

CHAPTER 293

TAXATION

HOUSE BILL 24-1311

BY REPRESENTATIVE(S) deGruy Kennedy and Willford, Garcia, Bacon, Mabrey, Ortiz, Rutinel, Sirota, Weissman, Amabile, Boesenecker, Brown, Daugherty, English, Epps, Froelich, Hamrick, Hernandez, Herod, Jodeh, Joseph, Kipp, Lieder, Lindsay, Lukens, Marvin, McCormick, McLachlan, Parenti, Ricks, Story, Velasco, Vigil, Woodrow, McCluskie, Clifford, Titone, Young; also SENATOR(S) Winter F. and Coleman, Bridges, Buckner, Cutter, Danielson, Exum, Fields, Ginal, Gonzales, Hansen, Jaquez Lewis, Kolker, Marchman, Michaelson Jenet, Mullica, Priola, Sullivan, Fenberg.

AN ACT

CONCERNING THE CREATION OF A FAMILY AFFORDABILITY TAX CREDIT, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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

SECTION 1. In Colorado Revised Statutes, **add** 39-22-130 as follows:

39-22-130. Family affordability tax credit - legislative declaration - definitions - repeal. (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

(I) COLORADO FAMILIES STRUGGLE TO AFFORD MANY NECESSARY GOODS AND SERVICES, SUCH AS CHILD CARE, HOUSING, AND HEALTH CARE. EIGHTY-THREE PERCENT OF COLORADO PARENTS WORRY THAT THEIR CHILDREN WON'T BE ABLE TO AFFORD TO LIVE IN THE STATE IN THE FUTURE.

(II) TARGETED TAX CREDITS ARE A PROVEN TOOL TO LIFT FAMILIES OUT OF POVERTY. RESEARCH HAS SHOWN THAT FAMILIES THAT CLAIM THESE TYPES OF TAX CREDITS, SUCH AS THE STATE AND FEDERAL CHILD TAX CREDIT AND THE STATE AND FEDERAL EARNED INCOME TAX CREDIT, HAVE BETTER HEALTH, IMPROVED SCHOOLING OUTCOMES, AND INCREASED ADULT EARNING POTENTIAL. AS THE COST OF RAISING CHILDREN HAS INCREASED, A FAMILY AFFORDABILITY TAX CREDIT IS CRITICAL FOR THE WELL-BEING OF MANY CHILDREN AND FAMILIES ACROSS COLORADO.

(III) ACCORDING TO THE INSTITUTE ON TAXATION AND ECONOMIC POLICY, "[T]O

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.

CUT CHILD POVERTY RATES BY HALF, THE MAJORITY OF STATES WOULD REQUIRE A BASE CREDIT VALUE OF BETWEEN THREE THOUSAND DOLLARS AND FOUR THOUSAND FIVE HUNDRED DOLLARS PER CHILD PLUS A TWENTY PERCENT BOOST FOR YOUNG CHILDREN." WHEN COUPLED WITH THE STATE AND FEDERAL EARNED INCOME TAX CREDIT AND THE STATE AND FEDERAL CHILD TAX CREDIT, THE ADDITIONAL INVESTMENT PROVIDED BY THE FAMILY AFFORDABILITY TAX CREDIT WOULD ESTABLISH COLORADO AS A NATIONAL LEADER IN EQUITABLE ECONOMIC POLICY.

(IV) COLORADO IS DEALING WITH RISING COSTS AND FUNDING SHORTFALLS IN MANY AREAS ACROSS OUR STATE, AND IT IS NECESSARY TO PROVIDE TAX CREDITS TO THE PEOPLE WHO NEED IT MOST IN A WAY THAT WILL DO THE MOST GOOD. ESTABLISHING THE FAMILY AFFORDABILITY TAX CREDIT IS A PROVEN WAY TO DO THAT; AND

(V) BY PRIORITIZING THE STATE'S LOWEST-INCOME FAMILIES, EXPANDING THE CHILD AGE ELIGIBILITY, AND INCLUDING MORE FAMILIES, THE STATE CAN PROVIDE RESEARCH-BACKED INVESTMENTS FOR FAMILIES. THROUGH THOUGHTFUL AND STRATEGIC INVESTMENT, COLORADO CAN CUT CHILD POVERTY NEARLY IN HALF.

