

First Regular Session
Seventy-first General Assembly
STATE OF COLORADO

ENGROSSED

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

LLS NO. 17-0038.02 Jason Gelender x4330

HOUSE BILL 17-1324

HOUSE SPONSORSHIP

Pettersen and McLachlan,

SENATE SPONSORSHIP

(None),

House Committees

Education
Finance
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING EDUCATIONAL OPPORTUNITY TAX INCENTIVES, AND, IN**
102 **CONNECTION THEREWITH, MODIFYING THE EXISTING STATE**
103 **INCOME TAX DEDUCTIONS FOR CONTRIBUTIONS TO AND**
104 **DISTRIBUTIONS OF INVESTMENT EARNINGS FROM THE QUALIFIED**
105 **STATE TUITION PROGRAM ESTABLISHED BY COLLEGEINVEST AND**
106 **CREATING NEW STATE INCOME TAX CREDITS FOR QUALIFYING**
107 **TEACHERS AND STUDENT TEACHERS WHO TEACH IN RURAL**
108 **SCHOOLS.**

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

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
April 28, 2017

<http://leg.colorado.gov>.)

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 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. For income tax years commencing on or after January 1, 2018, **section 2** of 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 less than \$100,000;
- ! 100% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is \$100,000 or more but less than \$200,000;
- ! 50% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is \$200,000 or more but less than \$500,000; and
- ! 25% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is \$500,000 or more.

For income tax years commencing on or after January 1, 2018, **section 3** allows refundable state income tax credits for teaching or student teaching in rural schools as follows:

- ! A teacher who has graduated from an educator preparation program approved by the Colorado commission on higher education may claim a credit, in a specified amount that increases each year, for each of the first 5 years that the teacher teaches in one or more rural schools in the same rural school district; and
- ! A student teacher who is a student in an educator preparation program approved by the Colorado commission on higher education and has worked as a student teacher in one or more rural schools in the same rural school district for at least a specified number of days during an academic year may claim a one-time credit up to a specified maximum amount against tuition and fees paid for the educator preparation program.

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
15 eighty-one percent of the total amount of deductions allowed going to
16 such taxpayers and thirty-five percent of the total deductions allowed
17 going to taxpayers whose federal adjusted gross income is over two
18 hundred fifty thousand dollars; and

19 (d) In order to better serve the purpose of increasing access to
20 higher education by reducing the cost of higher education for students for
21 whom cost is a significant barrier, it is necessary, appropriate, and in the
22 best interest of all Coloradans to increase the amount of the deductions
23 for lower-, middle-, and upper middle-income taxpayers and reduce the
24 amount of the deductions for high-income taxpayers in the manner
25 specified in this act.

26 (2) The general assembly further finds and declares that:

27 (a) There is a teacher shortage in rural Colorado; and

1 (b) It is necessary, appropriate, and in the best interest of the state
2 to create new tax expenditures in the form of the refundable state income
3 tax credits for qualified rural teachers and qualified rural student teachers
4 provided for in this act for the purpose of providing financial incentives
5 for teaching in rural schools and thereby alleviating the teacher shortage
6 in rural Colorado.

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

9 **39-22-104. Income tax imposed on individuals, estates, and**
10 **trusts - single rate - legislative declaration - definitions - repeal.**

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

12 (i) (I) For income tax years commencing on or after January 1,
13 1998, BUT BEFORE JANUARY 1, 2018, an amount equal to the portion
14 attributable to interest and other income of a distribution under a qualified
15 state tuition program that is distributed for the purpose of meeting
16 qualified higher education expenses of a designated beneficiary, to the
17 extent such amount is included in federal taxable income;

18 (I.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
19 JANUARY 1, 2018, AN AMOUNT EQUAL TO:

20 (A) TWO HUNDRED PERCENT OF THE PORTION ATTRIBUTABLE TO
21 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED
22 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF
23 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED
24 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL
25 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME
26 IS LESS THAN ONE HUNDRED THOUSAND DOLLARS;

27 (B) ONE HUNDRED PERCENT OF THE PORTION ATTRIBUTABLE TO

1 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED
2 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF
3 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED
4 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL
5 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME
6 IS ONE HUNDRED THOUSAND DOLLARS OR MORE BUT LESS THAN TWO
7 HUNDRED THOUSAND DOLLARS;

