

First Regular Session
Seventy-second General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 19-0382.01 Nicole Myers x4326

SENATE BILL 19-140

SENATE SPONSORSHIP

Tate,

HOUSE SPONSORSHIP

(None),

Senate Committees
Finance

House Committees

A BILL FOR AN ACT

101 CONCERNING A SUBTRACTION FROM FEDERAL TAXABLE INCOME FOR
102 GAINS FROM CERTAIN TRANSACTIONS USING VIRTUAL
103 CURRENCY.

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>.)

For income tax years commencing on or after January 1, 2020, the bill allows an individual taxpayer or a corporation to claim a state income tax deduction on gains, to the extent included in federal taxable income, from the sale or exchange of virtual currency for other than cash or cash equivalents, up to \$600 per sale or exchange. All sales or exchanges that

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.

are part of the same transaction or a series of related transactions are required to be treated as one sale or exchange.

The executive director of the department of revenue is required to promulgate rules regarding the receipt of documentation related to virtual currency transactions for which gain or loss is recognized.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **add**
3 (4)(z) as follows:

4 **39-22-104. Income tax imposed on individuals, estates, and**
5 **trusts - single rate - legislative declaration - definitions - repeal.**

6 (4) There shall be subtracted from federal taxable income:

7 (z) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
8 1, 2020, TO THE EXTENT INCLUDED IN FEDERAL TAXABLE INCOME, GAIN
9 FROM THE SALE OR EXCHANGE OF VIRTUAL CURRENCY FOR OTHER THAN
10 CASH OR CASH EQUIVALENTS, AS SPECIFIED IN SECTION 39-22-542.

11 **SECTION 2.** In Colorado Revised Statutes, 39-22-304, **add**
12 (3)(p) as follows:

13 **39-22-304. Net income of corporation - legislative declaration**
14 **- definitions - repeal.** (3) There shall be subtracted from federal taxable
15 income:

16 (p) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
17 1, 2020, TO THE EXTENT INCLUDED IN FEDERAL TAXABLE INCOME, GAIN
18 FROM THE SALE OR EXCHANGE OF VIRTUAL CURRENCY FOR OTHER THAN
19 CASH OR CASH EQUIVALENTS, AS SPECIFIED IN SECTION 39-22-542.

20 **SECTION 3.** In Colorado Revised Statutes, **add** 39-22-542 as
21 follows:

22 **39-22-542. Gain from sale or exchange of virtual currency -**
23 **rules - definitions.** (1) FOR INCOME TAX YEARS BEGINNING ON OR AFTER

1 JANUARY 1, 2020, TO THE EXTENT INCLUDED IN FEDERAL TAXABLE
2 INCOME, GAIN BY AN INDIVIDUAL OR CORPORATION FROM THE SALE OR
3 EXCHANGE OF VIRTUAL CURRENCY FOR OTHER THAN CASH OR CASH
4 EQUIVALENTS IS SUBTRACTED FROM THE INDIVIDUAL'S OR CORPORATION'S
5 FEDERAL TAXABLE INCOME, SUBJECT TO THE LIMITATIONS IN THIS
6 SECTION, FOR PURPOSES OF THE STATE INCOME TAX IMPOSED BY SECTIONS
7 39-22-104 AND 39-22-304.

8 (2) (a) THE AMOUNT OF GAIN SUBTRACTED FROM FEDERAL
9 TAXABLE INCOME PURSUANT TO SUBSECTION (1) OF THIS SECTION WITH
10 RESPECT TO A SALE OR EXCHANGE SHALL NOT EXCEED SIX HUNDRED
11 DOLLARS PER SALE OR EXCHANGE.

12 (b) FOR PURPOSES OF THIS SECTION, ALL SALES OR EXCHANGES
13 THAT ARE PART OF THE SAME TRANSACTION OR A SERIES OF RELATED
14 TRANSACTIONS SHALL BE TREATED AS ONE SALE OR EXCHANGE.

15 (3) FOR PURPOSES OF THIS SECTION, "VIRTUAL CURRENCY" MEANS
16 A DIGITAL REPRESENTATION OF VALUE THAT IS USED AS A MEDIUM OF
17 EXCHANGE AND IS NOT OTHERWISE CURRENCY.

18 (4) THE EXECUTIVE DIRECTOR SHALL PROMULGATE RULES IN
19 ACCORDANCE WITH ARTICLE 4 OF TITLE 24 AS MAY BE NECESSARY FOR THE
20 IMPLEMENTATION OF THIS SECTION. AT A MINIMUM, THE RULES MUST
21 PROVIDE FOR RECEIPT OF DOCUMENTATION RELATED TO VIRTUAL
22 CURRENCY TRANSACTIONS FOR WHICH GAIN OR LOSS IS RECOGNIZED.

23 **SECTION 4. 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 (August
26 2, 2019, if adjournment sine die is on May 3, 2019); except that, if a
27 referendum petition is filed pursuant to section 1 (3) of article V of the

1 state constitution against this act or an item, section, or part of this act
2 within such period, then the act, item, section, or part will not take effect
3 unless approved by the people at the general election to be held in
4 November 2020 and, in such case, will take effect on the date of the
5 official declaration of the vote thereon by the governor.