

Second Regular Session  
Seventieth General Assembly  
STATE OF COLORADO

**ENGROSSED**

*This Version Includes All Amendments Adopted  
on Second Reading in the House of Introduction*

LLS NO. 16-0206.01 Jason Gelender x4330

**HOUSE BILL 16-1003**

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**HOUSE SPONSORSHIP**

**Pettersen and Young,**

**SENATE SPONSORSHIP**

**Merrifield and Todd,**

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**House Committees**

Education  
Finance  
Appropriations

**Senate Committees**

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**A BILL FOR AN ACT**

101      **CONCERNING THE STATE INCOME TAX DEDUCTIONS FOR**  
102            **CONTRIBUTIONS TO AND DISTRIBUTIONS OF INVESTMENT**  
103            **EARNINGS FROM THE QUALIFIED STATE TUITION PROGRAM**  
104            **ESTABLISHED BY COLLEGEINVEST.**

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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://www.leg.state.co.us/billsummaries>.)*

For purposes of calculating a taxpayer's Colorado taxable income, current state law begins from a base of the taxpayer's federal taxable income and provides for various modifications to that base, including

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

HOUSE  
Amended 2nd Reading  
May 2, 2016

subtractions from federal taxable income (state income tax deductions) in amounts equal to the full amounts of both contributions made by a taxpayer to the qualified state tuition program established by collegeinvest and distributions of investment earnings taken from the plan. The bill modifies these state income tax deductions by making the percentages of the amounts of contributions or distributions allowed to be subtracted from a taxpayer's taxable income dependent upon the amount of the taxpayer's federal adjusted gross income as follows:

- ! 200% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is \$150,000 or less;
- ! 150% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is more than \$150,000 but not more than \$250,000; and
- ! 15% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is more than \$250,000 but not more than \$500,000.

The bill eliminates deductions for a taxpayer whose federal adjusted gross income is more than \$500,000.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly  
3 hereby finds and declares that:

4 (a) Current state law allows state income tax deductions to any  
5 taxpayer in amounts equal to the full amounts of both contributions made  
6 by a taxpayer to the qualified state tuition program established by  
7 collegeinvest and distributions of investment earnings taken from the  
8 plan;

9 (b) The rationale for allowing these deductions is to encourage  
10 students and their families to save money for higher education and to  
11 reduce the cost of higher education so that more students can afford it;

12 (c) While the deductions have helped taxpayers at all income  
13 levels, they have disproportionately benefited taxpayers whose federal  
14 adjusted gross income is over one hundred thousand dollars, with

1 eighty-one percent of the total amount of deductions allowed going to  
2 such taxpayers and thirty-five percent of the total deductions allowed  
3 going to taxpayers whose federal adjusted gross income is over two  
4 hundred fifty thousand dollars; and

5 (d) In order to better serve the purpose of increasing access to  
6 higher education by reducing the cost of higher education for students for  
7 whom cost is a significant barrier, it is necessary, appropriate, and in the  
8 best interest of all Coloradans to increase the amount of the deductions  
9 for lower-, middle-, and upper middle-income taxpayers and reduce the  
10 amount of the deductions for high-income taxpayers in the manner  
11 specified in this act.

12 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**  
13 (4) (i) (I) and (4) (i) (II); and **add** (4) (i) (I.5) and (4) (i) (II.5) as follows:

14 **39-22-104. Income tax imposed on individuals, estates, and**  
15 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted  
16 from federal taxable income:

17 (i) (I) For income tax years commencing on or after January 1,  
18 1998, BUT BEFORE JANUARY 1, 2017, an amount equal to the portion  
19 attributable to interest and other income of a distribution under a qualified  
20 state tuition program that is distributed for the purpose of meeting  
21 qualified higher education expenses of a designated beneficiary, to the  
22 extent such amount is included in federal taxable income;

23 (I.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
24 JANUARY 1, 2017, AN AMOUNT EQUAL TO:

25 (A) TWO HUNDRED PERCENT OF THE PORTION ATTRIBUTABLE TO  
26 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED  
27 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF

1 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED  
2 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL  
3 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME  
4 IS ONE HUNDRED FIFTY THOUSAND DOLLARS OR LESS;

5 (B) ONE HUNDRED FIFTY PERCENT OF THE PORTION ATTRIBUTABLE  
6 TO INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED  
7 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF  
8 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED  
9 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL  
10 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME  
11 IS MORE THAN ONE HUNDRED FIFTY THOUSAND DOLLARS BUT NOT MORE  
12 THAN TWO HUNDRED FIFTY THOUSAND DOLLARS; AND

13 (C) FORTY PERCENT OF THE PORTION ATTRIBUTABLE TO INTEREST  
14 AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED STATE  
15 TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF MEETING  
16 QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED BENEFICIARY,  
17 TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL TAXABLE INCOME,  
18 IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME IS MORE THAN TWO  
19 HUNDRED FIFTY THOUSAND DOLLARS BUT NOT MORE THAN FIVE HUNDRED  
20 THOUSAND DOLLARS.

21 (II) For income tax years commencing on or after January 1, 2001,  
22 BUT BEFORE JANUARY 1, 2017, an amount equal to all payments or  
23 contributions made during the taxable year under an advance payment  
24 contract, to a savings trust account, or otherwise in connection with a  
25 qualified state tuition program established by collegeinvest created in  
26 section 23-3.1-203, C.R.S., or to a qualified state tuition program that is  
27 affiliated with an educational institution in the state and that is established

1 and maintained pursuant to section 529 of the internal revenue code or  
2 any successor section;

3 (II.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
4 JANUARY 1, 2017, AN AMOUNT EQUAL TO:

5 (A) TWO HUNDRED PERCENT OF ALL PAYMENTS OR  
6 CONTRIBUTIONS MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE  
7 PAYMENT CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN  
8 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED  
9 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A  
10 QUALIFIED STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN  
11 EDUCATIONAL INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND  
12 MAINTAINED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE  
13 OR ANY SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED  
14 GROSS INCOME IS ONE HUNDRED FIFTY THOUSAND DOLLARS OR LESS;

15 (B) ONE HUNDRED FIFTY PERCENT OF ALL PAYMENTS OR  
16 CONTRIBUTIONS MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE  
17 PAYMENT CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN  
18 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED  
19 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A  
20 QUALIFIED STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN  
21 EDUCATIONAL INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND  
22 MAINTAINED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE  
23 OR ANY SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED  
24 GROSS INCOME IS MORE THAN ONE HUNDRED FIFTY THOUSAND DOLLARS  
25 BUT NOT MORE THAN TWO HUNDRED FIFTY THOUSAND DOLLARS; AND

26 (C) FORTY PERCENT OF ALL PAYMENTS OR CONTRIBUTIONS MADE  
27 DURING THE TAXABLE YEAR UNDER AN ADVANCE PAYMENT CONTRACT, TO

1 A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN CONNECTION WITH A  
2 QUALIFIED STATE TUITION PROGRAM ESTABLISHED BY COLLEGEINVEST  
3 CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A QUALIFIED STATE  
4 TUITION PROGRAM THAT IS AFFILIATED WITH AN EDUCATIONAL  
5 INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND MAINTAINED  
6 PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE OR ANY  
7 SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS  
8 INCOME IS MORE THAN TWO HUNDRED FIFTY THOUSAND DOLLARS BUT NOT  
9 MORE THAN FIVE HUNDRED THOUSAND DOLLARS.

10 **SECTION 3. Act subject to petition - effective date.** This act  
11 takes effect at 12:01 a.m. on the day following the expiration of the  
12 ninety-day period after final adjournment of the general assembly (August  
13 10, 2016, if adjournment sine die is on May 11, 2016); except that, if a  
14 referendum petition is filed pursuant to section 1 (3) of article V of the  
15 state constitution against this act or an item, section, or part of this act  
16 within such period, then the act, item, section, or part will not take effect  
17 unless approved by the people at the general election to be held in  
18 November 2016 and, in such case, will take effect on the date of the  
19 official declaration of the vote thereon by the governor.