

First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

DRAFT
9.6.22

BILL 2

LLS NO. 23-0095.01 Jessica Herrera x4218

INTERIM COMMITTEE BILL

Pension Review Commission

BILL TOPIC: "Temporary Increase Pension Or Annuity Deduction"

A BILL FOR AN ACT

101 **CONCERNING AN INCREASE IN THE MAXIMUM AMOUNT OF THE STATE**
102 **INCOME TAX DEDUCTION FOR PENSION OR ANNUITY INCOME.**

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/>.)

Pension Review Commission. Under current law, retirees who are 55 years of age or older at the end of an income tax year qualify for a maximum allowable pension or annuity subtraction of \$20,000 from Colorado income tax per year. Retirees who are 65 years of age or older at the end of an income tax year qualify for a maximum allowable subtraction of \$24,000 from Colorado income tax per year. Individuals

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

who are less than 55 years of age are eligible to claim the deduction only for pension or annuity income that they receive due to the death of the person who earned the income. The deduction for death beneficiaries is capped at \$20,000 from Colorado income tax per year.

The bill temporarily increases the maximum allowable pension or annuity subtraction for retirees, regardless of age, to \$40,000 for the 2024 income tax year for full-time Colorado residents, including qualifying death beneficiaries of any age.

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 (4)(f)(III)(A) and (4)(f)(III)(B); and **add** (4)(f)(III)(E) as follows:

4 **39-22-104. Income tax imposed on individuals, estates, and**
5 **trusts - single rate - report - legislative declaration - definitions -**
6 **repeal.** (4) There shall be subtracted from federal taxable income:

7 (f) (III) (A) Except as provided in ~~subsection (4)(f)(III)(B)~~
8 SUBSECTIONS (4)(f)(III)(B) AND (4)(f)(III)(E) of this section, amounts
9 subtracted under this subsection (4)(f) are capped at twenty thousand
10 dollars per tax year.

11 (B) EXCEPT AS PROVIDED IN SUBSECTION (4)(f)(III)(E) OF THIS
12 SECTION, amounts subtracted under this subsection (4)(f) are capped at
13 twenty-four thousand dollars per tax year for any individual who is
14 sixty-five years of age or older at the close of the taxable year. For
15 income tax years commencing on or after January 1, 2022, the cap set
16 forth in this subsection (4)(f)(III)(B) is calculated by first considering the
17 total social security benefits a taxpayer received that were included in
18 federal taxable income at the close of the taxable year and only if the total
19 social security benefits received that year were included in federal taxable
20 income at the close of the taxable year exceed the cap set forth in this
21 subsection (4)(f)(III)(B), then the cap is increased to an amount equal to

1 the social security benefits received by the taxpayer that were included in
2 federal taxable income at the close of the taxable year.

3 (E) FOR THE INCOME TAX YEAR COMMENCING JANUARY 1, 2024,
4 AMOUNTS SUBTRACTED UNDER SUBSECTION (4)(f)(III)(A) OF THIS SECTION
5 ARE CAPPED AT FORTY THOUSAND DOLLARS FOR FULL-TIME COLORADO
6 RESIDENTS. FOR THE INCOME TAX YEAR COMMENCING JANUARY 1, 2024,
7 AMOUNTS SUBTRACTED UNDER SUBSECTION (4)(f)(III)(B) OF THIS SECTION
8 ARE CAPPED AT THE LESSER OF FORTY THOUSAND DOLLARS FOR FULL-TIME
9 COLORADO RESIDENTS OR ANY HIGHER AMOUNT CALCULATED PURSUANT
10 TO SAID SUBSECTION (4)(f)(III)(B).

11 **SECTION 2. Act subject to petition - effective date.** This act
12 takes effect at 12:01 a.m. on the day following the expiration of the
13 ninety-day period after final adjournment of the general assembly; except
14 that, if a referendum petition is filed pursuant to section 1 (3) of article V
15 of the state constitution against this act or an item, section, or part of this
16 act within such period, then the act, item, section, or part will not take
17 effect unless approved by the people at the general election to be held in
18 November 2024 and, in such case, will take effect on the date of the
19 official declaration of the vote thereon by the governor.