

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

ENGROSSED

*This Version Includes All Amendments Adopted
on Second Reading in the House of Introduction*

LLS NO. 18-0830.01 Esther van Mourik x4215

SENATE BILL 18-061

SENATE SPONSORSHIP

Sonnenberg and Grantham,

HOUSE SPONSORSHIP

(None),

Senate Committees

Finance
Appropriations

House Committees

A BILL FOR AN ACT

101 **CONCERNING A REDUCTION OF THE STATE INCOME TAX RATE, AND, IN**
102 **CONNECTION THEREWITH, MAKING AN 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>.)

For income tax years commencing on and after January 1, 2018, the bill reduces both the individual and the corporate state income tax rate from 4.63% to 4.43%. The bill also reduces the state alternative minimum tax by 0.2% for income tax years commencing on and after January 1, 2018.

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

SENATE
Amended 2nd Reading
April 17, 2018

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds and declares that:

4 (a) Senate Bill 17-267, enacted in 2017, included a requirement
5 that each principal department of the state, except the department of
6 education and the department of transportation, submit budget requests
7 that are at least two percent lower than actual budgets for the 2017-18
8 fiscal year;

9 (b) The general assembly overwhelmingly supported the passage
10 of Senate Bill 17-267 with the requirement of reducing the size of state
11 government;

12 (c) The budget submitted by the governor in November 2017 did
13 not adhere to the compromise reached by the executive branch and the
14 general assembly, nor to section 24-37-305, C.R.S.; and

15 (d) With the increase in anticipated revenue to Colorado as a
16 result of Senate Bill 17-267, it appears that the only way to achieve the
17 goal of limiting the growth of government is to reduce the state income
18 tax rate.

19 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**
20 (1.7) as follows:

21 **39-22-104. Income tax imposed on individuals, estates, and**
22 **trusts - single rate - legislative declaration - definitions - repeal.**

23 (1.7) (a) Except as otherwise provided in section 39-22-627, subject to
24 subsection (2) of this section, with respect to taxable years commencing
25 on or after January 1, 2000, BUT BEFORE JANUARY 1, 2018, a tax of four
26 and sixty-three one hundredths percent is imposed on the federal taxable

1 income, as determined pursuant to section 63 of the internal revenue
2 code, of every individual, estate, and trust.

3 (b) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627,
4 SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE
5 YEARS COMMENCING ON OR AFTER JANUARY 1, 2018, A TAX OF FOUR AND
6 FORTY-THREE ONE HUNDREDTHS PERCENT IS IMPOSED ON THE FEDERAL
7 TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE
8 INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

9 **SECTION 3.** In Colorado Revised Statutes, 39-22-105, **amend**
10 (1.5) and (3)(b) as follows:

11 **39-22-105. Alternative minimum tax.** (1.5) (a) With respect to
12 each taxable year commencing on or after January 1, 2000, BUT BEFORE
13 JANUARY 1, 2018, for every individual, estate, and trust, in addition to the
14 tax imposed in section 39-22-104, a tax is imposed in an amount equal to
15 the excess of:

16 (a) (I) Three and forty-seven one-hundredths percent of the
17 Colorado alternative minimum taxable income, as determined pursuant
18 to subsection (2) of this section; over

19 (b) (II) The tax imposed in section 39-22-104.

20 (b) WITH RESPECT TO EACH TAXABLE YEAR COMMENCING ON OR
21 AFTER JANUARY 1, 2018, FOR EVERY INDIVIDUAL, ESTATE, AND TRUST, IN
22 ADDITION TO THE TAX IMPOSED IN SECTION 39-22-104, A TAX IS IMPOSED
23 IN AN AMOUNT EQUAL TO THE EXCESS OF:

24 (I) THREE AND TWENTY-SEVEN ONE HUNDREDTHS PERCENT OF THE
25 COLORADO ALTERNATIVE MINIMUM TAXABLE INCOME, AS DETERMINED
26 PURSUANT TO SUBSECTION (2) OF THIS SECTION; OVER

27 (II) THE TAX IMPOSED IN SECTION 39-22-104.

1 (3) (b) (I) For taxable years beginning on or after January 1, 2000,
2 BUT BEFORE JANUARY 1, 2018, each individual, estate, and trust shall be
3 allowed a credit against the tax imposed by this part 1 in an amount equal
4 to twelve percent of the credit allowed for the same tax year by section 53
5 of the internal revenue code.

