

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 26-0536.01 Sam Anderson x4218

HOUSE BILL 26-1048

HOUSE SPONSORSHIP

Winter T.,

SENATE SPONSORSHIP

Pelton B., Carson

House Committees

Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING A SALES AND USE TAX HOLIDAY FOR BACK-TO-SCHOOL**
102 **ITEMS.**

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>.)

Section 1 of the bill creates a time-limited state sales and use tax exemption (tax holiday) for back-to-school items. The tax holiday applies to the last weekend of July 2027 and reoccurs at approximately the same time in 2028 and 2029. A "back-to-school item" means an article of clothing, a school supply, or a learning aid that is purchased primarily for use by an individual who is under 21 years old. The exemption for each

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.

item is limited by cost as follows:

- \$100 for an article of clothing;
- \$50 for a school supply; and
- \$30 for a learning aid.

Section 2 permits a town, city, or county to create a tax holiday for back-to-school items that is identical to the state tax holiday.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-26-735 as
3 follows:

4 **39-26-735. Back-to-school items - tax preference performance**
5 **statement - rules - legislative declaration - definitions - repeal.**

6 (1) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
7 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
8 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY
9 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND
10 DECLARES THAT:

11 (a) THE GENERAL LEGISLATIVE PURPOSE OF THE EXEMPTION
12 ALLOWED BY THIS SECTION IS TO PROVIDE TAX RELIEF TO CERTAIN
13 INDIVIDUALS;

14 (b) THE SPECIFIC LEGISLATIVE PURPOSE OF THE EXEMPTION
15 ALLOWED BY THIS SECTION IS TO INCREASE THE AFFORDABILITY OF
16 BACK-TO-SCHOOL ITEMS AND TO REDRESS THE BURDEN THAT THE
17 IMPOSITION OF SALES TAX PLACES ON MILLIONS OF PARENTS AND OTHER
18 CAREGIVERS FOR YOUNG CHILDREN IN COLORADO FOR WHOM SUCH
19 BACK-TO-SCHOOL ITEMS ARE ESSENTIAL; AND

20 (c) TO ALLOW THE GENERAL ASSEMBLY AND THE STATE AUDITOR
21 TO MEASURE THE EFFECTIVENESS OF THE EXEMPTION ALLOWED BY THIS
22 SECTION, THE STATE AUDITOR, IN COLLABORATION WITH THE DEPARTMENT

1 PURSUANT TO SUBSECTION (6) OF THIS SECTION, SHALL IDENTIFY
2 AVAILABLE DATA SOURCES AND ESTIMATE THE SAVINGS THAT THE
3 EXEMPTION FOR BACK-TO-SCHOOL ITEMS PROVIDES TO TAXPAYERS IN
4 COLORADO FOR WHOM BACK-TO-SCHOOL ITEMS ARE ESSENTIAL DURING
5 THE STATE AUDITOR'S EVALUATION OF THE EXEMPTION PURSUANT TO
6 SECTION 39-21-305.

7 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
8 REQUIRES:

9 (a) "BACK-TO-SCHOOL ITEM" MEANS AN ARTICLE OF CLOTHING, A
10 SCHOOL SUPPLY, OR A LEARNING AID THAT IS PURCHASED PRIMARILY FOR
11 USE BY A MINOR.

12 (b) "CLOTHING" MEANS:

13 (I) ANY ARTICLE OF APPAREL INTENDED TO BE WORN ON AN
14 INDIVIDUAL, EXCLUDING A CLOTHING ACCESSORY; AND

15 (II) ANY FOOTWEAR, EXCLUDING SKIS, SNOWBOARDS, SWIM FINS,
16 ROLLER BLADES, SKATES, AND OTHER RECREATIONAL EQUIPMENT.

17 (c) "CLOTHING ACCESSORY" MEANS AN INCIDENTAL ITEM WORN
18 ON AN INDIVIDUAL OR USED IN CONJUNCTION WITH CLOTHING. "CLOTHING
19 ACCESSORY" INCLUDES JEWELRY, WALLETS, WATCHES, HATS, SCARVES,
20 HOSIERY, TIES, BELTS, AND UMBRELLAS.

21 (d) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

22 (e) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF
23 THE DEPARTMENT.

