

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

**PREAMENDED**

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

LLS NO. 25-0220.01 Jason Gelender x4330

**HOUSE BILL 25-1012**

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**HOUSE SPONSORSHIP**

**Marshall and Joseph,**

**SENATE SPONSORSHIP**

**Liston, Frizell, Weissman**

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**House Committees**

Finance  
Appropriations

**Senate Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING INCOME TAX EXPENDITURES THAT BENEFIT INDIVIDUALS**  
102 **ENGAGED IN MILITARY SERVICE.**

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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/>.)*

**Legislative Oversight Committee Concerning Tax Policy.** The bill changes how income tax expenditures that benefit individuals engaged in military service are provided as follows:

- Beginning with income tax years commencing on or after January 1, 2027, **section 2** of the bill eliminates the state income tax subtraction for an amount equal to any

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

compensation received for active duty service in the armed forces of the United States by an individual who has reacquired residency in the state to the extent that the compensation is included in federal taxable income; and

- For income tax years commencing on or after January 1, 2027, but before January 1, 2032, **section 3** allows a refundable income tax credit (credit) as a form of tuition assistance to an actively serving member of the Colorado National Guard who is eligible for tuition assistance (eligible member) under an existing statutorily-authorized program (program) administered by the department of veterans and military affairs (department).

To claim the credit, an eligible member must obtain a tax credit certificate issued by the department for each academic semester or quarter for which tuition assistance is awarded in the form of the credit.

The criteria for receiving a tax credit certificate are generally the same as the criteria for receiving other tuition assistance under the program; except that, to be eligible for a tax credit certificate, an eligible member must apply for all federal government tuition assistance that is not required to be repaid and that is generally made available to eligible members and not to the general population and must use all federal government tuition assistance received. The total amount of tuition assistance that an eligible member to whom the department has issued a tax credit certificate may obtain under the program, including the credit, is subject to existing program limits. In addition, the department may issue no more than \$1 million in tax credit certificates for any income tax year.

**Section 1** makes conforming amendments.

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

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3 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **amend**

4 (4)(u) 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 (u) (I) For income tax years commencing on or after January 1,

1 2016, BUT BEFORE JANUARY 1, 2027, an amount equal to any  
2 compensation received for active duty service in the armed forces of the  
3 United States by an individual who has reacquired residency in the state  
4 pursuant to section 39-22-110.5, to the extent that the compensation is  
5 included in federal taxable income;

6 (II) THIS SUBSECTION (4)(u) IS REPEALED, EFFECTIVE DECEMBER  
7 31, 2031.

8 **SECTION 2.** In Colorado Revised Statutes, **add** 39-22-571 as  
9 follows:

10 **39-22-571. Income tax credit for qualifying educational**  
11 **expenses incurred by eligible members of the Colorado National**  
12 **Guard - pursuing higher education - tax preference performance**  
13 **statement - report - definitions - repeal. (1) Tax preference**  
14 **performance statement.** IN ACCORDANCE WITH SECTION 39-21-304 (1),  
15 WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO  
16 INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A  
17 STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS  
18 AND DECLARES THAT:

19 (a) THE GENERAL LEGISLATIVE PURPOSE OF THE TAX CREDIT  
20 ALLOWED BY THIS SECTION IS TO PROVIDE TAX RELIEF FOR CERTAIN  
21 BUSINESSES OR INDIVIDUALS;

22 (b) THE SPECIFIC LEGISLATIVE PURPOSE OF THE TAX CREDIT  
23 ALLOWED BY THIS SECTION IS TO PROVIDE TAX RELIEF FOR ELIGIBLE  
24 MEMBERS OF THE COLORADO NATIONAL GUARD WHO ARE PURSUING  
25 HIGHER EDUCATION BY PROVIDING REIMBURSEMENT FOR QUALIFYING  
26 EDUCATIONAL EXPENSES; AND

27 (c) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL

1 MEASURE THE EFFECTIVENESS OF THE TAX CREDIT IN ACHIEVING THE  
2 PURPOSES SPECIFIED IN SUBSECTIONS (1)(a) AND (1)(b) OF THIS SECTION  
3 BASED ON THE INFORMATION REQUIRED TO BE MAINTAINED AND REPORTED  
4 BY THE ADMINISTRATOR PURSUANT TO SUBSECTION (8) OF THIS SECTION.

5 (2) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT  
6 OTHERWISE REQUIRES:

7 (a) "ADMINISTRATOR" MEANS THE DEPARTMENT OF MILITARY AND  
8 VETERANS AFFAIRS.

