

HOUSE COMMITTEE OF REFERENCE REPORT

Chair of Committee

April 30, 2024
Date

Committee on Appropriations.

After consideration on the merits, the Committee recommends the following:

HB24-1134 be amended as follows, and as so amended, be referred to the Committee of the Whole with favorable recommendation:

- 1 Amend printed bill, page 6, line 19, strike "(2)(d)(I)," and substitute
2 "(2)(d)," and strike "(2.5)(e)(I)," and substitute "(2.5)(e)".
- 3 Page 6, strike line 20 and substitute "(2.7)(b)(I), and (2.7)(c);".
- 4 Page 6, line 21, after "(2.8)(c)" insert "and (3.5)".
- 5 Page 7, strike lines 12 and 13 and substitute "(d) (I) ~~For the income tax~~
6 ~~year commencing on January 1, 2024~~, A resident individual who claims
7 an earned income tax".
- 8 Page 7, strike lines 16 and 17 and substitute "~~thirty-eight percent of the~~
9 ~~federal credit that the resident individual claimed on his or her federal tax~~
10 ~~return for the same year~~. THE AMOUNT SET FORTH IN SUBSECTION
11 (2)(d)(II) OF THIS SECTION."
- 12 Page 7, line 19, after "2034." insert "EXCEPT AS OTHERWISE PROVIDED IN
13 SUBSECTION (3.5) OF THIS SECTION, THE CREDIT AMOUNT THAT CAN BE
14 CLAIMED PURSUANT TO SUBSECTION (2)(d)(I) OF THIS SECTION IS:
15 (A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
16 2024, FIFTY PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
17 INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX
18 RETURN FOR THE SAME TAX YEAR;
19 (B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
20 2025, THIRTY-FIVE PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
21 INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX
22 RETURN FOR THE SAME TAX YEAR; AND
23 (C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY

1 1, 2026, THIRTY PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
2 INDIVIDUAL CLAIMED ON THE RESIDENT INDIVIDUAL'S FEDERAL TAX
3 RETURN FOR THE SAME TAX YEAR."

4 Page 8, strike lines 13 and 14 and substitute

5 "(e) (I) ~~For the income tax year commencing on January 1, 2024,~~
6 A resident individual is allowed an earned income tax".

7 Page 8, line 16, strike "FIFTY percent" and substitute "~~percent~~ THE
8 PERCENTAGE SET FORTH IN SUBSECTION (2.5)(e)(II) OF THIS SECTION".

9 Page 8, line 22, after "~~2034.~~" insert "EXCEPT AS OTHERWISE PROVIDED IN
10 SUBSECTION (3.5) OF THIS SECTION, THE PERCENTAGE USED TO CALCULATE
11 THE AMOUNT OF CREDIT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION
12 (2.5)(d)(I) OF THIS SECTION IS:

13 (A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
14 2024, FIFTY PERCENT;

15 (B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
16 2025, THIRTY-FIVE PERCENT; AND

17 (C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
18 1, 2026, THIRTY PERCENT."

19 Page 9, strike lines 16 and 17 and substitute:

20 "(c) (I) ~~For the income tax year commencing on January 1, 2024,~~
21 A resident individual is allowed an earned income tax".

22 Page 9, line 19, strike "FIFTY percent" and substitute "~~percent~~ THE
23 PERCENTAGE SET FORTH IN SUBSECTION (2.7)(c)(II) OF THIS SECTION".

24 Page 9, line 25, after "~~2034.~~" insert "EXCEPT AS OTHERWISE PROVIDED IN
25 SUBSECTION (3.5) OF THIS SECTION, THE PERCENTAGE USED TO CALCULATE
26 THE AMOUNT OF CREDIT THAT CAN BE CLAIMED PURSUANT TO SUBSECTION
27 (2.7)(c)(I) OF THIS SECTION IS:

28 (A) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
29 2024, FIFTY PERCENT;

30 (B) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
31 2025, THIRTY-FIVE PERCENT; AND

32 (C) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
33 1, 2026, THIRTY PERCENT."