6 (II) FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1,
7 2018, EACH INDIVIDUAL, ESTATE, AND TRUST SHALL BE ALLOWED A
8 CREDIT AGAINST THE TAX IMPOSED BY THIS PART 1 IN AN AMOUNT EQUAL
9 TO ELEVEN AND EIGHT TENTHS PERCENT OF THE CREDIT ALLOWED FOR THE
10 SAME TAX YEAR BY SECTION 53 OF THE INTERNAL REVENUE CODE.

11 **SECTION 4.** In Colorado Revised Statutes, 39-22-301, **amend**
12 (1)(d)(I)(I); and **add** (1)(d)(I)(J) as follows:

13 **39-22-301. Corporate tax imposed.** (1) (d) (I) A tax is imposed
14 upon each domestic C corporation and foreign C corporation doing
15 business in Colorado annually in an amount of the net income of such C
16 corporation during the year derived from sources within Colorado as set
17 forth in the following schedule of rates:

18 (I) Except as otherwise provided in section 39-22-627, for income
19 tax years commencing on or after January 1, 2000, BUT BEFORE JANUARY
20 1, 2018, four and sixty-three one hundredths percent of the Colorado net
21 income;

22 (J) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR
23 INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2018, FOUR
24 AND FORTY-THREE ONE HUNDREDTHS PERCENT OF THE COLORADO NET
25 INCOME.

26 **SECTION 5.** In Colorado Revised Statutes, 39-22-604, **amend**
27 (18)(a) introductory portion and (18)(b) as follows:

1 **39-22-604. Withholding tax - requirement to withhold - tax**
2 **lien - exemption from lien - definitions.** (18) (a) Any person who
3 makes a payment for services to any natural person that is not otherwise
4 subject to state income tax withholding but that requires an information
5 return, including but not limited to any payment for which internal
6 revenue service form 1099-B, 1099-DIV, 1099-INT, 1099-MISC,
7 1099-OID, or 1099-PATR, the issuance of any of which allows taxpayer
8 identification number verification through the taxpayer identification
9 number matching program administered by the internal revenue service,
10 or any other version of form 1099 is required, shall deduct and withhold
11 state income tax at the rate of ~~four and sixty-three one-hundredths percent~~
12 SET FORTH IN SECTION 39-22-104 OR 39-22-304 if the person who
13 performed the services:

14 (b) Any person other than a natural person and any natural person
15 who in the course of conducting a trade or business as a sole proprietor
16 makes any payment for services to a natural person that is not reported on
17 any information return shall deduct and withhold state income tax at the
18 rate of ~~four and sixty-three one-hundredths percent~~ SET FORTH IN SECTION
19 39-22-104, unless the employer making payment has a validated taxpayer
20 identification number from the person to whom payment is made.

21 **SECTION 6.** In Colorado Revised Statutes, 39-22-627, **amend**
22 (1), (2), (3), and (6) as follows:

23 **39-22-627. Temporary adjustment of rate of income tax -**
24 **refund of excess state revenues - authority of executive director.**
25 (1) (a) Subject to the provisions of this section, if, for any state fiscal
26 year commencing on or after July 1, 2010, the amount of state revenues
27 in excess of the limitation on state fiscal year spending imposed by

1 section 20 (7)(a) of article X of the state constitution that are required to
2 be refunded for such state fiscal year exceeds the amount specified in
3 ~~paragraph (b) of this subsection (1)~~ SUBSECTION (1)(b) OF THIS SECTION,
4 the executive director shall temporarily reduce the state income tax rate
5 for the income tax year commencing during the calendar year in which
6 the state fiscal year ended ~~from four and sixty-three one-hundredths~~
7 ~~percent of the federal taxable income of every individual, estate, trust, and~~
8 ~~corporation, as specified in sections 39-22-104 (1.7) and 39-22-301~~
9 ~~(1)(d)(I)(I), to four and one-half percent of the federal taxable income of~~
10 ~~every individual, estate, trust, and corporation~~ BY TWO AND EIGHTY
11 THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS
12 PERCENT to refund excess state revenues that are required to be refunded
13 pursuant to section 20 (7)(d) of article X of the state constitution.

14 (b) In order for the provisions of subsection (1)(a) of this section
15 to take effect, the amount of state revenues required to be refunded for the
16 specified state fiscal year must exceed the total of the amount of
17 reimbursement for property tax revenues lost as a result of the property
18 tax exemptions allowed by part 2 of article 3 of this title 39 paid by the
19 state treasurer to each county treasurer as required by section 39-3-207 (4)
20 for the property tax year that commenced during the specified state fiscal
21 year plus the estimated amount by which state revenues would be
22 decreased as the result of a reduction in the state income tax rate ~~from~~
23 ~~four and sixty-three one-hundredths percent to four and one-half percent~~
24 ~~of federal taxable income~~ BY TWO AND EIGHTY THOUSAND SEVEN
25 HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT, as
26 determined pursuant to this section.

