

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

**INTRODUCED**

LLS NO. 25-0757.01 Megan McCall x4215

**SENATE BILL 25-138**

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**SENATE SPONSORSHIP**

**Carson,**

**HOUSE SPONSORSHIP**

**(None),**

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**Senate Committees**

State, Veterans, & Military Affairs

**House Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING PERMANENT REDUCTIONS TO STATE INCOME TAX.**

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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>.)*

Under current law, the state income tax rate imposed on the taxable income of individuals, estates, trusts, and corporations is 4.4%; except that, for the income tax year commencing on January 1, 2024, the income tax rate is 4.25% and for any income tax year commencing on or after January 1, 2025, but before January 1, 2035, the income tax rate is temporarily reduced if state revenue exceeded the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution for the state fiscal year that ended during the income tax year.

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.

The extent to which the rate is temporarily reduced depends on the total amount of excess state revenues remaining after homestead exemption reimbursements and qualified-senior primary residence reimbursements are paid.

The bill makes the 4.25% tax rate permanent beginning with the income tax year commencing on January 1, 2025, makes any additional temporarily reduced income tax rate permanent for subsequent income tax years, and eliminates the state income tax on individuals, estates, and trusts for income tax years commencing on or after January 1, 2035.

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

2           **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **amend**  
3 (1.7)(c), (2), (3) introductory portion, and (4) introductory portion; and  
4 **add** (1.7)(d) and (6) 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.** (1.7) (c) (I) Except as  
8 otherwise provided in section 39-22-627, subject to subsection (2) of this  
9 section, with respect to taxable years commencing on or after January 1,  
10 2022, BUT BEFORE JANUARY 1, 2025, a tax of four and forty  
11 one-hundredths percent is imposed on the federal taxable income, as  
12 determined pursuant to section 63 of the internal revenue code, of every  
13 individual, estate, and trust.

14           (II) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627,  
15 SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE  
16 YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, BUT BEFORE  
17 JANUARY 1, 2035, A TAX OF FOUR AND TWENTY-FIVE ONE-HUNDREDTHS  
18 PERCENT IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED  
19 PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY  
20 INDIVIDUAL, ESTATE, AND TRUST; EXCEPT THAT, IF THE TAX RATE HAS

1 BEEN REDUCED FOR AN INCOME TAX YEAR PURSUANT TO SECTION  
2 39-22-627, THE TAX RATE FOR EACH INCOME TAX YEAR THEREAFTER IS  
3 THE REDUCED RATE.

4 (d) FOR TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1,  
5 2035, THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO  
6 SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL,  
7 ESTATE, AND TRUST IS NOT SUBJECT TO TAX BY THE STATE. ON OR AFTER  
8 JANUARY 1, 2035, FOR PURPOSES OF SECTION 20 (8)(a) OF ARTICLE X OF  
9 THE STATE CONSTITUTION, "TAXABLE NET INCOME" DOES NOT INCLUDE  
10 FEDERAL TAXABLE INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS.

11 (2) BEFORE JANUARY 1, 2030, prior to the application of the rate  
12 of tax prescribed in subsection (1), (1.5), or (1.7) of this section, the  
13 federal taxable income shall be modified as provided in subsections (3)  
14 and (4) of this section.

15 (3) BEFORE JANUARY 1, 2035, there shall be added to the federal  
16 taxable income:

17 (4) BEFORE JANUARY 1, 2035, there shall be subtracted from  
18 federal taxable income:

19 (6) NOTWITHSTANDING ANY OTHER LAW, FOR TAXABLE YEARS  
20 COMMENCING ON OR AFTER JANUARY 1, 2035, NO INDIVIDUAL, ESTATE, OR  
21 TRUST IS ENTITLED TO CLAIM ANY INCOME TAX CREDITS. ANY UNCLAIMED  
22 INCOME TAX CREDITS OF AN INDIVIDUAL, ESTATE, OR TRUST THAT ARE  
23 SUBJECT TO A CARRY-FORWARD PERIOD EXPIRE ON DECEMBER 31, 2034.

