

First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

BILL C

LLS NO. 23-0125.01 Megan McCall x4215

HOUSE BILL

HOUSE SPONSORSHIP

Benavidez, Bird

SENATE SPONSORSHIP

Hansen and Kolker,

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE ENLARGEMENT OF CERTAIN INCOME TAX CREDITS**
102 **FOR LOW- AND MIDDLE-INCOME WORKING INDIVIDUALS OR**
103 **FAMILIES, AND, IN CONNECTION THEREWITH, REDUCING STATE**
104 **INCOME TAX REVENUE BY INCREASING THE EARNED INCOME TAX**
105 **CREDIT AND EXPANDING ELIGIBILITY FOR AND INCREASING THE**
106 **CHILD TAX CREDIT.**

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

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

income tax years commencing on or after January 1, 2024, the bill increases the earned income tax credit that a resident individual can claim on their state income tax return to 40% of the federal credit claimed on the resident individual's federal income tax return. For income tax years commencing on or after January 1, 2024, the bill changes the definition of "eligible child" to match the age of eligibility for the federal credit, increases percentages of the federal credit that a resident individual can claim for the child tax credit on their state income tax return by 20%, 10%, or 5% depending on the resident individual's income level, and requires the department of revenue to adjust for inflation the income levels set forth to determine eligibility for the credit.

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)(a), (2)(b), (2)(c)(I), (2.5)(a), (2.5)(b), (2.5)(d)(I), (2.7)(a), and
4 (2.7)(b)(I); and **add** (2)(d), (2.5)(e), and (2.7)(c) as follows:

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

13 (II) THIS SUBSECTION (2)(a) IS REPEALED, EFFECTIVE DECEMBER
14 31, 2032.

15 (b) (I) For income tax years commencing on or after January 1,
16 2022, but before January 1, 2023, ~~and income tax years commencing on~~
17 ~~or after January 1, 2026,~~ a resident individual who claims an earned
18 income tax credit on the individual's federal tax return is allowed an
19 earned income tax credit against the taxes due under this article 22 that

1 is equal to twenty percent of the federal credit that the resident individual
2 claimed on his or her federal tax return for the same tax year.

3 (II) THIS SUBSECTION (2)(b) IS REPEALED, EFFECTIVE DECEMBER
4 31, 2033.

5 (c) (I) For income tax years commencing on or after January 1,
6 2023, but before January 1, ~~2026~~ 2024, a resident individual who claims
7 an earned income tax credit on the individual's federal tax return is
8 allowed an earned income tax credit against the taxes due under this
9 article 22 that is equal to twenty-five percent of the federal credit that the
10 resident individual claimed on his or her federal tax return for the same
11 tax year.

12 (d) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
13 1, 2024, A RESIDENT INDIVIDUAL WHO CLAIMS AN EARNED INCOME TAX
14 CREDIT ON THE INDIVIDUAL'S FEDERAL TAX RETURN IS ALLOWED AN
15 EARNED INCOME TAX CREDIT AGAINST THE TAXES DUE UNDER THIS
16 ARTICLE 22 THAT IS EQUAL TO FORTY PERCENT OF THE FEDERAL CREDIT
17 THAT THE RESIDENT INDIVIDUAL CLAIMED ON HIS OR HER FEDERAL TAX
18 RETURN FOR THE SAME TAX YEAR.

19 (2.5) (a) (I) For income tax years commencing on or after January
20 1, 2020, but before January 1, 2022, a resident individual is allowed an
21 earned income tax credit against the taxes due under this article 22 that
22 is equal to ten percent of the federal credit that the resident individual
23 would have been allowed, but for the fact that the resident individual, the
24 resident individual's spouse, or one or more of the resident individual's
25 dependents do not have a social security number that is valid for
26 employment.

27 (II) THIS SUBSECTION (2.5)(a) IS REPEALED, EFFECTIVE DECEMBER

1 31, 2032.

2 (b) (I) For income tax years commencing on or after January 1,
3 2022, but before January 1, 2023, ~~and income tax years commencing on~~
4 ~~or after January 1, 2026~~, a resident individual is allowed an earned
5 income tax credit against the taxes due under this article 22 that is equal
6 to twenty percent of the federal credit that the resident individual would
7 have been allowed, but for the fact that the resident individual, the
8 resident individual's spouse, or one or more of the resident individual's
9 dependents do not have a social security number that is valid for
10 employment.

11 (II) THIS SUBSECTION (2.5)(b) IS REPEALED, EFFECTIVE DECEMBER
12 31, 2033.