27 (2) Except as otherwise provided in subsection (3) of this section,

1 no later than October 1, 2011, and no later than each October 1 thereafter
2 of any calendar year, during which it is certified in accordance with the
3 provisions of section 24-77-106.5 ~~C.R.S.~~, that state revenues exceed the
4 limitation on state fiscal year spending imposed by section 20 (7)(a) of
5 article X of the state constitution for the state fiscal year ending in that
6 calendar year and exceed any amount that the voters statewide have
7 authorized the state to retain and spend for the state fiscal year ending in
8 that calendar year, the executive director shall estimate the amount by
9 which state revenues would be decreased as the result of a reduction in
10 the state income tax rate ~~from four and sixty-three one-hundredths percent~~
11 ~~to four and one-half percent of federal taxable income~~ BY TWO AND
12 EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT
13 HUNDRED-THOUSANDTHS PERCENT for the income tax year commencing
14 during the calendar year in which the state fiscal year ended.

15 (3) If one or more ballot questions are submitted to the voters at
16 a statewide election to be held in November of any given calendar year
17 that seek authorization for the state to retain and spend all or any portion
18 of the amount of excess state revenues for the state fiscal year ending
19 during said calendar year, the executive director shall not reduce the state
20 income tax rate until the results of said election are known so that the
21 state income tax rate may be reduced only if, after the results of said
22 election, the amount of excess state revenues required to be refunded for
23 the state fiscal year exceeds the total of the amount of reimbursement for
24 property tax revenues lost as a result of the property tax exemptions
25 allowed by part 2 of article 3 of this title 39 paid by the state treasurer to
26 each county treasurer as required by section 39-3-207 (4) for the property
27 tax year that commenced during the specified state fiscal year plus the

1 estimated amount by which state revenues would be decreased as a result
2 of a reduction in the state income tax rate ~~from four and sixty-three~~
3 ~~one-hundredths percent to four and one-half percent of federal taxable~~
4 ~~income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT
5 HUNDRED-THOUSANDTHS PERCENT pursuant to this section.

6 (6) If, based on the financial report prepared by the controller in
7 accordance with section 24-77-106.5, the controller certifies that the
8 amount of the state revenues for any state fiscal year commencing on or
9 after July 1, 2017, exceeds the limitation on state fiscal year spending
10 imposed by section 20 (7)(a) of article X of the state constitution for that
11 state fiscal year and exceeds the amount of excess state revenues that the
12 voters statewide have authorized the state to retain and spend for that
13 state fiscal year by less than the total of the amount of reimbursement for
14 property tax revenues lost as a result of the property tax exemptions
15 allowed by part 2 of article 3 of this title 39 paid by the state treasurer to
16 each county treasurer as required by section 39-3-207 (4) for the property
17 tax year that commenced during the specified state fiscal year plus the
18 estimated amount by which state revenues would be decreased as the
19 result of a reduction in the state income tax rate ~~from four and sixty-three~~
20 ~~one-hundredths percent to four and one-half percent of federal taxable~~
21 ~~income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT
22 HUNDRED-THOUSANDTHS PERCENT as calculated by the executive director
23 pursuant to subsection (2) of this section, then the reduction in the state
24 income tax rate allowed pursuant to subsection (1) of this section shall not
25 be allowed for the income tax year commencing during the calendar year
26 in which the state fiscal year ended.

27 **SECTION 7. Appropriation. (1) For the 2017-18 state fiscal**

1 year, \$10,890 is appropriated to the department of revenue. This
2 appropriation is from the general fund. To implement this act, the
3 department may use this appropriation as follows:

4 (a) \$5,600 for use by the executive director's office for personal
5 services;

6 (b) \$4,090 for tax administration IT system (GenTax) support; and

7 (c) \$1,200 for the purchase of document management services.

8 (2) For the 2017-18 state fiscal year, \$1,200 is appropriated to the
9 department of personnel. This appropriation is from reappropriated funds
10 received from the department of revenue under subsection (1)(c) of this
11 section. To implement this act, the department of personnel may use this
12 appropriation to provide document management services for the
13 department of revenue.

14 **SECTION 8. Safety clause.** The general assembly hereby finds,
15 determines, and declares that this act is necessary for the immediate
16 preservation of the public peace, health, and safety.