24 **SECTION 2.** In Colorado Revised Statutes, 39-22-301, **amend**  
25 (1)(d)(I)(K); and **add** (1)(d)(I)(L) as follows:

26 **39-22-301. Corporate tax imposed - repeal.** (1) (d) (I) A tax is  
27 imposed upon each domestic C corporation, foreign C corporation, and

1 combined group, as defined in section 39-22-303 (12)(a.3), doing  
2 business in Colorado annually in an amount of the net income of such C  
3 corporation during the year derived from sources within Colorado as set  
4 forth in the following schedule of rates:

5 (K) Except as otherwise provided in section 39-22-627, for  
6 income tax years commencing on or after January 1, 2022, BUT BEFORE  
7 JANUARY 1, 2025, four and forty one-hundredths percent of the Colorado  
8 net income. THIS SUBSECTION (1)(d)(I)(K) IS REPEALED, EFFECTIVE  
9 DECEMBER 31, 2030.

10 (L) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR  
11 INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2025, FOUR  
12 AND TWENTY-FIVE ONE-HUNDREDTHS PERCENT OF THE COLORADO NET  
13 INCOME; EXCEPT THAT, IF THE TAX RATE HAS BEEN REDUCED FOR AN  
14 INCOME TAX YEAR PURSUANT TO SECTION 39-22-627, THE TAX RATE FOR  
15 EACH INCOME TAX YEAR THEREAFTER IS THE REDUCED RATE.

16 **SECTION 3.** In Colorado Revised Statutes, 39-22-601, **amend**  
17 (1)(a)(I), (3) introductory portion, and (4); and **add** (11) as follows:

18 **39-22-601. Returns - repeal.** (1) (a) (I) BEFORE JANUARY 1,  
19 2035, whenever a resident individual or a nonresident individual with  
20 income from Colorado sources is required to file a federal income tax  
21 return under the provisions of section 6012 of the internal revenue code  
22 or whenever a resident individual or a nonresident individual has incurred  
23 any tax liability under ~~any provision of this article~~ THIS ARTICLE 22, the  
24 individual shall make a return that CONTAINS a written declaration that it  
25 is made under the penalty of perjury in the second degree. The return shall  
26 set forth, in such detail as the executive director shall prescribe by RULE,  
27 the said individual's federal taxable income, the deductions,

1 modifications, exemptions, and credits required or allowed under this  
2 ~~article~~ ARTICLE 22, and any other information necessary to carry out the  
3 purposes of this ~~article~~ ARTICLE 22. For the purpose of this section, the  
4 residence of the individual taxpayer IS the address supplied by the  
5 taxpayer to the department of revenue on the return.

6 (3) BEFORE JANUARY 1, 2035, every fiduciary, except a receiver  
7 appointed by authority of law in possession of part only of the property  
8 of an individual, shall make a return for any individuals, estates, or trusts  
9 for which ~~he~~ THE INDIVIDUAL acts, which return MUST contain a  
10 declaration that it is made under the penalties of perjury in the second  
11 degree. Such return shall set forth, in such detail as the executive director  
12 shall prescribe by regulation, the federal taxable income and the  
13 deductions, modifications, exemptions, and credits required or allowed  
14 under this ~~article~~ ARTICLE 22 and any other information necessary to carry  
15 out the purposes of this ~~article~~ ARTICLE 22. The individuals, estates, or  
16 trusts for which a fiduciary acts are as follows:

17 (4) BEFORE JANUARY 1, 2035, every fiduciary of an estate or trust  
18 with a nonresident beneficiary which receives net income from real or  
19 tangible personal property within Colorado shall withhold and pay over  
20 to the executive director, out of the income to be distributed to such  
21 nonresident beneficiary, a tax upon the beneficiary's share of said income  
22 computed at the rate provided in section 39-22-104 unless the nonresident  
23 beneficiary files a timely return of ~~his~~ THEIR total income from sources  
24 within Colorado, in which case the fiduciary shall withhold and pay over  
25 only the amount of tax disclosed by the beneficiary's return. The  
26 nonresident beneficiary, at ~~his~~ THEIR option within the time limited by this  
27 ~~article~~ ARTICLE 22, may file a return of ~~his~~ THEIR income and may claim

1 a refund for the amount of tax withheld in excess of the amount of tax due  
2 as shown by said return.