13 (d) (I) For income tax years commencing on or after January 1,
14 2023, but before January 1, ~~2026~~ 2024, a resident individual is allowed
15 an earned income tax credit against the taxes due under this article 22 that
16 is equal to twenty-five percent of the federal credit that the resident
17 individual would have been allowed, but for the fact that the resident
18 individual, the resident individual's spouse, or one or more of the resident
19 individual's dependents do not have a social security number that is valid
20 for employment.

21 (e) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
22 1, 2024, A RESIDENT INDIVIDUAL IS ALLOWED AN EARNED INCOME TAX
23 CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 THAT IS EQUAL
24 TO FORTY PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
25 INDIVIDUAL WOULD HAVE BEEN ALLOWED, BUT FOR THE FACT THAT THE
26 RESIDENT INDIVIDUAL, THE RESIDENT INDIVIDUAL'S SPOUSE, OR ONE OR
27 MORE OF THE RESIDENT INDIVIDUAL'S DEPENDENTS DO NOT HAVE A SOCIAL

1 SECURITY NUMBER THAT IS VALID FOR EMPLOYMENT.

2 (2.7) (a) (I) For income tax years commencing on or after January
3 1, 2022, but before January 1, 2023, ~~and income tax years commencing~~
4 ~~on or after January 1, 2026~~, a resident individual is allowed an earned
5 income tax credit against the taxes due under this article 22 that is equal
6 to twenty percent of the federal credit that the resident individual would
7 have been allowed under section 32 (n)(1) of the internal revenue code,
8 notwithstanding the date limitation set forth in section 32 (n) of the
9 internal revenue code as specified in section 9621 (a) of the "American
10 Rescue Plan Act of 2021", Pub.L. 117-2.

11 (II) THIS SUBSECTION (2.7)(a) IS REPEALED, EFFECTIVE DECEMBER
12 31, 2033.

13 (b) (I) For income tax years commencing on or after January 1,
14 2023, but before January 1, ~~2026~~ 2024, a resident individual is allowed
15 an earned income tax credit against the taxes due under this article 22 that
16 is equal to twenty-five percent of the federal credit that the resident
17 individual would have been allowed under section 32 (n)(1) of the
18 internal revenue code, notwithstanding the date limitation set forth in
19 section 32 (n) of the internal revenue code as specified in section 9621 (a)
20 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

21 (c) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
22 1, 2024, A RESIDENT INDIVIDUAL IS ALLOWED AN EARNED INCOME TAX
23 CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 THAT IS EQUAL
24 TO FORTY PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
25 INDIVIDUAL WOULD HAVE BEEN ALLOWED UNDER SECTION 32 (n)(1) OF
26 THE INTERNAL REVENUE CODE, NOTWITHSTANDING THE DATE LIMITATION
27 SET FORTH IN SECTION 32 (n) OF THE INTERNAL REVENUE CODE AS

1 SPECIFIED IN SECTION 9621 (a) OF THE "AMERICAN RESCUE PLAN ACT OF
2 2021", PUB.L. 117-2.

3 **SECTION 2.** In Colorado Revised Statutes, 39-22-129, **amend**
4 (2)(a), (3), (3.5), and (4); and **add** (4.5) and (8) as follows:

5 **39-22-129. Child tax credit - legislative declaration -**
6 **definitions.** (2) As used in this section:

7 (a) "Eligible child" means a qualifying child for purposes of the
8 federal child tax credit; ~~who is~~ EXCEPT THAT, FOR INCOME TAX YEARS
9 COMMENCING ON OR AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1,
10 2024, AN ELIGIBLE CHILD MUST ALSO BE under six years of age at the end
11 of the taxable year for which the credit is claimed.

12 (3) (a) Except as provided in subsection (4) of this section, ~~for~~
13 ~~income tax years commencing on or after January 1, 2022,~~ a resident
14 individual who claims a federal child tax credit for an eligible child on the
15 individual's federal tax return is allowed a child tax credit in the amount
16 set forth in subsection (3)(b) or (3)(c) of this section against the income
17 taxes due under this article 22 for the same tax year.

18 (b) (I) For a resident individual who files a single return, the
19 amount of the credit is equal to:

20 (A) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
21 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FIFTY
22 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
23 2024, of the federal child tax credit that the resident individual claimed
24 on his or her federal tax return for each eligible child, if the individual's
25 federal adjusted gross income is twenty-five thousand dollars or less;

26 (B) Fifteen percent FOR INCOME TAX YEARS COMMENCING ON OR
27 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY

1 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
2 2024, of the federal child tax credit that the resident individual claimed
3 on his or her federal tax return for each eligible child, if the individual's
4 federal adjusted gross income is greater than twenty-five thousand dollars
5 but less than or equal to fifty thousand dollars; and

6 (C) Five percent FOR INCOME TAX YEARS COMMENCING ON OR
7 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TEN
8 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
9 2024, of the federal child tax credit that the resident individual claimed
10 on his or her federal tax return for each eligible child, if the individual's
11 federal adjusted gross income is greater than fifty thousand dollars but
12 less than or equal to seventy-five thousand dollars.

