OF A MARRIED INDEPENDENT STUDENT, THE

1 SUM OF THE STUDENT'S AND THE SPOUSE'S ADJUSTED GROSS INCOMES.

2 (II) IN THE CASE OF A STUDENT WHO IS DIVORCED OR SEPARATED,
3 OR WHOSE SPOUSE HAS DIED, THE SPOUSE'S ADJUSTED GROSS INCOME IS
4 DISREGARDED.

5 (d.5) "INDEPENDENT STUDENT" HAS THE SAME MEANING AS SET
6 FORTH IN 20 U.S.C. SEC. 1087VV (d), AS AMENDED.

7 (3) (a) (I) For ~~each~~ THE income tax year commencing on or after
8 January 1, 2025, but prior to ~~January 1, 2033~~ JANUARY 1, 2026, an
9 eligible student is allowed an incentive against the income taxes imposed
10 by this article 22 for every qualifying semester or term completed during
11 the academic year ending during the income tax year AND ANY OTHER
12 QUALIFYING SEMESTER OR TERM COMPLETED DURING THE INCOME TAX
13 YEAR.

14 (II) FOR THE INCOME TAX YEAR COMMENCING ON OR AFTER
15 JANUARY 1, 2026, BUT PRIOR TO JANUARY 1, 2027, AN ELIGIBLE STUDENT
16 IS ALLOWED AN INCENTIVE AGAINST THE INCOME TAXES IMPOSED BY THIS
17 ARTICLE 22 FOR EVERY QUALIFYING SEMESTER OR TERM COMPLETED
18 DURING THE INCOME TAX YEAR.

19 (b) The amount of incentive allowed to an eligible student for
20 each ~~income tax year~~ QUALIFYING SEMESTER OR TERM is equal to the
21 amount paid by or for the benefit of the eligible student in tuition and fees
22 to a Colorado public institution of higher education minus any
23 scholarships or grants for ~~each~~ THE qualifying semester or term during the
24 ~~academic year completed during the prior calendar year~~ SEMESTERS OR
25 TERMS.

26 (c) WITH REGARD TO WHETHER AN INDIVIDUAL IS AN ELIGIBLE
27 STUDENT OR WHETHER A SEMESTER OR TERM IS A QUALIFYING SEMESTER

1 OR TERM, A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL
2 TAKE INTO ACCOUNT THE FACTS AND CIRCUMSTANCES DETERMINED ON OR
3 BEFORE JANUARY 15 FOLLOWING THE INCOME TAX YEAR AND SHALL
4 DISREGARD ANY CHANGE IN FACTS OR CIRCUMSTANCES OCCURRING
5 THEREAFTER.

6 (d) AS SOON AS PRACTICABLE AND WHEN AND THROUGH THE
7 MEANS BY WHICH A COLORADO PUBLIC INSTITUTION OF HIGHER
8 EDUCATION INFORMS ITS STUDENTS OF THE AVAILABILITY OF THE
9 INCENTIVE, THE INSTITUTION SHALL ALSO INFORM ITS STUDENTS THAT THE
10 INCENTIVE IS ONLY AVAILABLE FOR INCOME TAX YEARS BEGINNING ON OR
11 AFTER JANUARY 1, 2025, BUT BEFORE JANUARY 1, 2027, WITH ONLY A
12 STUDENT WHO HAS CLAIMED THE INCENTIVE FOR AN INCOME TAX YEAR
13 COMMENCING IN 2025 BEING ELIGIBLE TO CLAIM THE INCENTIVE FOR AN
14 INCOME TAX YEAR COMMENCING IN 2026.

15 (4) (a) Each Colorado public institution of higher education is
16 required by January 15, 2026, and every January 15 thereafter until 2033
17 JANUARY 31, 2026, AND JANUARY 31, 2027, to electronically report each
18 eligible student, UNLESS PROHIBITED BY FEDERAL LAW, IN WHICH CASE
19 EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL
20 INSTEAD REPORT EACH STUDENT WHO SATISFIES THE QUALIFICATIONS FOR
21 BEING AN ELIGIBLE STUDENT SET FORTH IN SUBSECTIONS (2)(c)(I)
22 THROUGH (2)(c)(IV), AND (2)(c)(VI) OF THIS SECTION WITHOUT REGARD
23 TO WHETHER THE STUDENT'S HOUSEHOLD ADJUSTED GROSS INCOME
24 EXCEEDS THE LIMIT SET FORTH IN SUBSECTION (2)(c)(V) OF THIS SECTION,
25 for any qualifying semester or term ~~completed during the academic year~~
26 ~~completed during the~~ FOR WHICH AN INCENTIVE IS ALLOWED PURSUANT TO
27 THIS SECTION FOR THE prior calendar year to the department of higher

1 education in a format prescribed by the department of higher education
2 that includes:

3 (b) By January 31, 2026, and every January 31 thereafter through
4 2033 JANUARY 31, 2027, the Colorado public institution of higher
5 education shall provide each eligible student, UNLESS PROHIBITED BY
6 FEDERAL LAW, IN WHICH CASE EACH COLORADO PUBLIC INSTITUTION OF
7 HIGHER EDUCATION SHALL INSTEAD PROVIDE EACH STUDENT WHO
8 SATISFIES THE QUALIFICATIONS FOR BEING AN ELIGIBLE STUDENT SET
9 FORTH IN SUBSECTIONS (2)(c)(I) THROUGH (2)(c)(IV) AND (2)(c)(VI) OF
10 THIS SECTION WITHOUT REGARD TO WHETHER THE STUDENT'S HOUSEHOLD
11 ADJUSTED GROSS INCOME EXCEEDS THE LIMIT SET FORTH IN SUBSECTION
12 (2)(c)(V) OF THIS SECTION, with a statement containing the information
13 pertaining to that student's eligibility and the amount reported to the
14 department of higher education pursuant to subsection (4)(a)(II) of this
15 section. A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION MAY
16 PROVIDE THE STATEMENT ELECTRONICALLY AND IS NOT REQUIRED TO
17 PROVIDE IT IN PHYSICAL FORM.

