

Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 18-0869.01 Esther van Mourik x4215

HOUSE BILL 18-1221

HOUSE SPONSORSHIP

Leonard, Humphrey, Saine, Neville P., Van Winkle, Lewis, Beckman, Everett, McKean, Ransom, Williams D.

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A BILL FOR AN ACT

101 **CONCERNING THE ALIGNMENT OF THE STATE INCOME TAX DEDUCTION**
102 **FOR CONTRIBUTIONS TO A QUALIFIED 529 ACCOUNT WITH THE**
103 **CHANGES IN THE FEDERAL "TAX CUTS AND JOBS ACT" OF 2017**
104 **THAT ALLOW TAX-FREE DISTRIBUTIONS FOR KINDERGARTEN**
105 **THROUGH TWELFTH GRADE 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>.)

Current law allows contributions to a qualified state tuition program, also known as a 529 account, so long as the distributions are

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.

used for qualified higher education expenses (and some additional exceptions), but not for kindergarten through twelfth grade school expenses. The federal "Tax Cuts and Jobs Act", which became law in December 2017, added distributions for kindergarten through twelfth grade expenses as qualified distributions thereby allowing, on the federal level, income tax-free distributions for elementary and secondary education expenses in addition to already authorized income tax-free distributions for higher education expenses.

The bill makes similar changes to Colorado law to allow contributions to qualified state tuition programs for kindergarten through twelfth grade expenses thereby allowing a taxpayer to claim a deduction for such contributions and clarifying that such expenses are qualified distributions, ensuring that a taxpayer does not encounter tax recapture of any claimed deductions when such contributions are distributed for kindergarten through twelfth grade school expenses.

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) as follows:

4 **39-22-104. Income tax imposed on individuals, estates, and**
5 **trusts - single rate - legislative declaration - definitions - repeal.**

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

7 (i) (IV) As used in this ~~paragraph~~ (i) SUBSECTION (4)(i),
8 "designated beneficiary", ~~means a designated beneficiary as defined in~~
9 ~~section 529 (e)(1) of the internal revenue code~~, "qualified state tuition
10 program", ~~means a qualified state tuition program as defined in section~~
11 ~~529 (b) of the internal revenue code~~, and "qualified higher education
12 expenses" ~~means qualified higher education expenses as~~ HAVE THE SAME
13 MEANING AS THOSE TERMS ARE defined in section 529 ~~(e)(3)~~ of the
14 internal revenue code, AS AMENDED, AND INCLUDE THE AMENDMENTS OF
15 SECTION 529 IN THE "TAX CUTS AND JOBS ACT", PUB.L. 115-97.

16 **SECTION 2. Safety clause.** The general assembly hereby finds,

- 1 determines, and declares that this act is necessary for the immediate
- 2 preservation of the public peace, health, and safety.