13 (II) ~~A resident individual who files a single return and whose~~
14 ~~federal adjusted gross income is greater than seventy-five thousand~~
15 ~~dollars is not allowed a credit under this section.~~

16 (c) (I) For two resident individuals who file a joint return, the
17 amount of the credit is equal to:

18 (A) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
19 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FIFTY
20 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
21 2024, of the federal child tax credit that the resident individuals claimed
22 on their federal tax return for each eligible child, if the individuals'
23 federal adjusted gross income is thirty-five thousand dollars or less;

24 (B) Fifteen percent FOR INCOME TAX YEARS COMMENCING ON OR
25 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY
26 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
27 2024, of the federal child tax credit that the resident individuals claimed

1 on their federal tax return for each eligible child, if the individuals'
2 federal adjusted gross income is greater than thirty-five thousand dollars
3 but less than or equal to sixty thousand dollars; and

4 (C) Five percent FOR INCOME TAX YEARS COMMENCING ON OR
5 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TEN
6 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
7 2024, of the federal child tax credit that the resident individuals claimed
8 on their federal tax return for each eligible child, if the individuals'
9 federal adjusted gross income is greater than sixty thousand dollars but
10 less than or equal to eighty-five thousand dollars.

11 ~~(II) Two resident individuals who file a joint return and whose~~
12 ~~federal adjusted gross income is greater than eighty-five thousand dollars~~
13 ~~are not allowed a credit under this section.~~

14 (3.5) (a) Except as provided in subsection (4) of this section, ~~for~~
15 ~~income tax years commencing on or after January 1, 2022,~~ a resident
16 individual who could have claimed a federal child tax credit for an
17 eligible child on the individual's federal tax return had section 24 (h)(7)
18 of the internal revenue code not applied to the definition of qualifying
19 child, is allowed a child tax credit in the amount set forth in subsection
20 (3.5)(b) or (3.5)(c) of this section against the income taxes due under this
21 article 22 for the same tax year.

22 (b) (I) For a resident individual who files a single return, the
23 amount of the credit is equal to:

24 (A) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
25 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FIFTY
26 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
27 2024, of the federal child tax credit that the resident individual could have

1 claimed on their federal tax return for each eligible child, if the
2 individual's federal adjusted gross income is twenty-five thousand dollars
3 or less;

4 (B) Fifteen percent FOR INCOME TAX YEARS COMMENCING ON OR
5 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY
6 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
7 2024, of the federal child tax credit that the resident individual could have
8 claimed on their federal tax return for each eligible child, if the
9 individual's federal adjusted gross income is greater than twenty-five
10 thousand dollars but less than or equal to fifty thousand dollars; and

11 (C) Five percent FOR INCOME TAX YEARS COMMENCING ON OR
12 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TEN
13 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
14 2024, of the federal child tax credit that the resident individual could have
15 claimed on their federal tax return for each eligible child, if the
16 individual's federal adjusted gross income is greater than fifty thousand
17 dollars but less than or equal to seventy-five thousand dollars.

18 (II) ~~A resident individual who files a single return and whose~~
19 ~~federal adjusted gross income is greater than seventy-five thousand~~
20 ~~dollars is not allowed a credit under this section.~~

21 (c) (I) For two resident individuals who file a joint return, the
22 amount of the credit is equal to:

23 (A) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
24 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FIFTY
25 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
26 2024, of the federal child tax credit that the resident individuals could
27 have claimed on their federal tax return for each eligible child, if the

1 individuals' federal adjusted gross income is thirty-five thousand dollars
2 or less;

3 (B) Fifteen percent FOR INCOME TAX YEARS COMMENCING ON OR
4 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY
5 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
6 2024, of the federal child tax credit that the resident individuals could
7 have claimed on their federal tax return for each eligible child, if the
8 individuals' federal adjusted gross income is greater than thirty-five
9 thousand dollars but less than or equal to sixty thousand dollars; and

10 (C) Five percent FOR INCOME TAX YEARS COMMENCING ON OR
11 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TEN
12 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
13 2024, of the federal child tax credit that the resident individuals could
14 have claimed on their federal tax return for each eligible child, if the
15 individuals' federal adjusted gross income is greater than sixty thousand
16 dollars but less than or equal to eighty-five thousand dollars.

