

Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0511.01 Pierce Lively x2059

SENATE BILL 22-084

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SENATE SPONSORSHIP

Gardner, Woodward

HOUSE SPONSORSHIP

Bradfield,

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Senate Committees

State, Veterans, & Military Affairs

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE INCLUSION OF A QUALIFIED EDUCATION LOAN  
102 PAYMENT AS AN ELIGIBLE DISTRIBUTION FROM A 529 PLAN FOR  
103 PURPOSES OF THE STATE INCOME TAX DEDUCTION FOR  
104 CONTRIBUTIONS TO 529 PLANS.

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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>.)*

Under federal law, money deposited in a qualified tuition program under section 529 of the internal revenue code (529 plan) grows tax deferred and is withdrawn tax free when used for eligible expenses. In

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.

addition to the federal tax benefit, the state provides an incentive for the deposit of money into a 529 plan by offering a state income tax deduction for contributions to a plan.

In 2019, the federal government included paying principal or interest on any qualified education loan, up to a \$10,000 lifetime limit per plan beneficiary or sibling of a plan beneficiary, as an eligible expense.

Current law requires the state income tax deduction to be recaptured from the taxpayer if a distribution is not used for listed purposes. The bill specifies that using a 529 plan for paying principal or interest on any qualified education loan, not to exceed \$10,000, is also an eligible distribution for purposes of the state income tax deduction for contributions to such 529 plans.

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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)(IV); and **add** (4)(i)(III)(E) as follows:

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

7 (i) (III) No subtraction is allowed pursuant to this subsection (4)(i)  
8 to the extent that such payments or contributions are excluded from the  
9 taxpayer's federal taxable income for the taxable year. Any subtraction  
10 taken under this subsection (4)(i) is added to the account holder's taxable  
11 income in the taxable year or years in which any distribution, refund, or  
12 any other withdrawal is made pursuant to an advance payment contract,  
13 from a savings trust account, or otherwise in connection with a qualified  
14 state tuition program for any reason other than:

15 (E) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
16 1, 2023, TO PAY FOR PRINCIPAL OR INTEREST ON ANY QUALIFIED  
17 EDUCATION LOAN, NOT TO EXCEED TEN THOUSAND DOLLARS, AS ALLOWED  
18 UNDER SECTION 529 (c)(9) OF THE INTERNAL REVENUE CODE.

19 (IV) As used in this ~~paragraph (i), "designated beneficiary",~~

1 ~~means a designated beneficiary as defined in section 529 (e)(1) of the~~  
2 ~~internal revenue code, "qualified state tuition program", means a qualified~~  
3 ~~state tuition program as defined in section 529 (b) of the internal revenue~~  
4 ~~code, and "qualified higher education expenses" means qualified higher~~  
5 ~~education expenses as defined in section 529 (e)(3) of the internal~~  
6 ~~revenue code~~ SUBSECTION (4)(i), UNLESS THE CONTEXT OTHERWISE  
7 REQUIRES:

8 (A) "DESIGNATED BENEFICIARY" HAS THE SAME MEANING AS THE  
9 TERM "DESIGNATED BENEFICIARY" DEFINED IN SECTION 529 (e)(1) OF THE  
10 INTERNAL REVENUE CODE.

11 (B) "QUALIFIED HIGHER EDUCATION EXPENSES" HAS THE SAME  
12 MEANING AS THE TERM "QUALIFIED HIGHER EDUCATION EXPENSES"  
13 DEFINED IN SECTION 529 (e)(3) OF THE INTERNAL REVENUE CODE.

14 (C) "QUALIFIED STATE TUITION PROGRAM" HAS THE SAME  
15 MEANING AS THE TERM "QUALIFIED TUITION PROGRAM" DEFINED IN  
16 SECTION 529 (b) OF THE INTERNAL REVENUE CODE.

17 **SECTION 2. Act subject to petition - effective date.** This act  
18 takes effect at 12:01 a.m. on the day following the expiration of the  
19 ninety-day period after final adjournment of the general assembly; except  
20 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
21 of the state constitution against this act or an item, section, or part of this  
22 act within such period, then the act, item, section, or part will not take  
23 effect unless approved by the people at the general election to be held in  
24 November 2022 and, in such case, will take effect on the date of the  
25 official declaration of the vote thereon by the governor.