Second Regular Session Seventy-fourth General Assembly STATE OF COLORADO

REREVISED

This Version Includes All Amendments Adopted in the Second House **HOUSE BILL 24-1142**

LLS NO. 24-0739.02 Caroline Martin x5902

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A BILL FOR AN ACT

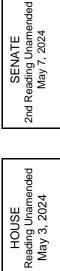
101 CONCERNING THE EXPANSION OF THE STATE INCOME TAX

102 SUBTRACTION FOR SOCIAL SECURITY BENEFITS.

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 bill expands the current income tax subtraction for social security benefits. Current law allows any individual who is 65 years of age or older at the close of a taxable year to subtract the total amount of social security benefits that the individual received from the individual's federal taxable income, to the extent those benefits were included in federal taxable income, when determining the individual's state taxable



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Amended 2nd Reading May 2, 2024

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income. The bill expands this subtraction to any individual who is 55 years of age or older.

Be it enacted by the General Assembly of the State of Colorado: 1 2 SECTION 1. In Colorado Revised Statutes, 39-22-104, amend 3 (4)(f)(III)(A) and (4)(f)(III)(B); and **add** (4)(f)(III)(E) and (4)(f)(III)(F)4 as follows: 5 39-22-104. Income tax imposed on individuals, estates, and 6 trusts - single rate - report - tax preference performance statement 7 - legislative declaration - definitions - repeal. (4) There shall be 8 subtracted from federal taxable income: 9 (f) (III) (A) Except as provided in subsection (4)(f)(III)(B) of this 10 section, Amounts subtracted under this subsection (4)(f) are capped at 11 twenty thousand dollars per tax year FOR ANY INDIVIDUAL WHO IS 12 FIFTY-FIVE YEARS OF AGE OR OLDER BUT LESS THAN SIXTY-FIVE YEARS OF 13 AGE AT THE CLOSE OF THE TAXABLE YEAR. FOR INCOME TAX YEARS 14 COMMENCING ON OR AFTER JANUARY 1, 2025, THE CAP SET FORTH IN THIS 15 SUBSECTION (4)(f)(III)(A) IS CALCULATED BY FIRST CONSIDERING THE 16 TOTAL AMOUNT OF SOCIAL SECURITY BENEFITS A TAXPAYER RECEIVED 17 THAT WERE INCLUDED IN FEDERAL TAXABLE INCOME AT THE CLOSE OF THE 18 TAXABLE YEAR. IF THE TOTAL AMOUNT OF SUCH SOCIAL SECURITY 19 BENEFITS EXCEEDS THE CAP SET FORTH IN THIS SUBSECTION (4)(f)(III)(A), 20 AND THE TAXPAYER'S ADJUSTED GROSS INCOME FOR THE APPLICABLE TAX 21 YEAR IS LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS IF 22 FILING INDIVIDUALLY OR NINETY-FIVE THOUSAND DOLLARS IF FILING 23 JOINTLY, THEN THE CAP IS INCREASED TO AN AMOUNT EQUAL TO THE 24 TOTAL AMOUNT OF SUCH SOCIAL SECURITY BENEFITS.

25 (B) Amounts subtracted under this subsection (4)(f) are capped at

1 twenty-four thousand dollars per tax year for any individual who is 2 sixty-five years of age or older at the close of the taxable year. For 3 income tax years commencing on or after January 1, 2022, the cap set 4 forth in this subsection (4)(f)(III)(B) is calculated by first considering the 5 total AMOUNT OF social security benefits a taxpayer received that were 6 included in federal taxable income at the close of the taxable year. and 7 only If the total AMOUNT OF SUCH social security benefits received that 8 year were included in federal taxable income at the close of the taxable 9 year exceed EXCEEDS the cap set forth in this subsection (4)(f)(III)(B), 10 then the cap is increased to an amount equal to the TOTAL AMOUNT OF 11 SUCH social security benefits. received by the taxpayer that were included 12 in federal taxable income at the close of the taxable year

13 (E) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH 14 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE 15 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY 16 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND 17 DECLARES THAT THE GENERAL PURPOSE OF THE TAX EXPENDITURE 18 CREATED IN SUBSECTION (4)(f)(III)(B) OF THIS SECTION IS TO PROVIDE TAX 19 RELIEF FOR CERTAIN INDIVIDUALS AND THAT THE SPECIFIC PURPOSE OF THE 20 TAX EXPENDITURE IS TO PROVIDE SUCH TAX RELIEF TO PERSONS AGED 21 FIFTY-FIVE AND OLDER IN LIGHT OF THE INCREASE IN PROPERTY TAX RATES 22 IN THE INCOME TAX YEAR COMMENCING ON JANUARY 1, 2023. THE 23 GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE 24 EFFECTIVENESS OF THE EXEMPTION ALLOWED BY THIS SECTION BASED ON 25 THE TOTAL AMOUNT OF SOCIAL SECURITY BENEFITS IN EXCESS OF TWENTY 26 THOUSAND DOLLARS PER INDIVIDUAL PER TAX YEAR THAT INDIVIDUALS 27 AGED FIFTY-FIVE TO SIXTY-FOUR, INCLUSIVE, SUBTRACT FROM THEIR

FEDERAL TAXABLE INCOME WHEN CALCULATING THEIR STATE TAXABLE
INCOME.

3 (F) THE DEPARTMENT OF REVENUE, IN CONSULTATION WITH THE 4 STATE AUDITOR, SHALL COLLECT THE INFORMATION NECESSARY FOR THE 5 STATE AUDITOR TO MEASURE THE EFFECTIVENESS OF THE INCOME TAX 6 SUBTRACTION ALLOWED BY THIS SECTION BASED ON THE TOTAL AMOUNT 7 OF SOCIAL SECURITY BENEFITS IN EXCESS OF TWENTY THOUSAND DOLLARS 8 PER INDIVIDUAL PER TAX YEAR THAT INDIVIDUALS WHO ARE AGED 9 FIFTY-FIVE TO SIXTY-FOUR, AND WHOSE ADJUSTED GROSS INCOME IS LESS 10 THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS IF FILING 11 INDIVIDUALLY OR NINETY-FIVE THOUSAND DOLLARS IF FILING JOINTLY, 12 SUBTRACT FROM THEIR FEDERAL TAXABLE INCOME WHEN CALCULATING 13 THEIR STATE TAXABLE INCOME.

14 **SECTION 2.** Act subject to petition - effective date. This act 15 takes effect at 12:01 a.m. on the day following the expiration of the 16 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 17 18 of the state constitution against this act or an item, section, or part of this 19 act within such period, then the act, item, section, or part will not take 20 effect unless approved by the people at the general election to be held in 21 November 2024 and, in such case, will take effect on the date of the 22 official declaration of the vote thereon by the governor.