34 Page 9, after line 27, insert:

1 "(3.5) (a) AS USED IN THIS SUBSECTION (3.5), UNLESS THE
2 CONTEXT OTHERWISE REQUIRES:

3 (I) "APPLICABLE FORECAST" MEANS EITHER THE QUARTERLY
4 DECEMBER FORECAST PREPARED BY LEGISLATIVE COUNCIL STAFF OR THE
5 QUARTERLY DECEMBER FORECAST PREPARED BY THE OFFICE OF STATE
6 PLANNING AND BUDGETING IN THE DECEMBER IMMEDIATELY PRECEDING
7 THE APPLICABLE STATE FISCAL YEAR DETERMINED BY WHICH
8 IMMEDIATELY PRECEDING MARCH FORECAST THE JOINT BUDGET
9 COMMITTEE OF THE GENERAL ASSEMBLY USED IN THE PREPARATION OF
10 THE STATE BUDGET.

11 (II) "APPLICABLE STATE FISCAL YEAR" MEANS THE FISCAL YEAR
12 THAT BEGINS IN THE INCOME TAX YEAR FOR WHICH THE CREDIT IS
13 ALLOWED.

14 (III) "BV" MEANS, ON OR BEFORE DECEMBER 31, 2024, THE
15 ESTIMATE OF THE STATE'S NONEXEMPT REVENUE FOR STATE FISCAL YEAR
16 2024-25 INCLUDED IN THE APPLICABLE FORECAST EXCLUDING THE
17 PROJECTED AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE
18 EARNED INCOME TAX CREDIT ALLOWED PURSUANT TO SUBSECTION (3.5)(b)
19 OR (3.5)(c) OF THIS SECTION AND THE PROJECTED OR KNOWN AGGREGATE
20 AMOUNT OF THE CREDIT ALLOWED PURSUANT TO SECTION 39-22-130,
21 CREATED IN HOUSE BILL 24-1311, ENACTED IN 2024, FOR THE INCOME TAX
22 YEAR AND AFTER DECEMBER 31, 2024, THE AMOUNT OF THE STATE'S
23 NONEXEMPT REVENUE FOR STATE FISCAL YEAR 2024-25 EXCLUDING THE
24 AGGREGATE AMOUNT OF THE INCREASED PORTION OF THE EARNED INCOME
25 TAX CREDIT ALLOWED PURSUANT TO SUBSECTION (3.5)(b) OR (3.5)(c) OF
26 THIS SECTION AND THE AGGREGATE AMOUNT OF THE CREDIT ALLOWED
27 PURSUANT TO SECTION 39-22-130, CREATED IN HOUSE BILL 24-1311,
28 ENACTED IN 2024, FOR THE INCOME TAX YEAR.

29 (IV) "CAGR" MEANS THE ESTIMATED COMPOUND ANNUAL
30 GROWTH RATE.

31 (V) "ESTIMATED ADJUSTMENT FACTOR" MEANS FOR A GIVEN
32 INCOME TAX YEAR, THE CAGR FOR NONEXEMPT REVENUE THAT IS
33 CALCULATED BY THE EXECUTIVE DIRECTOR ACCORDING TO THE
34 FOLLOWING FORMULA:

35
$$\text{CAGR} = \left(\left(\frac{\text{EV}}{\text{BV}} \right)^{1/n} - 1 \right) \times 100$$

36 (VI) "EV" MEANS THE ESTIMATE OF THE STATE'S NONEXEMPT
37 REVENUE FOR THE APPLICABLE STATE FISCAL YEAR INCLUDED IN THE
38 APPLICABLE FORECAST EXCLUDING THE PROJECTED AGGREGATE AMOUNT
39 OF THE INCREASED PORTION OF THE EARNED INCOME TAX CREDIT
40 ALLOWED PURSUANT TO SUBSECTION (3.5)(b) OR (3.5)(c) OF THIS SECTION
41 AND THE PROJECTED AGGREGATE AMOUNT OF THE CREDIT ALLOWED

1 PURSUANT TO SECTION 39-22-130, CREATED IN HOUSE BILL 24-1311,
2 ENACTED IN 2024, FOR THE GIVEN INCOME TAX YEAR.

3 (VII) "N" MEANS, FOR THE APPLICABLE STATE FISCAL YEAR, THE
4 NUMBER OF STATE FISCAL YEARS THAT HAVE PASSED SINCE THE 2024-25
5 STATE FISCAL YEAR.