17 ~~(II) Two resident individuals who file a joint return and whose~~
18 ~~federal adjusted gross income is greater than eighty-five thousand dollars~~
19 ~~are not allowed a credit under this section.~~

20 (4) ~~In any income tax year commencing on or after January 1,~~
21 ~~2022,~~ If the changes specified in section 9611 of the "American Rescue
22 Plan Act of 2021", Pub.L. 117-2, are no longer applicable to the federal
23 child tax credit allowed in section 24 of the internal revenue code, then
24 the amount of the child tax credit allowed in this section is as follows:

25 (a) (I) For a resident individual who files a single return, the
26 amount of the credit is equal to:

27 (A) Sixty percent FOR INCOME TAX YEARS COMMENCING ON OR

1 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND SEVENTY
2 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
3 2024, of the federal child tax credit that the resident individual claimed
4 or could have claimed on their federal tax return for each eligible child,
5 if the individual's federal adjusted gross income is twenty-five thousand
6 dollars or less;

7 (B) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
8 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FORTY
9 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
10 2024, of the federal child tax credit that the resident individual claimed
11 or could have claimed on their federal tax return for each eligible child,
12 if the individual's federal adjusted gross income is greater than
13 twenty-five thousand dollars but less than or equal to fifty thousand
14 dollars; and

15 (C) Ten percent FOR INCOME TAX YEARS COMMENCING ON OR
16 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY
17 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
18 2024, of the federal child tax credit that the resident individual claimed
19 or could have claimed on their federal tax return for each eligible child,
20 if the individual's federal adjusted gross income is greater than fifty
21 thousand dollars but less than or equal to seventy-five thousand dollars.

22 (II) ~~A resident individual who files a single return and whose~~
23 ~~federal adjusted gross income is greater than seventy-five thousand~~
24 ~~dollars is not allowed a credit under this section.~~

25 (b) (I) For two resident individuals who file a joint return, the
26 amount of the credit is equal to:

27 (A) Sixty percent FOR INCOME TAX YEARS COMMENCING ON OR

1 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND SEVENTY
2 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
3 2024, of the federal child tax credit that the resident individuals claimed
4 or could have claimed on their federal tax return for each eligible child,
5 if the individuals' federal adjusted gross income is thirty-five thousand
6 dollars or less;

7 (B) Thirty percent FOR INCOME TAX YEARS COMMENCING ON OR
8 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND FORTY
9 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
10 2024, of the federal child tax credit that the resident individuals claimed
11 or could have claimed on their federal tax return for each eligible child,
12 if the individuals' federal adjusted gross income is greater than thirty-five
13 thousand dollars but less than or equal to sixty thousand dollars; and

14 (C) Ten percent FOR INCOME TAX YEARS COMMENCING ON OR
15 AFTER JANUARY 1, 2022, BUT BEFORE JANUARY 1, 2024, AND TWENTY
16 PERCENT FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1,
17 2024, of the federal child tax credit that the resident individuals claimed
18 or could have claimed on their federal tax return for each eligible child,
19 if the individuals' federal adjusted gross income is greater than sixty
20 thousand dollars but less than or equal to eighty-five thousand dollars.

21 ~~(II) Two resident individuals who file a joint return and whose~~
22 ~~federal adjusted gross income is greater than eighty-five thousand dollars~~
23 ~~are not allowed a credit under this section.~~

24 (4.5) (a) A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN
25 AND WHOSE FEDERAL ADJUSTED GROSS INCOME IS GREATER THAN
26 SEVENTY-FIVE THOUSAND DOLLARS IS NOT ALLOWED A CREDIT UNDER
27 THIS SECTION.

1 (b) TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN AND
2 WHOSE FEDERAL ADJUSTED GROSS INCOME IS GREATER THAN EIGHTY-FIVE
3 THOUSAND DOLLARS ARE NOT ALLOWED A CREDIT UNDER THIS SECTION.

4 (8) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
5 JANUARY 1, 2024, THE DEPARTMENT OF REVENUE SHALL ADJUST THE
6 FEDERAL ADJUSTED GROSS INCOME AMOUNTS SET FORTH IN SUBSECTIONS
7 (3)(b)(I), (3)(c)(I), (3.5)(b)(I), (3.5)(c)(I), (4)(a)(I), (4)(b)(I), AND (4.5) OF
8 THIS SECTION TO REFLECT INFLATION FOR EACH INCOME TAX YEAR IN
9 WHICH THE CREDIT DESCRIBED IN THIS SECTION IS ALLOWED.

10 (b) AS USED IN THIS SUBSECTION (8), "INFLATION" MEANS THE
11 ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF
12 LABOR BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR
13 DENVER-AURORA-LAKEWOOD FOR ALL ITEMS PAID BY ALL URBAN
14 CONSUMERS, OR ITS APPLICABLE SUCCESSOR INDEX.

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