8 (C) FIFTY PERCENT OF THE PORTION ATTRIBUTABLE TO INTEREST
9 AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED STATE
10 TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF MEETING
11 QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED BENEFICIARY,
12 TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL TAXABLE INCOME,
13 IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME IS TWO HUNDRED
14 THOUSAND DOLLARS OR MORE BUT LESS THAN FIVE HUNDRED THOUSAND
15 DOLLARS; AND

16 (D) TWENTY-FIVE PERCENT OF THE PORTION ATTRIBUTABLE TO
17 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED
18 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF
19 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED
20 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL
21 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME
22 IS FIVE HUNDRED THOUSAND DOLLARS OR MORE.

23 (II) For income tax years commencing on or after January 1, 2001,
24 BUT BEFORE JANUARY 1, 2018, an amount equal to all payments or
25 contributions made during the taxable year under an advance payment
26 contract, to a savings trust account, or otherwise in connection with a
27 qualified state tuition program established by collegeinvest created in

1 section 23-3.1-203, ~~C.R.S.~~, or to a qualified state tuition program that is
2 affiliated with an educational institution in the state and that is established
3 and maintained pursuant to section 529 of the internal revenue code or
4 any successor section;

5 (II.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
6 JANUARY 1, 2018, AN AMOUNT EQUAL TO:

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

17 (B) ONE HUNDRED PERCENT OF ALL PAYMENTS OR CONTRIBUTIONS
18 MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE PAYMENT
19 CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN
20 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED
21 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, OR TO A QUALIFIED
22 STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN EDUCATIONAL
23 INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND MAINTAINED
24 PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE OR ANY
25 SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS
26 INCOME IS ONE HUNDRED THOUSAND DOLLARS OR MORE BUT LESS THAN
27 TWO HUNDRED THOUSAND DOLLARS;

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

12 (D) TWENTY-FIVE PERCENT OF ALL PAYMENTS OR CONTRIBUTIONS
13 MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE PAYMENT
14 CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN
15 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED
16 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, OR TO A QUALIFIED
17 STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN EDUCATIONAL
18 INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND MAINTAINED
19 PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE OR ANY
20 SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS
21 INCOME IS FIVE HUNDRED THOUSAND DOLLARS OR MORE.

22 **SECTION 3.** In Colorado Revised Statutes, **add** 39-22-130 as
23 follows:

24 **39-22-130. Rural teachers - tax credits - definitions.** (1) AS
25 USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

26 (a) "ACADEMIC YEAR" MEANS THAT PORTION OF THE SCHOOL YEAR
27 DURING WHICH A RURAL SCHOOL IS IN REGULAR SESSION, BEGINNING

1 ABOUT THE FIRST WEEK IN SEPTEMBER AND ENDING ABOUT THE FIRST
2 WEEK IN JUNE NEXT FOLLOWING.

3 (b) "QUALIFIED RURAL STUDENT TEACHER" MEANS A RESIDENT
4 INDIVIDUAL WHO IS A STUDENT OF AN EDUCATOR PREPARATION PROGRAM
5 APPROVED BY THE COLORADO COMMISSION ON HIGHER EDUCATION
6 PURSUANT TO SECTION 23-1-121 AND WHO WORKS AS A STUDENT
7 TEACHER IN A RURAL SCHOOL DURING THE 2017-18 ACADEMIC YEAR OR
8 ANY SUBSEQUENT ACADEMIC YEAR.

9 (c) "QUALIFIED RURAL TEACHER" MEANS A RESIDENT INDIVIDUAL
10 WHO IS A TEACHER AND WHO:

11 (I) HAS GRADUATED FROM AN EDUCATOR PREPARATION PROGRAM
12 APPROVED BY THE COLORADO COMMISSION ON HIGHER EDUCATION
13 PURSUANT TO SECTION 23-1-121 OR SECTION 22-60.5-205 THAT, UPON
14 COMPLETION, HAS LED TO A RECOMMENDATION FOR LICENSURE BY AN
15 ACCEPTED INSTITUTION OF HIGHER EDUCATION IN COLORADO OR OTHER
16 DESIGNATED AGENCY;

17 (II) MEETS THE TEACHER LICENSURE REQUIREMENTS SET FORTH IN
18 SECTION 22-60.5-201 (1)(a), (1)(b), OR (1)(c); AND

19 (III) HAS ACCEPTED A CONTRACT TO TEACH FULL TIME IN A RURAL
20 SCHOOL FOR THE FIRST TIME FOR THE 2013-14 ACADEMIC YEAR OR ANY
21 SUBSEQUENT ACADEMIC YEAR.