24 (f) "LEARNING AID" MEANS A BOOK OR TOY INTENDED TO TEACH
25 SKILLS TO CHILDREN, INCLUDING A SET OF STACKING OR NESTING BLOCKS,
26 FLASH CARDS OR OTHER LEARNING CARDS, A MATCHING OR MEMORY
27 GAME, A PUZZLE BOOK OR A SEARCH-AND-FIND BOOK, OR AN INTERACTIVE

1 OR ELECTRONIC BOOK.

2 (g) "SCHOOL SUPPLY" MEANS AN ART SUPPLY, BACKPACK, BINDER
3 POCKET, BINDER, BLACKBOARD CHALK, CALCULATOR, CELLOPHANE TAPE,
4 CLAY AND GLAZE, COMPASS, COMPOSITION BOOK, CRAYON SET,
5 DICTIONARY OR THESAURUS, DRY ERASE MARKER AND ERASER, FOLDER,
6 GLUE AND PASTE, HIGHLIGHTER, INDEX CARD SET AND BOX, LUNCH BOX,
7 MAP OR GLOBE, MARKER, NOTEBOOK AND DIVIDER, PAPER OR PAD, PENCIL
8 BOX OR OTHER BOXES FOR SCHOOL SUPPLIES, PENCIL SHARPENER, PENCIL
9 AND ERASER, PEN, PROTRACTOR, REFERENCE BOOK, RULER, SCISSORS,
10 TEXTBOOK, OR WORKBOOK.

11 (3) (a) COMMENCING WITH THE FORTY-EIGHT-HOUR PERIOD
12 BEGINNING AT 11:59 P.M. ON JULY 23, 2027, AND ENDING AT 11:59 P.M. ON
13 JULY 25, 2027, AND FOR THE FORTY-EIGHT-HOUR PERIODS BEGINNING AT
14 11:59 P.M. ON JULY 28, 2028, AND ENDING AT 11:59 P.M. ON JULY 30,
15 2028, AND BEGINNING AT 11:59 P.M. ON JULY 27, 2029, AND ENDING AT
16 11:59 P.M. ON JULY 29, 2029, AND BEGINNING AT 11:59 P.M. ON JULY 26,
17 2030, AND ENDING AT 11:59 P.M. ON JULY 28, 2030, AND BEGINNING AT
18 11:59 P.M. ON JULY 25, 2031, AND ENDING AT 11:59 P.M. ON JULY 27,
19 2031, THE SALE OF BACK-TO-SCHOOL ITEMS PRICED LESS THAN THE LIMIT
20 ESTABLISHED IN SUBSECTION (3)(b) OF THIS SECTION IS EXEMPT FROM THE
21 SALES TAX LEVIED PURSUANT TO PART 1 OF THIS ARTICLE 26.

22 (b) THE LIMIT FOR EACH BACK-TO-SCHOOL ITEM IS:

23 (I) ONE HUNDRED DOLLARS FOR AN ARTICLE OF CLOTHING;

24 (II) FIFTY DOLLARS FOR A SCHOOL SUPPLY; AND

25 (III) THIRTY DOLLARS FOR A LEARNING AID.

26 (4) THE STORAGE, USE, OR CONSUMPTION OF A BACK-TO-SCHOOL
27 ITEM THAT IS EXEMPT AT THE TIME OF PURCHASE FROM SALES TAX

1 PURSUANT TO SUBSECTION (3) OF THIS SECTION IS EXEMPT FROM THE USE
2 TAX LEVIED PURSUANT TO PART 2 OF THIS ARTICLE 26.

3 (5) THE EXECUTIVE DIRECTOR MAY:

4 (a) MODIFY EXISTING FORMS OR CREATE NEW FORMS AS
5 NECESSARY TO FACILITATE THE EXEMPTION CREATED IN THIS SECTION;
6 AND

7 (b) ADOPT RULES FOR THE ADMINISTRATION AND ENFORCEMENT
8 OF THIS SECTION.

9 (6) THE DEPARTMENT, IN CONSULTATION WITH THE STATE
10 AUDITOR, SHALL COLLECT THE INFORMATION NECESSARY FOR THE STATE
11 AUDITOR TO MEASURE THE EFFECTIVENESS OF THE EXEMPTION CREATED
12 IN THIS SECTION AS REQUIRED BY SUBSECTION (1)(c) OF THIS SECTION.

13 (7) AN EXEMPTION ESTABLISHED IN SUBSECTION (3) OF THIS
14 SECTION SHALL ONLY BE ALLOWED IF THE ESTIMATED ADJUSTMENT
15 FACTOR, AS DEFINED IN SECTIONS 39-22-130 (2)(b)(I) AND 39-22-123.5
16 (3.5)(a)(VI), FOR THE APPLICABLE STATE INCOME TAX YEAR WILL BE
17 GREATER THAN THREE AND SEVENTY-FIVE ONE-HUNDREDTHS PERCENT.