18 (c) The department of higher education is required by ~~January 31,~~
19 ~~2026, and every January 31 thereafter through 2034~~ FEBRUARY 15, 2026,
20 AND FEBRUARY 15, 2027, to electronically report the information received
21 pursuant to subsection (4)(a) of this section along with any later
22 corrections or additions to the department of revenue in a format
23 prescribed by the executive director.

24 (6) (d) (I) ON OR BEFORE DECEMBER 1, 2026, THE DEPARTMENT OF
25 HIGHER EDUCATION, IN CONSULTATION WITH THE DEPARTMENT OF
26 REVENUE, SHALL SUBMIT A REPORT TO THE JOINT BUDGET COMMITTEE AND
27 THE HOUSE OF REPRESENTATIVES AND SENATE EDUCATION COMMITTEES,

1 OR ANY SUCCESSOR COMMITTEES, THAT DESCRIBES THE IMPLEMENTATION
2 OF THE TAX INCENTIVE AND INCLUDES AN ESTIMATE OF THE TOTAL
3 AMOUNT OF TAX INCENTIVES CLAIMED PURSUANT TO THIS SECTION FOR
4 INCOME TAX YEARS THAT COMMENCE IN 2025.

5 (II) On or before ~~June 30, 2027~~ DECEMBER 1, 2027, and each year
6 thereafter until 2037 UNTIL 2028, the department of higher education shall
7 submit a report to the joint budget committee and the house of
8 representatives and senate education committees, or any successor
9 committees, including, for each institution, the average percentage of
10 state and institutional financial aid allocated to the resident student
11 population who have a family income of ninety thousand dollars or less
12 in the three academic years prior to the academic year 2024-25, and in
13 each academic year thereafter until 2034 UNTIL 2027. The department of
14 higher education shall include in the report AVAILABLE DATA ON student
15 enrollment information for INCENTIVE RECIPIENTS, eligible
16 NONRECIPIENTS, and noneligible students, disaggregated by income
17 UNLESS PROHIBITED BY FEDERAL LAW, and shall include, once the ~~date is~~
18 DATA ARE available, disaggregated outcome measures by income, UNLESS
19 PROHIBITED BY FEDERAL LAW, for INCENTIVE RECIPIENTS, eligible
20 NONRECIPIENTS, and noneligible students, including but not limited to
21 student retention ~~and~~ RATES, completion rates, AND STUDENT LOAN DEBT.
22 Each Colorado public institution of higher education shall annually report
23 student level financial aid, TUITION AND FEE, student eligibility, and
24 incentive eligibility information to the department of higher education
25 that the department of higher education deems necessary TO CALCULATE
26 THE COSTS OF THE INCENTIVE, to provide to the department of revenue for
27 incentive administration or for inclusion in the report.

1 (III) TO ALLOW THE DEPARTMENT OF HIGHER EDUCATION TO
2 COMPLETE THE REPORT THAT IT ANNUALLY SUBMITS AS REQUIRED BY
3 SUBSECTION (6)(d)(I) OF THIS SECTION, THE DEPARTMENT OF REVENUE
4 SHALL ANNUALLY PROVIDE TO THE DEPARTMENT OF HIGHER EDUCATION
5 DATA THAT INDICATES WHETHER AN ELIGIBLE STUDENT HAS CLAIMED THE
6 INCENTIVE.

7 **SECTION 2.** In Colorado Revised Statutes, 39-21-113, **add** (37)
8 as follows:

9 **39-21-113. Reports and returns - rule - repeal.**
10 (37) NOTWITHSTANDING THE CONFIDENTIALITY REQUIREMENTS OF THIS
11 SECTION, THE EXECUTIVE DIRECTOR MAY PROVIDE THE DEPARTMENT OF
12 HIGHER EDUCATION WITH INFORMATION OBTAINED PURSUANT TO THIS
13 SECTION THAT INDICATES WHETHER AN ELIGIBLE STUDENT, AS DEFINED IN
14 SECTION 39-22-570 (2)(c), HAS CLAIMED THE INCENTIVE, AS DEFINED IN
15 SECTION 39-22-570 (2)(d), ALLOWED BY SECTION 39-22-570. ANY
16 INFORMATION PROVIDED TO THE DEPARTMENT OF HIGHER EDUCATION
17 PURSUANT TO THIS SUBSECTION (37) REMAINS CONFIDENTIAL, AND ALL
18 EMPLOYEES OF THE DEPARTMENT OF HIGHER EDUCATION ARE SUBJECT TO
19 THE LIMITATIONS SET FORTH IN SUBSECTION (4) OF THIS SECTION AND
20 PENALTIES SPECIFIED IN SUBSECTION (6) OF THIS SECTION.

21 **SECTION 3. Appropriation.** (1) For the 2025-26 state fiscal
22 year, \$135,446 is appropriated to the department of revenue for use by the
23 taxation business group. This appropriation is from the general fund. To
24 implement this act, the division may use this appropriation as follows:

25 (a) \$113,004 for personal services related to taxation services,
26 which amount is based on an assumption that the division will require an
27 additional 1.9 FTE; and

1 (b) \$22,442 for operating expenses related to taxation services.

2 **SECTION 4. Safety clause.** The general assembly finds,
3 determines, and declares that this act is necessary for the immediate
4 preservation of the public peace, health, or safety or for appropriations for
5 the support and maintenance of the departments of the state and state
6 institutions.