Second Regular Session Seventy-second General Assembly STATE OF COLORADO

PREAMENDED

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

LLS NO. 20-0802.01 Esther van Mourik x4215

SENATE BILL 20-073

SENATE SPONSORSHIP

Pettersen and Story,

HOUSE SPONSORSHIP

Buentello and Cutter,

Senate Committees

House Committees

Education Appropriations

	A BILL FOR AN ACT
101	CONCERNING AMENDMENTS TO THE STATE INCOME TAX DEDUCTION
102	FOR CONTRIBUTIONS TO A QUALIFIED 529 ACCOUNT TO ENSURE
103	THAT THE STATE INCOME TAX DEDUCTION IS NOT ALIGNED WITH
104	THE CHANGES IN THE FEDERAL "TAX CUTS AND JOBS ACT" OF
105	2017 THAT ALLOW TAX-FREE DISTRIBUTIONS FOR ELEMENTARY
106	AND SECONDARY SCHOOL EXPENSES.

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 federal "Tax Cuts and Jobs Act", which became law in

December 2017, added distributions for elementary or secondary school expenses as qualified distributions from a qualified state tuition program, also known as a 529 account, thereby allowing, on the federal level, income tax-free distributions for elementary and secondary school expenses in addition to already authorized income tax-free distributions for higher education expenses.

The bill amends Colorado law to ensure that a taxpayer may not claim a deduction for contributions to qualified state tuition programs for elementary or secondary school expenses and clarifies that such expenses are not qualified distributions.

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)(i)(II), (4)(i)(III) introductory portion, and (4)(i)(IV); and add (4)(i)(V)4 as follows: 5 39-22-104. Income tax imposed on individuals, estates, and 6 trusts - single rate - legislative declaration - definitions - repeal. 7 (4) There shall be subtracted from federal taxable income: 8 (i) (II) For income tax years commencing on or after January 1, 9 2001, an amount equal to all payments or contributions made during the 10 taxable year under an advance payment contract, to a savings trust 11 account, or otherwise in connection with a qualified state tuition program 12 established by collegeinvest created in section 23-3.1-203, C.R.S., or to 13 a qualified state tuition program that is affiliated with an educational 14 institution in the state and that is established and maintained pursuant to 15 section 529 of the internal revenue code or any successor section; EXCEPT 16 THAT A SUBTRACTION IS NOT ALLOWED UNDER THIS SUBSECTION (4)(i) IF 17 THE PAYMENT OR CONTRIBUTION MADE DURING THE TAXABLE YEAR IS 18 INTENDED FOR ELEMENTARY OR SECONDARY SCHOOL EXPENSES; 19 (III) No exclusion shall be IS allowed pursuant to this paragraph 20 (i) SUBSECTION (4)(i) to the extent that such payments or contributions are

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1	excluded from the taxpayer's federal taxable income for the taxable year.
2	Any exclusion taken under this paragraph (i) shall be subject to recapture
3	SUBSECTION (4)(i) IS ADDED TO THE ACCOUNT HOLDER'S TAXABLE INCOME
4	in the taxable year or years in which any distribution, refund, or any other
5	withdrawal is made pursuant to an advance payment contract, from a
6	savings trust account, or otherwise in connection with a qualified state
7	tuition program for any reason other than:
8	(IV) As used in this paragraph (i) SUBSECTION (4)(i), "designated
9	beneficiary", means a designated beneficiary as defined in section 529
10	(e)(1) of the internal revenue code, "qualified state tuition program",
11	means a qualified state tuition program as defined in section 529 (b) of
12	the internal revenue code, and "qualified higher education expenses"
13	means qualified higher education expenses as HAVE THE SAME MEANINGS
14	AS THOSE TERMS WERE defined in section 529 (e)(3) of the internal
15	revenue code, AS SUCH SECTION 529 EXISTED PRIOR TO THE ENACTMENT
16	OF THE "TAX CUTS AND JOBS ACT", PUB.L. 115-97. "QUALIFIED HIGHER
17	EDUCATION EXPENSES" DOES NOT INCLUDE ELEMENTARY OR SECONDARY
18	SCHOOL EXPENSES.
19	_
20	(V) BEGINNING JANUARY 1, 2021, AND ANNUALLY THEREAFTER,
21	COLLEGEINVEST SHALL PROVIDE THE DEPARTMENT WITH A SECURE
22	ELECTRONIC REPORT CONTAINING INFORMATION FOR THE 529 QUALIFIED
23	STATE TUITION PROGRAM'S ACCOUNT OWNERS AND THIRD-PARTY
24	CONTRIBUTORS NECESSARY FOR THE ADMINISTRATION OF THE DEDUCTION
25	ALLOWED IN THIS SECTION. THE REPORT MUST INCLUDE:
26	(A) THE NAME AND SOCIAL SECURITY NUMBER, AND THE
27	CONTRIBUTION AMOUNT, OF ALL COLORADO TAXPAYERS MAKING A

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1	CONTRIBUTION TO THEIR COLLEGEINVEST ACCOUNT IN THE REPORTING
2	TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2020;
3	(B) THE NAME AND SOCIAL SECURITY NUMBER, AND THE
4	CONTRIBUTION AMOUNT, OF ANY OTHER COLORADO TAXPAYER MAKING
5	A CONTRIBUTION TO A COLLEGEINVEST ACCOUNT IN THE REPORTING TAX
6	YEAR COMMENCING ON OR AFTER JANUARY 1, 2020, WHO INTENDS TO
7	PARTICIPATE IN THE DEDUCTION ALLOWED IN THIS SECTION; AND
8	(C) THE NAME AND SOCIAL SECURITY NUMBER, AND THE
9	UNQUALIFIED DISTRIBUTION AMOUNT, OF EACH ACCOUNT HOLDER OF A
10	COLLEGEINVEST ACCOUNT WHO IS ALSO A COLORADO TAXPAYER MAKING
11	AN UNQUALIFIED DISTRIBUTION IN THE REPORTING TAX YEAR
12	COMMENCING ON OR AFTER JANUARY 1, 2020, AND THE REASON FOR THE
13	UNQUALIFIED DISTRIBUTION.
14	SECTION 2. Safety clause. The general assembly hereby finds,
15	determines, and declares that this act is necessary for the immediate
16	preservation of the public peace, health, or safety.

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