

First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
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BILL 5

LLS NO. 25-0219.01 Nicole Myers x4326

INTERIM COMMITTEE BILL

Legislative Oversight Committee Concerning Tax Policy

BILL TOPIC: Tax Credit for Qualified Renters

A BILL FOR AN ACT

101 **CONCERNING THE CREATION OF AN INCOME TAX CREDIT TO PROVIDE**
102 **TEMPORARY TAX RELIEF FOR INCOME-QUALIFIED RENTERS OF**
103 **A PRIMARY RESIDENCE IN THE STATE.**

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. For income tax years 2025 through 2027, the bill creates a nonrefundable income tax credit (credit), which cannot be carried forward, for a taxpayer who:

- Rents the taxpayer's primary residence in the state; and

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

- Has federal adjusted gross income (AGI) that is less than or equal to \$75,000 if filing a single return, or less than or equal to \$125,000 if filing a joint return (qualifying taxpayer).

The amount of the credit is:

- \$1,000 for a qualifying taxpayer filing a single return with federal AGI that is \$50,000 or less. For every \$500 of AGI above \$50,000, the amount of the credit is reduced by \$20.
- \$2,000 for 2 qualifying taxpayers filing a joint return with federal AGI that is \$75,000 or less. For every \$500 of AGI above \$75,000, the amount of the credit is reduced by \$20.

Notwithstanding the income-based reductions in the allowable credit amount, a qualifying taxpayer who also qualifies for a rent or heat assistance grant during calendar year 2025, 2026, or 2027, as applicable, is eligible to receive the full credit amount. In addition, the bill specifies that, to the extent permitted by federal law, the credit is not 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; or
- Eligibility determinations made under any affordable housing programs provided by local, state, federal, or quasi-governmental entities.

The bill specifies that a qualifying taxpayer who is eligible to claim any other income tax credit that is allowed to a taxpayer who rents the taxpayer's primary residence and has federal AGI that is less than or equal to \$75,000 if filing a single return, or less than or equal to \$125,000 if filing a joint return, may claim the income tax credit allowed in the bill or the other income tax credit allowed for income-qualified renters, but not both.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-571 as
3 follows:

4 **39-22-571. Credit against tax - income-qualified renters -**
5 **creation - tax preference performance statement - definitions - repeal.**

6 (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES
7 EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX

1 PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
2 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
3 DECLARES THAT THE PURPOSE OF THE TAX EXPENDITURE CREATED IN
4 SUBSECTION (3) OF THIS SECTION IS TO PROVIDE TAX RELIEF FOR
5 INCOME-QUALIFIED RENTERS.

6 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
7 MEASURE THE EFFECTIVENESS OF THE TAX CREDIT IN ACHIEVING THE
8 PURPOSE SPECIFIED IN SUBSECTION (1)(a) OF THIS SECTION BASED ON THE
9 NUMBER OF CREDITS THAT ARE CLAIMED.

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

12 (a) "CREDIT" MEANS THE CREDIT AGAINST INCOME TAX THAT IS
13 CREATED IN THIS SECTION.

14 (b) "QUALIFYING TAXPAYER" MEANS A RESIDENT INDIVIDUAL
15 WHO:

16 (I) RENTS THE TAXPAYER'S PRIMARY RESIDENCE IN THE STATE;
17 AND

18 (II) HAS, FOR THE INCOME TAX YEAR FOR WHICH THE CREDIT IS
19 CLAIMED, FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL TO
20 SEVENTY-FIVE THOUSAND DOLLARS FOR AN INDIVIDUAL FILING A SINGLE
21 RETURN, OR HAS FEDERAL ADJUSTED GROSS INCOME LESS THAN OR EQUAL
22 TO ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS FOR TWO
23 INDIVIDUALS FILING A JOINT RETURN.

24 (3) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
25 1, 2025, BUT BEFORE JANUARY 1, 2028, A QUALIFYING TAXPAYER IS
26 ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS ARTICLE 22 IN AN
27 AMOUNT SET FORTH IN SUBSECTION (4) OF THIS SECTION.

1 (4) (a) THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO THIS
2 SECTION IS:

3 (I) ONE THOUSAND DOLLARS IN THE CASE OF A QUALIFYING
4 TAXPAYER WHO FILES A SEPARATE RETURN, REGARDLESS OF WHETHER THE
5 QUALIFYING TAXPAYER SHARES THE SAME PRIMARY RESIDENCE AS
6 ANOTHER QUALIFYING TAXPAYER AND MAY LEGALLY FILE A JOINT
7 RETURN, IF THE QUALIFYING TAXPAYER HAS FEDERAL ADJUSTED GROSS
8 INCOME THAT IS FIFTY THOUSAND DOLLARS OR LESS. FOR EVERY FIVE
9 HUNDRED DOLLARS OF ADJUSTED GROSS INCOME ABOVE FIFTY THOUSAND
10 DOLLARS, THE AMOUNT OF THE CREDIT IS REDUCED BY TWENTY DOLLARS.