9 (b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

10 (c) "DESIGNATED INSTITUTION OF HIGHER EDUCATION" HAS THE  
11 SAME MEANING AS SET FORTH IN SECTION 23-7.4-302 (3)(a).

12 (d) "ELIGIBLE MEMBER" MEANS AN ENLISTED MEMBER OR OFFICER  
13 OF THE COLORADO NATIONAL GUARD WHO IS ELIGIBLE FOR TUITION  
14 ASSISTANCE PURSUANT TO SECTION 23-7.4-302, HAS NOT YET EARNED A  
15 BACHELOR'S DEGREE, AND IS ENROLLED AT A DESIGNATED INSTITUTION OF  
16 HIGHER EDUCATION FOR THE PURPOSE OF PURSUING STUDIES LEADING TO  
17 A CERTIFICATE OF COMPLETION, AN ASSOCIATE DEGREE, OR A BACHELOR'S  
18 DEGREE.

19 (e) "QUALIFIED INDIVIDUAL" MEANS AN ELIGIBLE MEMBER TO  
20 WHOM THE ADMINISTRATOR ISSUES A TAX CREDIT CERTIFICATE.

21 (f) "QUALIFYING EDUCATIONAL EXPENSES" MEANS EXPENSES  
22 OTHER THAN TUITION THAT ARE INCURRED BY AN ELIGIBLE MEMBER IN  
23 CONNECTION WITH THE ELIGIBLE MEMBER'S PURSUIT OF HIGHER  
24 EDUCATION, SUCH AS FEES, COSTS INCURRED TO PURCHASE BOOKS OR  
25 OTHER COURSE MATERIALS, AND LIVING EXPENSES, AND FOR WHICH THE  
26 ELIGIBLE MEMBER HAS NOT OTHERWISE BEEN REIMBURSED.

27 (g) "RULES" MEANS THE MILITARY REGULATIONS FOR THE

1 ADMINISTRATION OF TUITION ASSISTANCE ADOPTED BY THE  
2 ADMINISTRATOR PURSUANT TO SECTION 23-7.4-302 (7).

3 (h) "TAX CREDIT" MEANS THE INCOME TAX CREDIT ALLOWED  
4 PURSUANT TO THIS SECTION.

5 (i) "TAX CREDIT CERTIFICATE" MEANS A CERTIFICATE ISSUED BY  
6 THE ADMINISTRATOR TO A QUALIFIED INDIVIDUAL PURSUANT TO  
7 SUBSECTION (5) OF THIS SECTION.

8 (j) "TUITION ASSISTANCE" MEANS TUITION ASSISTANCE AWARDED  
9 PURSUANT TO SECTION 23-7.4-302.

10 (3) **Tax credit allowed.** (a) FOR INCOME TAX YEARS COMMENCING  
11 ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2032, A  
12 QUALIFIED INDIVIDUAL IS ALLOWED A CREDIT AGAINST THE INCOME TAXES  
13 IMPOSED BY THIS ARTICLE 22 IN THE AMOUNT SET FORTH IN THE TAX  
14 CREDIT CERTIFICATE ISSUED TO THE QUALIFIED INDIVIDUAL.

15 (b) TO CLAIM A TAX CREDIT, A QUALIFIED INDIVIDUAL MUST FILE  
16 A TAX CREDIT CERTIFICATE WITH THE QUALIFIED INDIVIDUAL'S INCOME  
17 TAX RETURN.

18 (4) **Application submission and review.** (a) AN ELIGIBLE  
19 MEMBER WHO INTENDS TO CLAIM A TAX CREDIT MUST SUBMIT AN  
20 APPLICATION TO THE ADMINISTRATOR FOR TUITION ASSISTANCE IN  
21 ACCORDANCE WITH THE RULES. IF THE ADMINISTRATOR APPROVES THE  
22 APPLICATION, THE ADMINISTRATOR SHALL ALSO APPROVE A TAX CREDIT  
23 FOR THE APPLICANT AND DETERMINE THE AMOUNT OF THE TAX CREDIT.

24  
25 (b) TO BE ELIGIBLE FOR A TAX CREDIT CERTIFICATE, AN ELIGIBLE  
26 MEMBER MUST APPLY FOR ALL FEDERAL GOVERNMENT BENEFITS THAT  
27 CAN BE USED TO PAY FOR EDUCATIONAL EXPENSES THAT WOULD, IF NOT

1 PAID FOR WITH SUCH BENEFITS, BE QUALIFYING EDUCATION EXPENSES  
2 THAT ARE NOT REQUIRED TO BE REPAID AND THAT ARE GENERALLY MADE  
3 AVAILABLE TO MEMBERS OF THE COLORADO NATIONAL GUARD AND NOT  
4 TO THE GENERAL POPULATION AND MUST USE ALL SUCH FEDERAL  
5 GOVERNMENT BENEFITS RECEIVED.

