

**First Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO**

**PREAMENDED**

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

LLS NO. 17-0015.02 Ed DeCecco x4216

**SENATE BILL 17-075**

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**SENATE SPONSORSHIP**

**Crowder,**

**HOUSE SPONSORSHIP**

**Landgraf,**

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**Senate Committees**

Finance  
Appropriations

**House Committees**

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**A BILL FOR AN ACT**

101      **CONCERNING A STATE INCOME TAX DEDUCTION FOR MILITARY**  
102      **RETIREMENT BENEFITS.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)*

The starting point for determining state income tax liability is federal taxable income. This number is adjusted for additions and subtractions (deductions) that are used to determine Colorado taxable income, which amount is multiplied by the state's 4.63% income tax rate. Currently, a person who is 55-64 years old may deduct up to \$20,000 of retirement benefits from federal taxable income, and a person who is 65

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

years old or older may deduct up to \$24,000. These limits apply to retirement benefits from all sources, including those related to service in the military.

The bill excludes all military retirement benefits from this deduction and instead allows a person of any age to deduct an unlimited amount of military retirement benefits from his or her state income tax. All other retirement benefits continue to be subject to the existing limits on the amounts that are deductible.

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

2           **SECTION 1. Legislative declaration.** The general assembly  
3 hereby finds and declares that the purpose of the tax deduction created by  
4 this act is to honor the sacrifice and service of veterans and to create an  
5 incentive for more veterans to make their post-military homes in this  
6 state.

7           **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**  
8 (4)(f)(III); and **add** (4)(x) as follows:

9           **39-22-104. Income tax imposed on individuals, estates, and**  
10 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted  
11 from federal taxable income:

12           (f) (III)      For income tax years commencing on or after January  
13 1, 1989, amounts subtracted under ~~this paragraph (f)~~ SUBSECTIONS  
14 (4)(f)(I) AND (4)(f)(II) OF THIS SECTION shall not exceed twenty thousand  
15 dollars per tax year; except that, for income tax years commencing on or  
16 after January 1, 2000, amounts subtracted under ~~subparagraph (f) of this~~  
17 ~~paragraph (f)~~ SUBSECTION (4)(f)(I) OF THIS SECTION shall not exceed  
18 twenty-four thousand dollars per tax year for any individual who is  
19 sixty-five years of age or older at the close of the taxable year. For the  
20 purpose of determining the exclusion allowed by this ~~paragraph (f)~~  
21 SUBSECTION (4)(f), in the case of a joint return, social security benefits

1 included in federal taxable income shall be apportioned in a ratio of the  
2 gross social security benefits of each taxpayer to the total gross social  
3 security benefits of both taxpayers. ~~For the purposes of this paragraph (f)~~  
4 SUBSECTION (4)(f), "pensions ~~and~~ OR annuities" means retirement benefits  
5 that are periodic payments attributable to personal services performed by  
6 an individual prior to his or her retirement from employment and that  
7 arise from an employer-employee relationship, from service in the  
8 uniformed services of the United States, or from contributions to a  
9 retirement plan which are deductible for federal income tax purposes.  
10 "Pensions ~~and~~ OR annuities" includes distributions from individual  
11 retirement arrangements and self-employed retirement accounts to the  
12 extent that such distributions are not deemed to be premature distributions  
13 for federal income tax purposes, amounts received from fully matured  
14 privately purchased annuities, social security benefits, and amounts paid  
15 from any such sources by reason of permanent disability or death of the  
16 person entitled to receive the benefits.

17 (x) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
18 JANUARY 1, 2018, BUT PRIOR TO JANUARY 1, 2027, AN AMOUNT EQUAL TO  
19 ANY MILITARY RETIREMENT BENEFITS INCLUDED IN FEDERAL ADJUSTED  
20 GROSS INCOME MULTIPLIED BY A PERCENTAGE AS FOLLOWS:

21 (A) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
22 1, 2018, BUT PRIOR TO JANUARY 1, 2019, TEN PERCENT OF THE MILITARY  
23 RETIREMENT BENEFITS;

24 (B) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
25 1, 2019, BUT PRIOR TO JANUARY 1, 2020, TWENTY PERCENT OF THE  
26 MILITARY RETIREMENT BENEFITS;

27 (C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY

1 1, 2020, BUT PRIOR TO JANUARY 1, 2021, THIRTY PERCENT OF THE  
2 MILITARY RETIREMENT BENEFITS;

3 (D) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
4 1, 2021, BUT PRIOR TO JANUARY 1, 2022, FORTY PERCENT OF THE  
5 MILITARY RETIREMENT BENEFITS;

6 (E) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
7 1, 2022, BUT PRIOR TO JANUARY 1, 2023, FIFTY PERCENT OF THE MILITARY  
8 RETIREMENT BENEFITS;

9 (F) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
10 1, 2023, BUT PRIOR TO JANUARY 1, 2024, SIXTY PERCENT OF THE MILITARY  
11 RETIREMENT BENEFITS;

12 (G) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
13 1, 2024, BUT PRIOR TO JANUARY 1, 2025, SEVENTY PERCENT OF THE  
14 MILITARY RETIREMENT BENEFITS;

15 (H) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
16 1, 2025, BUT PRIOR TO JANUARY 1, 2026, EIGHTY PERCENT OF THE  
17 MILITARY RETIREMENT BENEFITS; AND

18 (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
19 1, 2026, BUT PRIOR TO JANUARY 1, 2027, NINETY PERCENT OF THE  
20 MILITARY RETIREMENT BENEFITS.

21 (II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
22 1, 2027, ANY MILITARY RETIREMENT BENEFITS, TO THE EXTENT INCLUDED  
23 IN FEDERAL TAXABLE INCOME.

24 (III) IF AN INDIVIDUAL'S MILITARY RETIREMENT BENEFITS EXCEED  
25 THE AMOUNT THAT MAY BE SUBTRACTED UNDER SUBSECTION (4)(x)(I) OF  
26 THIS SECTION, THEN THOSE EXCESS MILITARY RETIREMENT BENEFITS MAY  
27 BE SUBTRACTED IN ACCORDANCE WITH SUBSECTION (4)(f) IF ELIGIBLE

1 UNDER THAT SUBSECTION.

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

5 **SECTION 3. Act subject to petition - effective date -**  
6 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following  
7 the expiration of the ninety-day period after final adjournment of the  
8 general assembly (August 9, 2017, if adjournment sine die is on May 10,  
9 2017); except that, if a referendum petition is filed pursuant to section 1  
10 (3) of article V of the state constitution against this act or an item, section,  
11 or part of this act within such period, then the act, item, section, or part  
12 will not take effect unless approved by the people at the general election  
13 to be held in November 2018 and, in such case, will take effect on the  
14 date of the official declaration of the vote thereon by the governor.

15 (2) This act applies for income tax years that commence after the  
16 applicable effective date of this act.