11 (II) TWO THOUSAND DOLLARS IN THE CASE OF TWO QUALIFYING
12 TAXPAYERS FILING A JOINT RETURN IF THE QUALIFYING TAXPAYERS FILING
13 A JOINT RETURN HAVE FEDERAL ADJUSTED GROSS INCOME THAT IS
14 SEVENTY-FIVE THOUSAND DOLLARS OR LESS. FOR EVERY FIVE HUNDRED
15 DOLLARS OF ADJUSTED GROSS INCOME ABOVE SEVENTY-FIVE THOUSAND
16 DOLLARS, THE AMOUNT OF THE CREDIT IS REDUCED BY TWENTY DOLLARS.

17 (b) NOTWITHSTANDING SUBSECTION (4)(a) OF THIS SECTION, A
18 QUALIFYING TAXPAYER WHO ALSO QUALIFIES FOR A GRANT UNDER
19 ARTICLE 31 OF THIS TITLE 39 DURING THE CALENDAR YEAR BEGINNING IN
20 THE INCOME TAX YEAR FOR WHICH THE CREDIT IS CLAIMED IS ELIGIBLE TO
21 RECEIVE THE FULL CREDIT WITHOUT AN INCOME-BASED REDUCTION THAT
22 OTHERWISE APPLIES FOR THE QUALIFYING TAXPAYER PURSUANT TO
23 SUBSECTION (4)(a) OF THIS SECTION.

24 (5) IF THE AMOUNT OF THE CREDIT ALLOWED IN THIS SECTION
25 EXCEEDS THE AMOUNT OF INCOME TAXES OTHERWISE DUE ON THE
26 QUALIFYING TAXPAYER'S INCOME IN THE INCOME TAX YEAR FOR WHICH
27 THE CREDIT IS CLAIMED, THE AMOUNT OF THE CREDIT NOT USED AS AN

1 OFFSET AGAINST INCOME TAXES IN THE CURRENT INCOME TAX YEAR SHALL
2 NOT BE CARRIED FORWARD AND USED AS A CREDIT AGAINST SUBSEQUENT
3 YEARS' INCOME TAX LIABILITY AND SHALL NOT BE REFUNDED TO THE
4 QUALIFYING TAXPAYER.

5 (6) TO THE EXTENT PERMITTED BY FEDERAL LAW, THE CREDIT IS
6 NOT INCOME OR RESOURCES FOR:

7 (a) THE PURPOSE OF DETERMINING ELIGIBILITY FOR THE PAYMENT
8 OF PUBLIC ASSISTANCE BENEFITS AND MEDICAL ASSISTANCE BENEFITS
9 AUTHORIZED UNDER STATE LAW OR FOR A PAYMENT MADE UNDER ANY
10 OTHER PUBLICLY FUNDED PROGRAMS; OR

11 (b) ELIGIBILITY DETERMINATIONS MADE UNDER ANY AFFORDABLE
12 HOUSING PROGRAMS PROVIDED BY LOCAL, STATE, FEDERAL, OR
13 QUASI-GOVERNMENTAL ENTITIES.

14 (7) A QUALIFYING TAXPAYER WHO IS ELIGIBLE TO CLAIM ANY
15 OTHER INCOME TAX CREDIT PURSUANT TO THIS ARTICLE 22 THAT IS
16 ALLOWED TO A TAXPAYER ON THE BASIS OF THE TAXPAYER RENTING THE
17 TAXPAYER'S PRIMARY RESIDENCE WHO HAS FEDERAL ADJUSTED GROSS
18 INCOME THAT IS LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND
19 DOLLARS IF FILING A SINGLE RETURN, OR LESS THAN OR EQUAL TO ONE
20 HUNDRED TWENTY-FIVE THOUSAND DOLLARS IF FILING A JOINT RETURN,
21 MAY CLAIM THE INCOME TAX CREDIT ALLOWED IN THIS SECTION OR THE
22 OTHER INCOME TAX CREDIT FOR INCOME-QUALIFIED RENTERS ALLOWED
23 PURSUANT TO THIS ARTICLE 22, BUT NOT BOTH.

24 (8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2036.

25 **SECTION 2. Safety clause.** The general assembly finds,
26 determines, and declares that this act is necessary for the immediate
27 preservation of the public peace, health, or safety or for appropriations for

- 1 the support and maintenance of the departments of the state and state
- 2 institutions.