

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

DRAFT
9/21/23

BILL 4

LLS NO. 24-0386.01 Megan McCall x4215

INTERIM COMMITTEE BILL

Legislative Oversight Committee Concerning Tax Policy

BILL TOPIC: Earned Income Tax Credit Extension

A BILL FOR AN ACT

101 **CONCERNING AN EXTENSION OF THE PERIOD DURING WHICH THE**
102 **EARNED INCOME TAX CREDIT MAY BE CLAIMED AT A HIGHER**
103 **RATE.**

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.

Under current law, a resident individual may claim the state earned income tax credit (state credit) on their state income tax return as follows:

- For the income tax year commencing on January 1, 2024, in an amount equal to 38% of the federal earned income tax

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

- credit (federal credit) that the resident individual claims;
- For the income tax year commencing on January 1, 2025, in an amount equal to 25% of the federal credit that the resident individual claims; and
- For income tax years commencing on or after January 1, 2026, in an amount equal to 20% of the federal credit that the resident individual claims.

The bill increases the amount of the state credit that can be claimed from 25% to 38% of the federal credit for the income tax year commencing on January 1, 2025, and from 20% to 38% of the federal credit for income tax years commencing on or after January 1, 2026, but before January 1, 2028.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-123.5, **amend**
3 (2)(b), (2)(c)(I), (2)(d)(I), (2.5)(b), (2.5)(d)(I), (2.5)(e)(I), (2.7)(a),
4 (2.7)(b)(I), and (2.7)(c)(I) as follows:

5 **39-22-123.5. Earned income tax credit - not a refund of excess**
6 **state revenues - trigger - legislative declaration - repeal.** (2) (b) For
7 income tax years commencing on or after January 1, 2022, but before
8 January 1, 2023, and income tax years commencing on or after ~~January~~
9 ~~1, 2026,~~ JANUARY1, 2028, a resident individual who claims an earned
10 income tax credit on the individual's federal tax return is allowed an
11 earned income tax credit against the taxes due under this article 22 that
12 is equal to twenty percent of the federal credit that the resident individual
13 claimed on his or her federal tax return for the same tax year.

14 (c) (I) For income tax years commencing on or after January 1,
15 2023, but before January 1, 2024, ~~and for the income tax year~~
16 ~~commencing on January 1, 2025,~~ a resident individual who claims an
17 earned income tax credit on the individual's federal tax return is allowed
18 an earned income tax credit against the taxes due under this article 22 that
19 is equal to twenty-five percent of the federal credit that the resident

1 individual claimed on his or her federal tax return for the same tax year.

2 (d) (I) For ~~the~~ income tax ~~year~~ YEARS commencing on OR AFTER
3 January 1, 2024, BUT BEFORE JANUARY 1, 2028, a resident individual who
4 claims an earned income tax credit on the individual's federal tax return
5 is allowed an earned income tax credit against the taxes due under this
6 article 22 that is equal to thirty-eight percent of the federal credit that the
7 resident individual claimed on his or her federal tax return for the same
8 tax year.

9 (2.5) (b) For income tax years commencing on or after January 1,
10 2022, but before January 1, 2023, and income tax years commencing on
11 or after ~~January 1, 2026~~, JANUARY 1, 2028, a resident individual is
12 allowed an earned income tax credit against the taxes due under this
13 article 22 that is equal to twenty percent of the federal credit that the
14 resident individual would have been allowed, but for the fact that the
15 resident individual, the resident individual's spouse, or one or more of the
16 resident individual's dependents do not have a social security number that
17 is valid for employment.

18 (d) (I) For income tax years commencing on or after January 1,
19 2023, but before January 1, 2024, ~~and for the income tax year~~
20 ~~commencing on January 1, 2025~~, a resident individual is allowed an
21 earned income tax credit against the taxes due under this article 22 that
22 is equal to twenty-five percent of the federal credit that the resident
23 individual would have been allowed, but for the fact that the resident
24 individual, the resident individual's spouse, or one or more of the resident
25 individual's dependents do not have a social security number that is valid
26 for employment.

27 (e) (I) For ~~the~~ income tax ~~year~~ YEARS commencing on OR AFTER

1 January 1, 2024, BUT BEFORE JANUARY 1, 2028, a resident individual is
2 allowed an earned income tax credit against the taxes due under this
3 article 22 that is equal to thirty-eight percent of the federal credit that the
4 resident individual would have been allowed, but for the fact that the
5 resident individual, the resident individual's spouse, or one or more of the
6 resident individual's dependents do not have a social security number that
7 is valid for employment.

8 (2.7) (a) For income tax years commencing on or after January 1,
9 2022, but before January 1, 2023, and income tax years commencing on
10 or after ~~January 1, 2026~~, JANUARY 1, 2028, a resident individual is
11 allowed an earned income tax credit against the taxes due under this
12 article 22 that is equal to twenty percent of the federal credit that the
13 resident individual would have been allowed under section 32 (n)(1) of
14 the internal revenue code, notwithstanding the date limitation set forth in
15 section 32 (n) of the internal revenue code as specified in section 9621 (a)
16 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

17 (b) (I) For income tax years commencing on or after January 1,
18 2023, but before January 1, 2024, ~~and for the income tax year~~
19 ~~commencing on January 1, 2025~~, a resident individual is allowed an
20 earned income tax credit against the taxes due under this article 22 that
21 is equal to twenty-five percent of the federal credit that the resident
22 individual would have been allowed under section 32 (n)(1) of the
23 internal revenue code, notwithstanding the date limitation set forth in
24 section 32 (n) of the internal revenue code as specified in section 9621 (a)
25 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

26 (c) (I) For ~~the~~ income tax ~~year~~ YEARS commencing on OR AFTER
27 January 1, 2024, BUT BEFORE JANUARY 1, 2028, a resident individual is

1 allowed an earned income tax credit against the taxes due under this
2 article 22 that is equal to thirty-eight percent of the federal credit that the
3 resident individual would have been allowed under section 32 (n)(1) of
4 the internal revenue code, notwithstanding the date limitation set forth in
5 section 32 (n) of the internal revenue code as specified in section 9621 (a)
6 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

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