3 (11) IF A RESIDENT INDIVIDUAL, A NONRESIDENT INDIVIDUAL, AN  
4 ESTATE, A TRUST, OR A FIDUCIARY AS SET FORTH IN SUBSECTION (3) OF  
5 THIS SECTION IS REQUIRED TO OR HAS THE OPTION TO FILE A RETURN FOR  
6 A PURPOSE OTHER THAN REPORTING FEDERAL TAXABLE INCOME, THE  
7 EXECUTIVE DIRECTOR SHALL DEVELOP A FORM FOR THE RESIDENT  
8 INDIVIDUAL, NONRESIDENT INDIVIDUAL, ESTATE, TRUST, OR FIDUCIARY TO  
9 FILE INSTEAD FOR YEARS COMMENCING ON OR AFTER JANUARY 1, 2035.

10 **SECTION 4.** In Colorado Revised Statutes, 39-22-627, **amend**  
11 (1)(a)(I) and (8); and **repeal** (1)(b)(II) and (11) as follows:

12 **39-22-627. Adjustment of rate of income tax - refund of excess**  
13 **state revenues - authority of executive director - definitions.**

14 (1) (a) (I) Subject to the provisions of this section, if, for any state fiscal  
15 year commencing on or after July 1, 2024, but before July 1, 2034, the  
16 amount of state revenues in excess of the limitation on state fiscal year  
17 spending imposed by section 20 (7)(a) of article X of the state  
18 constitution that are required to be refunded for such state fiscal year  
19 exceeds the amount specified in subsection (1)(b) of this section, the  
20 executive director shall temporarily reduce the state income tax rate for  
21 the income tax year commencing during the calendar year in which the  
22 state fiscal year ended AND FOR EACH SUCCEEDING INCOME TAX YEAR  
23 from its current percentage of the federal taxable income of every  
24 individual, estate, trust, and corporation, as specified in sections  
25 39-22-104 (1.7) and 39-22-301 (1)(d)(I), as a method to refund excess  
26 state revenues that are required to be refunded pursuant to section 20  
27 (7)(d) of article X of the state constitution. ~~Except as otherwise provided~~

1 ~~in subsection (1)(b)(II) of this section,~~ The state income tax rate for the  
2 income tax year commencing during the calendar year in which the state  
3 fiscal year ended is reduced, depending on the total amount of excess  
4 state revenues required to be refunded for a specified state fiscal year  
5 pursuant to section 20 (7)(d) of article X of the state constitution as  
6 determined by the annual certification of excess state revenues required  
7 by section 24-77-106.5 that exceed the amount of excess state revenues  
8 less the amount of reimbursement for property tax exemptions, by an  
9 applicable amount specified in subsection (1)(a)(II) of this section,  
10 subject to the annual adjustments required by subsection (1)(a)(III) of this  
11 section.

12 (b) (II) ~~For any state fiscal year commencing on or after July 1,~~  
13 ~~2025, if the permanent state income tax rate then in effect is four and~~  
14 ~~twenty-five one-hundredths percent or less of the federal taxable income~~  
15 ~~of every individual, estate, trust, and corporation, any otherwise~~  
16 ~~applicable temporary income tax rate reduction outlined in subsection~~  
17 ~~(1)(a) of this section does not take effect, except that, if the amount of~~  
18 ~~excess state revenues required to be refunded for the state fiscal year is~~  
19 ~~equal to or greater than two billion dollars, the executive director shall~~  
20 ~~temporarily reduce the state income tax rate to the extent necessary to~~  
21 ~~refund all excess state revenues that would not otherwise be refunded by~~  
22 ~~another method established by law other than the methods set forth in~~  
23 ~~sections 39-22-2002 and 39-22-2003.~~

24 (8) The general assembly finds and declares that a temporary state  
25 income tax rate reduction is a reasonable method of refunding a portion  
26 of the excess state revenues required to be refunded in accordance with  
27 section 20 (7)(d) of article X of the state constitution.

1           (11) ~~This section is repealed, effective July 1, 2035.~~

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