6 (5) **Tax credit certificates.** (a) SUBJECT TO THE LIMITATIONS SET  
7 FORTH IN SUBSECTION (5)(b) OF THIS SECTION, IF THE ADMINISTRATOR  
8 DETERMINES THAT AN ELIGIBLE MEMBER SHOULD RECEIVE  
9 REIMBURSEMENT FOR QUALIFYING EDUCATIONAL EXPENSES IN THE FORM  
10 OF A TAX CREDIT, THE ADMINISTRATOR SHALL ISSUE TO THE ELIGIBLE  
11 MEMBER A TAX CREDIT CERTIFICATE FOR EACH ACADEMIC SEMESTER OR  
12 QUARTER FOR WHICH SUCH REIMBURSEMENT FOR QUALIFYING  
13 EDUCATIONAL EXPENSES IS BEING AWARDED THAT INDICATES THE INCOME  
14 TAX YEAR FOR WHICH SUCH REIMBURSEMENT FOR QUALIFYING  
15 EDUCATIONAL EXPENSES IS BEING AWARDED AND THE AMOUNT OF SUCH  
16 REIMBURSEMENT FOR QUALIFYING EDUCATIONAL EXPENSES TO BE  
17 AWARDED.

18 (b) THE ISSUANCE OF TAX CREDIT CERTIFICATES PURSUANT TO  
19 SUBSECTION (5)(a) OF THIS SECTION IS SUBJECT TO THE FOLLOWING  
20 LIMITATIONS:

21 (I) THE MAXIMUM AGGREGATE AMOUNT OF TAX CREDIT  
22 CERTIFICATES THAT THE ADMINISTRATOR MAY ISSUE TO ALL QUALIFIED  
23 INDIVIDUALS FOR ANY INCOME TAX YEAR IS ONE MILLION DOLLARS; AND

24 (II) A TAX CREDIT CERTIFICATE MUST BE ISSUED FOR THE INCOME  
25 TAX YEAR DURING WHICH THE ACADEMIC SEMESTER OR QUARTER FOR  
26 WHICH THE TUITION ASSISTANCE IN THE FORM OF A TAX CREDIT IS  
27 AWARDED BEGINS.

1           **(6) Refundability.** IF THE AMOUNT OF A TAX CREDIT EXCEEDS THE  
2 AMOUNT OF INCOME TAXES OTHERWISE DUE ON THE INCOME OF A  
3 QUALIFIED INDIVIDUAL IN THE INCOME TAX YEAR FOR WHICH THE TAX  
4 CREDIT IS CLAIMED, THE AMOUNT OF THE TAX CREDIT NOT USED AS AN  
5 OFFSET AGAINST INCOME TAXES IN THE INCOME TAX YEAR IS REFUNDED TO  
6 THE QUALIFIED INDIVIDUAL.

7           **(7) Revocation of tax credit certificate and recapture of tax**  
8 **credit.** IF, IN ACCORDANCE WITH SECTION 23-7.4-302 AND THE RULES, A  
9 QUALIFIED INDIVIDUAL TO WHOM THE ADMINISTRATOR HAS ISSUED A TAX  
10 CREDIT CERTIFICATE SUBSEQUENTLY FAILS TO FULFILL ALL REQUIREMENTS  
11 FOR RECEIVING TUITION ASSISTANCE FOR THE ACADEMIC SEMESTER OR  
12 QUARTER FOR WHICH REIMBURSEMENT FOR QUALIFYING EDUCATIONAL  
13 EXPENSES CREDIT THAT IS SPECIFIED ON THE TAX CREDIT CERTIFICATE, THE  
14 ADMINISTRATOR SHALL REVOKE THE TAX CREDIT CERTIFICATE AND  
15 NOTIFY THE QUALIFIED INDIVIDUAL AND THE DEPARTMENT OF THE  
16 REVOCATION AND THAT THE TAX CREDIT IS DISALLOWED. IF THE TAX  
17 CREDIT HAS ALREADY BEEN ALLOWED TO THE QUALIFIED INDIVIDUAL  
18 BEFORE THE DEPARTMENT RECEIVES NOTICE OF THE REVOCATION OF THE  
19 TAX CREDIT CERTIFICATE, THE QUALIFIED INDIVIDUAL SHALL ADD THE  
20 FULL AMOUNT OF THE TAX CREDIT THAT WAS ACTUALLY USED TO OFFSET  
21 THE QUALIFIED INDIVIDUAL'S INCOME OR REFUNDED TO THE QUALIFIED  
22 INDIVIDUAL TO THE QUALIFIED INDIVIDUAL'S INCOME TAX RETURN FOR THE  
23 NEXT INCOME TAX YEAR AS A RECAPTURED TAX CREDIT FOR THE INCOME  
24 TAX YEAR FOR WHICH THE TAX CREDIT CERTIFICATE IS REVOKED  
25 PURSUANT TO THIS SUBSECTION (7).