6 (VIII) "NONEXEMPT REVENUE" MEANS, FOR THE APPLICABLE
7 STATE FISCAL YEAR, THE REVENUES THAT ARE IDENTIFIED AS NONEXEMPT
8 REVENUES IN THE ANNUAL COMPREHENSIVE FINANCIAL REPORT PUBLISHED
9 BY THE OFFICE OF THE STATE CONTROLLER.

10 (b) (I) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
11 2025, THE PERCENTAGE OF THE FEDERAL EARNED INCOME TAX CREDIT
12 THAT THE RESIDENTIAL INDIVIDUAL CLAIMED OR COULD HAVE CLAIMED
13 THAT IS USED TO CALCULATE THE AMOUNT OF EARNED INCOME TAX
14 CREDIT ALLOWED PURSUANT TO SUBSECTIONS (2)(d), (2.5)(e), AND
15 (2.7)(c) IS INCREASED BY FIFTEEN PERCENTAGE POINTS IF THE ESTIMATED
16 ADJUSTMENT FACTOR IS EQUAL TO OR GREATER THAN TWO PERCENT.

17 (II) THIS SUBSECTION (3.5)(b) IS REPEALED, EFFECTIVE DECEMBER
18 31, 2035.

19 (c) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
20 1, 2026, THE PERCENTAGE OF THE FEDERAL EARNED INCOME TAX CREDIT
21 THAT THE RESIDENTIAL INDIVIDUAL CLAIMED OR COULD HAVE CLAIMED
22 THAT IS USED TO CALCULATE THE AMOUNT OF EARNED INCOME TAX
23 CREDIT ALLOWED PURSUANT TO SUBSECTIONS (2)(d), (2.5)(e), AND
24 (2.7)(c) IS INCREASED IF THE ESTIMATED ADJUSTMENT FACTOR IS:

25 (A) EQUAL TO OR GREATER THAN THREE PERCENT BUT LESS THAN
26 THREE AND TWENTY-FIVE HUNDREDTHS PERCENT, BY FIVE PERCENTAGE
27 POINTS;

28 (B) EQUAL TO OR GREATER THAN THREE AND TWENTY-FIVE
29 HUNDREDTHS PERCENT BUT LESS THAN THREE AND ONE-HALF PERCENT
30 PERCENT, BY TEN PERCENTAGE POINTS; AND

31 (C) EQUAL TO OR GREATER THAN THREE AND ONE-HALF PERCENT
32 BUT LESS THAN THREE AND SEVENTY-FIVE HUNDREDTHS PERCENT, BY
33 FIFTEEN PERCENTAGE POINTS; AND

34 (D) EQUAL TO OR GREATER THAN THREE AND SEVENTY-FIVE
35 HUNDREDTHS PERCENT, BY TWENTY PERCENTAGE POINTS."

36 Page 18, line 12, after "INCOME." insert "IN THE CASE OF A PARTNERSHIP
37 THAT IS UNITARY WITH THE PARTNER, RECEIPTS FROM INTERCOMPANY
38 TRANSACTIONS BETWEEN THE PARTNERSHIP AND THE PARTNER, OR ANY
39 OTHER MEMBER OF THE COMBINED GROUP, ARE EXCLUDED FROM THE
40 NUMERATOR AND DENOMINATOR OF THE APPORTIONMENT CALCULATION
41 AS FOLLOWS: RECEIPTS FROM SALES BY THE PARTNER, OR ANY MEMBER OF
42 THE PARTNER'S COMBINED GROUP, TO THE PARTNERSHIP TO THE EXTENT

1 OF THE PARTNER'S INTEREST IN THE PARTNERSHIP; AND RECEIPTS FROM
2 SALES BY THE PARTNERSHIP TO THE PARTNER, OR ANY MEMBER OF THE
3 PARTNER'S COMBINED GROUP, NOT TO EXCEED THE PARTNER'S INTEREST
4 IN ALL PARTNERSHIP SALES."

5 Page 18, line 16, strike "ADOPT" and substitute "PROMULGATE".

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