(b) THE GENERAL ASSEMBLY DECLARES ITS INTENT TO PERIODICALLY REVIEW THE TAX CREDIT CREATED IN THIS SECTION IN AN EFFORT TO PREVENT A SIGNIFICANT INCREASE OR DECREASE, ADJUSTED FOR INFLATION, IN THE TOTAL AMOUNT OF THE CREDIT CLAIMED BY TAXPAYERS YEAR OVER YEAR STARTING IN INCOME TAX YEAR 2025.

(c) 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 HEREBY FINDS AND DECLARES THAT THE PURPOSES OF THE TAX EXPENDITURE CREATED IN SUBSECTION (3) OF THIS SECTION ARE TO SUBSTANTIALLY REDUCE CHILD POVERTY, MAKE COLORADO MORE AFFORDABLE FOR FAMILIES, AND HELP FAMILIES AFFORD EXPENSES ASSOCIATED WITH HAVING CHILDREN BY PROVIDING TAX RELIEF FOR CERTAIN INDIVIDUALS.

(d) THE GENERAL ASSEMBLY AND THE STATE AUDITOR, IN CONSULTATION WITH THE DEPARTMENT OF REVENUE, SHALL MEASURE THE EFFECTIVENESS OF THE EXEMPTION ALLOWED BY THIS SECTION BY DETERMINING THE NUMBER OF COLORADO FAMILIES WHO, AFTER CLAIMING A CREDIT OR CREDITS IN THIS SECTION, NO LONGER FALL BELOW THE FEDERAL POVERTY LEVEL IN THE TAX YEAR IN WHICH THEY CLAIMED THE CREDIT OR CREDITS.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "ELIGIBLE CHILD" MEANS A QUALIFYING CHILD, AS DEFINED IN SECTION 152 (c) OF THE "INTERNAL REVENUE CODE OF 1986"; EXCEPT THAT THE AGE REQUIREMENTS ARE AS SET FORTH IN SUBSECTIONS (3)(a)(I), (3)(a)(II), (3)(b)(I), AND (3)(b)(II) OF THIS SECTION.

(b) (I) "ESTIMATED ADJUSTMENT FACTOR" MEANS, FOR A GIVEN INCOME TAX YEAR, THE CAGR FOR NONEXEMPT REVENUE THAT IS CALCULATED ACCORDING TO

THE FOLLOWING FORMULA, AS ADJUSTED PURSUANT TO SUBSECTION (2)(b)(IV) OF THIS SECTION:

$$\text{CAGR} = \left(\left(\frac{\text{EV}}{\text{BV}} \right)^{1/n} - 1 \right) \times 100$$

(II) AS USED IN THIS SUBSECTION (2)(b):

(A) "APPLICABLE FORECAST" MEANS EITHER THE QUARTERLY DECEMBER REVENUE FORECAST PREPARED BY LEGISLATIVE COUNCIL STAFF OR THE QUARTERLY DECEMBER REVENUE FORECAST PREPARED BY THE OFFICE OF STATE PLANNING AND BUDGETING IN THE DECEMBER IMMEDIATELY PRECEDING THE APPLICABLE STATE FISCAL YEAR, AS DETERMINED BY WHICH IMMEDIATELY PRECEDING MARCH FORECAST THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY USED IN THE PREPARATION OF THE STATE BUDGET.

(B) "APPLICABLE STATE FISCAL YEAR" MEANS THE FISCAL YEAR THAT BEGINS IN THE INCOME TAX YEAR FOR WHICH THE CREDIT IS ALLOWED.