22 (d) "RURAL SCHOOL" MEANS A PUBLIC SCHOOL OF A RURAL
23 SCHOOL DISTRICT INCLUDING BUT NOT LIMITED TO A DISTRICT CHARTER
24 SCHOOL OR AN INSTITUTE CHARTER SCHOOL, AS DEFINED IN SECTION
25 22-54-103 (7.5), THAT HAS A RURAL SCHOOL DISTRICT AS ITS ACCOUNTING
26 DISTRICT.

27 (e) "RURAL SCHOOL DISTRICT" MEANS A SCHOOL DISTRICT THAT

1 THE DEPARTMENT OF EDUCATION HAS DETERMINED TO BE RURAL.

2 (2) FOR ANY INCOME TAX YEAR COMMENCING ON OR AFTER
3 JANUARY 1, 2018, A QUALIFIED RURAL TEACHER IS ALLOWED A CREDIT
4 AGAINST THE INCOME TAX IMPOSED BY THIS ARTICLE IN THE FOLLOWING
5 AMOUNT:

6 (a) ONE THOUSAND DOLLARS IF THE TEACHER COMPLETED THE
7 TEACHER'S FIRST FULL YEAR OF TEACHING IN A RURAL SCHOOL DURING
8 THE INCOME TAX YEAR;

9 (b) TWO THOUSAND DOLLARS IF THE TEACHER COMPLETED THE
10 TEACHER'S SECOND CONSECUTIVE FULL YEAR OF TEACHING IN ONE OR
11 MORE RURAL SCHOOLS ■ DURING THE INCOME TAX YEAR;

12 (c) THREE THOUSAND DOLLARS IF THE TEACHER COMPLETED THE
13 TEACHER'S THIRD YEAR CONSECUTIVE FULL YEAR OF TEACHING IN ONE OR
14 MORE RURAL SCHOOLS ■ DURING THE INCOME TAX YEAR;

15 (d) FOUR THOUSAND DOLLARS IF THE TEACHER COMPLETED THE
16 TEACHER'S FOURTH FULL YEAR OF TEACHING IN ONE OR MORE RURAL
17 SCHOOLS ■ DURING THE INCOME TAX YEAR; AND

18 (e) FIVE THOUSAND DOLLARS IF THE TEACHER COMPLETED THE
19 TEACHER'S FIFTH FULL YEAR OF TEACHING IN ONE OR MORE RURAL
20 SCHOOLS ■ DURING THE INCOME TAX YEAR.

21 (3) (a) FOR ANY INCOME TAX YEAR COMMENCING ON OR AFTER
22 JANUARY 1, 2018, A QUALIFIED RURAL STUDENT TEACHER WHO HAS
23 WORKED AS A STUDENT TEACHER IN ONE OR MORE RURAL SCHOOLS ■ FOR
24 AT LEAST ONE HUNDRED DAYS DURING THE ACADEMIC YEAR THAT ENDS
25 DURING THE INCOME TAX YEAR IS ALLOWED A CREDIT AGAINST THE
26 INCOME TAX IMPOSED BY THIS ARTICLE FOR STUDENT TUITION AND FEES
27 PAID AT ANY TIME FOR AN EDUCATOR PREPARATION PROGRAM APPROVED

1 BY THE COLORADO COMMISSION ON HIGHER EDUCATION PURSUANT TO
2 SECTION 23-1-121 OR SECTION 22-60.5-205 IN AN AMOUNT EQUAL TO THE
3 LESSER OF THE FULL AMOUNT OF TUITION AND FEES PAID OR TWO
4 THOUSAND FIVE HUNDRED DOLLARS.

5 (b) A QUALIFIED RURAL STUDENT TEACHER MAY ONLY CLAIM THE
6 CREDIT ALLOWED BY SUBSECTION (3)(a) OF THIS SECTION FOR ONE INCOME
7 TAX YEAR.