18 (8) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2035.

19 **SECTION 2.** In Colorado Revised Statutes, 29-2-105, **amend** (1)
20 introductory portion, (1)(d)(I)(T), and (1)(d)(I)(U); and **add** (1)(d)(I)(V)
21 as follows:

22 **29-2-105. Contents of sales tax ordinances and proposals.**

23 (1) The sales tax ordinance or proposal of any incorporated town,
24 city, or county adopted pursuant to this article 2 ~~shall~~ **MUST** be imposed
25 on the sale of tangible personal property at retail or the furnishing of
26 services, as provided in subsection (1)(d) of this section. Any countywide
27 or incorporated town or city sales tax ordinance or proposal ~~shall~~ **MUST**

1 include the following provisions:

2 (d) (I) A provision that the sale of tangible personal property and
3 services taxable pursuant to this article 2 is the same as the sale of
4 tangible personal property and services taxable pursuant to section
5 39-26-104, except as otherwise provided in this subsection (1)(d). The
6 sale of tangible personal property and services taxable pursuant to this
7 article 2 is subject to the same sales tax exemptions as those specified in
8 part 7 of article 26 of title 39; except that the sale of the following may be
9 exempted from a town, city, or county sales tax only by the express
10 inclusion of the exemption either at the time of adoption of the initial
11 sales tax ordinance or resolution or by amendment thereto:

12 (T) The exemption for sales of heat pump systems and heat pump
13 water heaters set forth in section 39-26-732; ~~and~~

14 (U) The exemption for sales of energy storage systems set forth
15 in section 39-26-733; AND

16 (V) THE EXEMPTION FOR BACK-TO-SCHOOL ITEMS SPECIFIED IN
17 SECTION 39-26-735 (3), FOR THE SAME PERIODS THAT THE STATE
18 EXEMPTION IS AVAILABLE.

19 **SECTION 3.** In Colorado Revised Statutes, 39-22-123.5, **amend**
20 **(3.5)(a)(VI)** as follows:

21 **39-22-123.5. Earned income tax credit - legislative declaration**
22 **- repeal.**

23 (3.5) (a) As used in this subsection (3.5), unless the context
24 otherwise requires:

25 (VI) "EV" means the estimate of the state's nonexempt revenue
26 for the applicable state fiscal year included in the applicable forecast
27 excluding the projected aggregate amount of the increased portion of the

1 earned income tax credit allowed pursuant to subsection (3.5)(b) or
2 (3.5)(c) of this section, and the projected aggregate amount of the credit
3 allowed pursuant to section 39-22-130, created in House Bill 24-1311,
4 enacted in 2024, AND THE REVENUE LOSS ATTRIBUTABLE TO THE SALES
5 AND USE TAX EXEMPTION ALLOWED PURSUANT TO SECTION 39-26-735,
6 CREATED IN HOUSE BILL 26-1048, ENACTED IN 2026, for the given income
7 tax year.

8 **SECTION 4.** In Colorado Revised Statutes, 39-22-130, amend
9 (2)(b)(II)(E) as follows:

10 **39-22-130. Family affordability tax credit - tax preference**
11 **performance statement - legislative declaration - definitions - repeal.**

12 (2) As used in this section, unless the context otherwise requires:

13 (b) (II) As used in this subsection (2)(b):

14 (E) "EV" means the estimate of the state's nonexempt revenue for
15 the applicable state fiscal year included in the applicable forecast
16 excluding the projected aggregate amount of the tax credit allowed
17 pursuant to this section, and the projected aggregate amount of the
18 increased portion of the earned income tax credit allowed pursuant to
19 section 39-22-123.5 (3.5), created in House Bill 24-1134, enacted in
20 2024, AND THE REVENUE LOSS ATTRIBUTABLE TO THE SALES AND USE TAX
21 EXEMPTION ALLOWED PURSUANT TO SECTION 39-26-735, CREATED IN
22 HOUSE BILL 26-1048, ENACTED IN 2026, for the given income tax year.

23 **SECTION 5. Act subject to petition - effective date.** This act
24 takes effect at 12:01 a.m. on the day following the expiration of the
25 ninety-day period after final adjournment of the general assembly; except
26 that, if a referendum petition is filed pursuant to section 1 (3) of article V
27 of the state constitution against this act or an item, section, or part of this

1 act within such period, then the act, item, section, or part will not take
2 effect unless approved by the people at the general election to be held in
3 November 2026 and, in such case, will take effect on the date of the
4 official declaration of the vote thereon by the governor.