(C) "BV" MEANS, ON OR BEFORE DECEMBER 31, 2024, THE ESTIMATE OF THE STATE'S NONEXEMPT REVENUE FOR STATE FISCAL YEAR 2024-25 INCLUDED IN THE APPLICABLE FORECAST EXCLUDING THE PROJECTED AGGREGATE AMOUNT OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION AND THE PROJECTED AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SECTION 39-22-123.5 (3.5), CREATED IN HOUSE BILL 24-1134, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR, AND AFTER DECEMBER 31, 2024, THE AMOUNT OF THE STATE'S NONEXEMPT REVENUE FOR STATE FISCAL YEAR 2024-25 EXCLUDING THE AGGREGATE AMOUNT OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION AND THE AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SECTION 39-22-123.5 (3.5), CREATED IN HOUSE BILL 24-1134, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR.

(D) "CAGR" MEANS THE ESTIMATED COMPOUND ANNUAL GROWTH RATE.

(E) "EV" MEANS THE ESTIMATE OF THE STATE'S NONEXEMPT REVENUE FOR THE APPLICABLE STATE FISCAL YEAR INCLUDED IN THE APPLICABLE FORECAST EXCLUDING THE PROJECTED AGGREGATE AMOUNT OF THE TAX CREDIT ALLOWED PURSUANT TO THIS SECTION AND THE PROJECTED AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SECTION 39-22-123.5 (3.5), CREATED IN HOUSE BILL 24-1134, ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR.

(F) "N" MEANS, FOR THE APPLICABLE STATE FISCAL YEAR, THE NUMBER OF STATE FISCAL YEARS THAT HAVE PASSED SINCE THE 2024-25 STATE FISCAL YEAR.

(G) "NONEXEMPT REVENUE" MEANS, FOR THE APPLICABLE STATE FISCAL YEAR, THE REVENUE THAT IS IDENTIFIED AS NONEXEMPT TABOR REVENUES IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT PUBLISHED BY THE OFFICE OF THE STATE CONTROLLER.

(H) "TABOR" MEANS SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION.

(III) THE EXECUTIVE DIRECTOR SHALL CALCULATE THE ESTIMATED ADJUSTMENT FACTOR IN ACCORDANCE WITH THIS SECTION.

(IV) THE ESTIMATED ADJUSTMENT FACTOR MUST BE INCREASED BY ONE-TENTH OF ONE PERCENTAGE POINT IF THE COLORADO UNEMPLOYMENT RATE, AS CALCULATED BY THE UNITED STATES BUREAU OF LABOR STATISTICS, REACHES FIVE PERCENT AND MUST BE INCREASED BY AN ADDITIONAL ONE-TENTH OF ONE PERCENTAGE POINT FOR EVERY ONE PERCENTAGE POINT INCREASE IN THE COLORADO UNEMPLOYMENT RATE ABOVE FIVE PERCENT.

(c) "FEDERAL POVERTY LEVEL" MEANS THE POVERTY LINE THAT IS REQUIRED TO BE UPDATED ANNUALLY WITHIN THE FEDERAL POVERTY GUIDELINES ADOPTED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES PURSUANT TO 42 U.S.C. SEC. 9902 (2).

(d) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKWOOD FOR ALL ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR INDEX.

(3) (a) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY SECTION 39-22-129, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2034, A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN IS ALLOWED A FAMILY AFFORDABILITY TAX CREDIT AGAINST THE INCOME TAXES DUE UNDER THIS ARTICLE 22 FOR:

(I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS FIVE YEARS OF AGE OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN THE AMOUNT OF THREE THOUSAND TWO HUNDRED DOLLARS, ADJUSTED FOR INFLATION AND AS MODIFIED BY SUBSECTIONS (4), (5), AND (6) OF THIS SECTION; AND

(II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS SIX YEARS OF AGE OR OLDER BUT LESS THAN SEVENTEEN YEARS OF AGE AT THE CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(a)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTIONS (4), (5), AND (6) OF THIS SECTION.

