

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

INTRODUCED

LLS NO. 23-0780.01 Zach Blaes x4348

SENATE BILL 23-106

SENATE SPONSORSHIP

Gardner,

HOUSE SPONSORSHIP

Bradfield,

Senate Committees

State, Veterans, & Military Affairs

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE INCOME TAX DEDUCTION FOR MILITARY**
102 **RETIREMENT BENEFITS.**

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>.)

The starting point for determining state income tax liability is federal taxable income. This number is adjusted for additions and subtractions (deductions) that are used to determine Colorado taxable income, which is then multiplied by the state's income tax rate.

For income tax years commencing before January 1, 2024, current law allows individuals younger than 55 years of age to deduct from

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.

federal taxable income certain amounts received from military retirement benefits. For income tax years commencing on or after January 1, 2022, but before January 1, 2024, current law caps the deduction at \$15,000. The bill extends the deduction indefinitely and, beginning in the income tax year commencing on January 1, 2024, requires that the \$15,000 cap be annually adjusted for inflation.

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)(y)(I) introductory portion, (4)(y)(I)(C), (4)(y)(I)(D), and (4)(y)(II);
4 and **add** (4)(y)(I)(E) as follows:

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

8 (y) (I) For income tax years commencing on or after January 1,
9 2019, ~~but prior to January 1, 2024~~ AND, NOTWITHSTANDING THE
10 REQUIREMENT SET FORTH IN SECTION 39-21-304 (4) THAT TAX
11 EXPENDITURES BE EXTENDED FOR A SPECIFIED PERIOD OF YEARS, FOR
12 EACH INCOME TAX YEAR THEREAFTER, an amount equal to a qualified
13 individual's military retirement benefits included in federal adjusted gross
14 income, but not to exceed the following amounts:

15 (C) Ten thousand dollars for income tax years commencing on or
16 after January 1, 2021, but before January 1, 2022; ~~or~~

17 (D) Fifteen thousand dollars for income tax years commencing on
18 or after January 1, 2022, but before January 1, 2024; OR

19 (E) FIFTEEN THOUSAND DOLLARS, ANNUALLY ADJUSTED FOR
20 INFLATION, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
21 1, 2024.

22 (II) As used in this subsection (4)(y):

1 (A) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN
2 THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
3 STATISTICS, CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD
4 FOR ALL ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS SUCCESSOR INDEX.

5 ~~(A)~~ (B) "Military retirement benefits" means any retirement
6 benefits received as a result of the individual's service in the armed forces
7 of the United States.

8 ~~(B)~~ (C) "Qualified individual" means an individual who is under
9 fifty-five years of age at the close of the taxable year.

10 **SECTION 2.** In Colorado Revised Statutes, 39-21-304, **amend**
11 (1)(a) and (4) as follows:

12 **39-21-304. Tax expenditure - tax preference performance**
13 **statement - tax expenditure repeal requirement.** (1) (a) On and after
14 January 1, 2021, EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-104
15 (4)(y), any bill that creates a new tax expenditure or extends an expiring
16 tax expenditure must include a tax preference performance statement as
17 part of a statutory legislative declaration.

18 (4) On and after January 1, 2021, EXCEPT AS OTHERWISE
19 PROVIDED IN SECTION 39-22-104 (4)(y), any bill that creates a new tax
20 expenditure must include a repeal of the expenditure after a specified
21 period of tax years and any bill that extends an expiring tax expenditure
22 must extend the expenditure for a specified period of tax years. A bill that
23 creates a new tax expenditure or extends an expiring tax expenditure may
24 not establish the tax expenditure for an indefinite period of time.

25 **SECTION 3. Act subject to petition - effective date.** This act
26 takes effect at 12:01 a.m. on the day following the expiration of the
27 ninety-day period after final adjournment of the general assembly; except

1 that, if a referendum petition is filed pursuant to section 1 (3) of article V
2 of the state constitution against this act or an item, section, or part of this
3 act within such period, then the act, item, section, or part will not take
4 effect unless approved by the people at the general election to be held in
5 November 2024 and, in such case, will take effect on the date of the
6 official declaration of the vote thereon by the governor.