8 (4) (a) TO ENSURE THAT THE CREDITS ALLOWED BY SUBSECTIONS
9 (2) AND (3) OF THIS SECTION ARE ALLOWED ONLY TO QUALIFIED RURAL
10 TEACHERS AND QUALIFIED RURAL STUDENT TEACHERS WHO ARE ELIGIBLE
11 FOR THE CREDITS, NO LATER THAN DECEMBER 1 OF EACH INCOME TAX
12 YEAR COMMENCING ON OR AFTER JANUARY 1, 2018, THE DEPARTMENT OF
13 EDUCATION SHALL SUBMIT TO THE DEPARTMENT OF REVENUE:

14 (I) A LIST OF ALL QUALIFIED RURAL TEACHERS WHO ARE ELIGIBLE
15 FOR A CREDIT ALLOWED BY SUBSECTION (2)(a), (2)(b), (2)(c), (2)(d), OR
16 (2)(e) OF THIS SECTION FOR THE INCOME TAX YEAR THAT SPECIFICALLY
17 IDENTIFIES THE AMOUNT OF THE CREDIT ALLOWED FOR EACH TEACHER;
18 AND

19 (II) A LIST OF ALL QUALIFIED RURAL STUDENT TEACHERS WHO ARE
20 ELIGIBLE FOR THE CREDIT ALLOWED BY SUBSECTION (3) OF THIS SECTION
21 FOR THE INCOME TAX YEAR.

22 (b) THE DEPARTMENT OF EDUCATION SHALL COORDINATE WITH
23 THE DEPARTMENT OF REVENUE TO ENSURE THAT THE LISTS PROVIDED TO
24 THE DEPARTMENT OR REVENUE PURSUANT TO SUBSECTION (4)(a) OF THIS
25 SECTION PROVIDE SUFFICIENT INFORMATION, INCLUDING, TO THE EXTENT
26 DEEMED NECESSARY BY THE DEPARTMENT OF REVENUE, MAILING
27 ADDRESSES AND COMPLETE OR PARTIAL SOCIAL SECURITY NUMBERS, TO

1 ALLOW THE DEPARTMENT OF REVENUE TO MATCH THE INDIVIDUALS
2 IDENTIFIED ON THE LISTS WITH THEIR INCOME TAX RETURNS.

3 (c) IF NECESSARY TO ALLOW THE DEPARTMENT OF EDUCATION TO
4 OBTAIN THE INFORMATION NEEDED TO PROVIDE LISTS TO THE
5 DEPARTMENT OF REVENUE AS REQUIRED BY SUBSECTION (4)(a) OF THIS
6 SECTION, THE DEPARTMENT OF EDUCATION SHALL MODIFY ITS ELECTRONIC
7 EDUCATOR LICENSING SYSTEM TO ACCEPT OR REQUIRE STUDENT TEACHER
8 LICENSING INFORMATION.

9 (5) THE AMOUNT OF ANY CREDIT ALLOWED UNDER SUBSECTION (2)
10 OR (3) OF THIS SECTION THAT EXCEEDS A QUALIFIED TEACHER'S OR
11 QUALIFIED STUDENT TEACHER'S INCOME TAXES DUE IS REFUNDED TO THE
12 QUALIFIED TEACHER OR QUALIFIED STUDENT TEACHER.

13 (6) IN THE CASE OF A QUALIFIED TEACHER OR QUALIFIED STUDENT
14 TEACHER WHO IS A PART-YEAR RESIDENT, ANY CREDIT ALLOWED UNDER
15 SUBSECTION (2) OR (3) OF THIS SECTION IS APPORTIONED IN THE RATIO
16 DETERMINED UNDER SECTION 39-22-110 (1).

17 (7) THE CREDITS ALLOWED UNDER SUBSECTIONS (2) AND (3) OF
18 THIS SECTION ARE NOT INCOME OR RESOURCES FOR THE PURPOSE OF
19 DETERMINING ELIGIBILITY FOR THE PAYMENT OF PUBLIC ASSISTANCE
20 BENEFITS AND MEDICAL ASSISTANCE BENEFITS AUTHORIZED UNDER STATE
21 LAW OR FOR A PAYMENT MADE UNDER ANY OTHER PUBLICLY FUNDED
22 PROGRAMS.

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 9, 2017, if adjournment sine die is on May 10, 2017); 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 2018 and, in such case, will take effect on the date of the
5 official declaration of the vote thereon by the governor.