(b) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY SECTION 39-22-129, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2034, TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN ARE ALLOWED A FAMILY AFFORDABILITY TAX CREDIT AGAINST THE INCOME TAXES DUE UNDER THIS ARTICLE 22 FOR:

(I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUALS WHO IS FIVE YEARS OF AGE OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN THE AMOUNT OF THREE THOUSAND TWO HUNDRED DOLLARS, ADJUSTED FOR INFLATION AND AS MODIFIED BY SUBSECTIONS (4), (5), AND (6) OF THIS SECTION; AND

(II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUALS WHO IS SIX YEARS OF

AGE OR OLDER BUT LESS THAN SEVENTEEN YEARS OF AGE AT THE CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(b)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTIONS (4), (5), AND (6) OF THIS SECTION.

(4) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2024, BUT BEFORE JANUARY 1, 2025, THE CREDIT AMOUNTS IN:

(a) SUBSECTION (3)(a)(I) OF THIS SECTION ARE REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(b) SUBSECTION (3)(b)(I) OF THIS SECTION ARE REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS.

(5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, BUT BEFORE JANUARY 1, 2026, IF THE ESTIMATED ADJUSTMENT FACTOR IS:

(a) GREATER THAN OR EQUAL TO TWO PERCENT:

(I) THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS ALLOWED FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS ALLOWED FOR TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS; OR

(b) LESS THAN TWO PERCENT, NO CREDIT IS ALLOWED PURSUANT TO THIS SECTION.

(6) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2026, BUT BEFORE JANUARY 1, 2034, IF THE ESTIMATED ADJUSTMENT FACTOR FOR THE INCOME TAX YEAR IS:

(a) GREATER THAN OR EQUAL TO THREE AND SEVENTY-FIVE ONE-HUNDREDTHS PERCENT:

(I) THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS ALLOWED FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS ALLOWED FOR TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS;

(b) GREATER THAN OR EQUAL TO THREE AND FIFTY-SIX ONE-HUNDREDTHS PERCENT, BUT LESS THAN THREE AND SEVENTY-FIVE ONE-HUNDREDTHS PERCENT, THEN:

(I) THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS ALLOWED FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS ALLOWED FOR TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO NINE AND SIX ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO NINE AND SIX ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS;

(c) GREATER THAN OR EQUAL TO THREE AND THIRTY-SEVEN ONE-HUNDREDTHS PERCENT, BUT LESS THAN THREE AND FIFTY-SIX ONE-HUNDREDTHS PERCENT, THEN:

(I) THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS ALLOWED FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE FULL CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS ALLOWED

FOR TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO THIRTEEN AND FIFTY-NINE ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO THIRTEEN AND FIFTY-NINE ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS;

(d) GREATER THAN OR EQUAL TO THREE AND EIGHTEEN ONE-HUNDREDTHS PERCENT, BUT LESS THAN THREE AND THIRTY-SEVEN ONE-HUNDREDTHS PERCENT, THEN:

(I) THE CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED TO TWO THOUSAND SIX HUNDRED DOLLARS, ADJUSTED FOR INFLATION, FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED TO TWO THOUSAND SIX HUNDRED DOLLARS, ADJUSTED FOR INFLATION, FOR TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTION (6)(d)(I) OF THIS SECTION, IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO NINETEEN AND TWENTY-THREE ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTION (6)(d)(I) OF THIS SECTION, WILL BE REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO NINETEEN AND TWENTY-THREE ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS;

(e) GREATER THAN OR EQUAL TO THREE PERCENT, BUT LESS THAN THREE AND EIGHTEEN ONE-HUNDREDTHS PERCENT, THEN:

(I) THE CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(a)(I) OF THIS SECTION IS REDUCED TO ONE THOUSAND SIX HUNDRED FIFTY DOLLARS, ADJUSTED FOR INFLATION, FOR A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN WITH AN ADJUSTED GROSS INCOME OF FIFTEEN THOUSAND DOLLARS OR LESS, AND THE CREDIT AMOUNT SET FORTH IN SUBSECTION (3)(b)(I) OF THIS SECTION IS REDUCED TO ONE THOUSAND SIX HUNDRED FIFTY DOLLARS, ADJUSTED FOR INFLATION, FOR TWO

RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN WITH AN ADJUSTED GROSS INCOME OF TWENTY-FIVE THOUSAND DOLLARS OR LESS;

(II) THE CREDIT AMOUNT IN SUBSECTION (3)(a)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTION (6)(e)(I) OF THIS SECTION, IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO THIRTY AND THIRTY ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME EXCEEDS FIFTEEN THOUSAND DOLLARS; AND

(III) THE CREDIT AMOUNT IN SUBSECTION (3)(b)(I) OF THIS SECTION, AS MODIFIED BY SUBSECTION (6)(e)(I) OF THIS SECTION, IS REDUCED, BUT NOT BELOW ZERO, BY AN AMOUNT EQUAL TO THIRTY AND THIRTY ONE-HUNDREDTHS PERCENT FOR EACH FIVE THOUSAND DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS INCOME EXCEEDS TWENTY-FIVE THOUSAND DOLLARS; OR

(f) LESS THAN THREE PERCENT, NO CREDIT IS ALLOWED PURSUANT TO THIS SECTION.

(7) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, THE DEPARTMENT OF REVENUE SHALL ADJUST THE FEDERAL ADJUSTED GROSS INCOME AMOUNTS SET FORTH IN THIS SECTION TO REFLECT INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED IN THIS SECTION IS ALLOWED IF CUMULATIVE INFLATION SINCE THE LAST ADJUSTMENT, WHEN APPLIED TO THE CURRENT LIMITS, RESULTS IN AN INCREASE OF AT LEAST ONE THOUSAND DOLLARS WHEN THE ADJUSTED LIMITS ARE ROUNDED TO THE NEAREST ONE THOUSAND DOLLARS.

(8) IN THE CASE OF A PART-YEAR RESIDENT, THE CREDIT ALLOWED UNDER THIS SECTION IS APPORTIONED IN THE RATIO DETERMINED UNDER SECTION 39-22-110(1).

(9) THE CREDIT ALLOWED UNDER THIS SECTION IS NOT CONSIDERED TO BE INCOME OR RESOURCES FOR THE PURPOSE OF DETERMINING ELIGIBILITY FOR THE PAYMENT OF PUBLIC ASSISTANCE BENEFITS AND MEDICAL ASSISTANCE BENEFITS AUTHORIZED UNDER STATE LAW OR FOR A PAYMENT MADE UNDER ANY OTHER PUBLICLY FUNDED PROGRAMS.

(10) THE AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION THAT EXCEEDS THE RESIDENT INDIVIDUAL'S INCOME TAXES DUE IS REFUNDED TO THE INDIVIDUAL.

(11) THE DEPARTMENT OF REVENUE IS AUTHORIZED AND ENCOURAGED TO DEVELOP A MEANS OF REFUNDING THE CREDITS ALLOWED BY THIS SECTION TO RESIDENT INDIVIDUALS WHO QUALIFY FOR THE CREDITS IN TWELVE EQUAL MONTHLY REFUNDS RATHER THAN ANNUALLY.

(12) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2037.

SECTION 2. Appropriation. (1) For the 2024-25 state fiscal year, \$178,494 is appropriated to the department of revenue. This appropriation is from the general fund. To implement this act, the department may use this appropriation as follows:

(a) \$88,604 for use by the taxation business group for personal services related

to taxation services, which amount is based on the assumption that the division will require an additional 1.2 FTE;

(b) \$33,604 for tax administration IT system (GenTax) support;

(c) \$8,206 for use by the taxation business group for operating expenses related to taxation services;

(d) \$22,085 for use by the executive director's office for personal services related to administration and support; and

(e) \$25,995 for document management services.

(2) For the 2024-25 state fiscal year, \$25,995 is appropriated to the department of personnel. This appropriation is from reappropriated funds received from the department of revenue under subsection (1)(e) of this section. To implement this act, the department of personnel may use this appropriation to provide document management services for the department of revenue.

SECTION 3. 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: May 31, 2024