26           **(8) Reporting.** (a) NO LATER THAN DECEMBER 31, 2028, AND,  
27 NOTWITHSTANDING THE REQUIREMENT IN SECTION 24-1-136 (11)(a)(I), NO

1 LATER THAN DECEMBER 31 OF EACH YEAR THEREAFTER THROUGH 2032,  
2 THE ADMINISTRATOR SHALL PROVIDE A WRITTEN REPORT TO THE GENERAL  
3 ASSEMBLY AND SHALL FURTHER MAKE THE REPORT AVAILABLE TO THE  
4 PUBLIC. IN CONNECTION WITH TAX CREDITS, THE REPORT MUST INCLUDE:

5 (I) THE NUMBER OF TAX CREDIT CERTIFICATES ISSUED;  
6 (II) THE AGGREGATE AMOUNT OF REIMBURSEMENT FOR  
7 QUALIFYING EDUCATIONAL EXPENSES PROVIDED THROUGH TAX CREDITS  
8 AND THE AVERAGE AMOUNT OF SUCH REIMBURSEMENT FOR QUALIFYING  
9 EDUCATIONAL EXPENSES PROVIDED TO EACH QUALIFIED INDIVIDUAL TO  
10 WHOM THE ADMINISTRATOR HAS ISSUED A TAX CREDIT CERTIFICATE; AND

11 (III) THE AMOUNT OF ANY TAX CREDIT RECAPTURED DUE TO  
12 REVOCATION OF A TAX CREDIT CERTIFICATE PURSUANT TO SUBSECTION (7)  
13 OF THIS SECTION.

14 (b) THE ADMINISTRATOR SHALL, IN A SUFFICIENTLY TIMELY  
15 MANNER TO ALLOW THE DEPARTMENT TO PROCESS RETURNS CLAIMING  
16 THE TAX CREDIT, PROVIDE THE DEPARTMENT WITH AN ELECTRONIC REPORT  
17 OF EACH QUALIFIED INDIVIDUAL TO WHOM THE ADMINISTRATOR ISSUES  
18 ONE OR MORE TAX CREDIT CERTIFICATES FOR THE PRECEDING INCOME TAX  
19 YEAR THAT INCLUDES THE FOLLOWING INFORMATION:

20 (I) THE QUALIFIED INDIVIDUAL'S NAME;  
21 (II) THE TOTAL AMOUNT OF THE TAX CREDIT AUTHORIZED TO BE  
22 CLAIMED BY THE QUALIFIED INDIVIDUAL AND, IF MULTIPLE TAX CREDIT  
23 CERTIFICATES WERE ISSUED TO A QUALIFIED INDIVIDUAL, THE AMOUNT OF  
24 THE TAX CREDIT AUTHORIZED TO BE CLAIMED BY THE QUALIFIED  
25 INDIVIDUAL THAT IS SPECIFIED ON EACH TAX CREDIT CERTIFICATE; AND  
26 (III) THE QUALIFIED INDIVIDUAL'S SOCIAL SECURITY NUMBER OR,  
27 IF THE QUALIFIED INDIVIDUAL IS NOT A UNITED STATES CITIZEN, THE



1 QUALIFIED INDIVIDUAL'S INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER.

2 (9) **Repeal.** THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31,  
3 2036.

4 **SECTION 3. Act subject to petition - effective date.** This act  
5 takes effect at 12:01 a.m. on the day following the expiration of the  
6 ninety-day period after final adjournment of the general assembly; except  
7 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
8 of the state constitution against this act or an item, section, or part of this  
9 act within such period, then the act, item, section, or part will not take  
10 effect unless approved by the people at the general election to be held in  
11 November 2026 and, in such case, will take effect on the date of the  
12 official declaration of the vote thereon by the governor.