

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0671.02 Pierce Lively x2059

HOUSE BILL 22-1123

HOUSE SPONSORSHIP

Geitner,

SENATE SPONSORSHIP

(None),

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 CONCERNING AN INFLATIONARY ADJUSTMENT TO THE FEDERAL
102 STANDARD DEDUCTION FOR PURPOSES OF PROVIDING STATE
103 INCOME TAX RELIEF.

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>.)

For the purposes of determining state taxable income and calculating state income tax for taxpayers who claim the standard deduction allowed under section 63 (c) of the internal revenue code, the bill subtracts an amount from the taxpayer's federal taxable income equal to the standard deduction claimed by the taxpayer not adjusted pursuant

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.

to section 63 (c)(4) or (c)(7)(B)(ii) of the internal revenue code multiplied by the combination of:

- The percentage change in the United States department of labor's bureau of labor statistics consumer price index for Denver-Aurora-Lakewood for all items paid by all urban consumers, or its applicable predecessor or successor index, (CPI) in the most recent year compared to 2017; and
- Twenty thousandths of a percent for every percent that the United States department of labor's bureau of labor statistics motor fuel index, or its applicable predecessor or successor index, exceeds the increase in CPI since 2017.

The subtraction is only allowed for income tax years commencing on or after January 1, 2023.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **add**
3 (4)(bb) 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 (bb) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
8 JANUARY 1, 2023, FOR TAXPAYERS WHO CLAIM THE STANDARD
9 DEDUCTION ALLOWED UNDER SECTION 63 (c) OF THE INTERNAL REVENUE
10 CODE, AN AMOUNT DETERMINED BY THE FORMULA $AS = SD (CPI + MFI)$,
11 ROUNDED UPWARDS TO THE NEAREST FIFTY DOLLAR INCREMENT, WHERE:

12 (A) "AS" IS EQUAL TO THE AMOUNT SUBTRACTED FROM FEDERAL
13 TAXABLE INCOME PURSUANT TO THIS SUBSECTION (4)(bb);

14 (B) "SD" IS EQUAL TO THE AMOUNT OF THE STANDARD DEDUCTION
15 CLAIMED BY THE TAXPAYER NOT ADJUSTED PURSUANT TO SECTION 63
16 (c)(4) OR (c)(7)(B)(ii) OF THE INTERNAL REVENUE CODE;

17 (C) "CPI" IS EQUAL TO THE PERCENTAGE CHANGE IN THE UNITED
18 STATES DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS

1 CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL
2 ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE PREDECESSOR
3 OR SUCCESSOR INDEX, IN THE MOST RECENT YEAR COMPARED TO 2017;
4 AND

5 (D) "MFI" IS EQUAL TO TWENTY THOUSANDTHS OF A PERCENT FOR
6 EVERY PERCENT THAT THE UNITED STATES DEPARTMENT OF LABOR'S
7 BUREAU OF LABOR STATISTICS MOTOR FUEL INDEX, OR ITS APPLICABLE
8 PREDECESSOR OR SUCCESSOR INDEX, EXCEEDS THE INCREASE IN CPI SINCE
9 2017.

10 (II) IF THE AMOUNT DETERMINED BY THE FORMULA IN SUBSECTION
11 (4)(bb)(I) OF THIS SECTION IS A NEGATIVE NUMBER, THE ADDITIVE INVERSE
12 OF THAT AMOUNT IS NOT ADDED TO THE TAXPAYER'S FEDERAL TAXABLE
13 INCOME.

14 **SECTION 2.** In Colorado Revised Statutes, 39-21-304, **amend**
15 (1)(a) and (4) as follows:

16 **39-21-304. Tax expenditure - tax preference performance**
17 **statement - tax expenditure repeal requirement.** (1) (a) On and after
18 January 1, 2021, EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-104
19 (4)(bb), any bill that creates a new tax expenditure or extends an expiring
20 tax expenditure must include a tax preference performance statement as
21 part of a statutory legislative declaration.

22 (4) On and after January 1, 2021, EXCEPT AS OTHERWISE
23 PROVIDED IN SECTION 39-22-104 (4)(bb), any bill that creates a new tax
24 expenditure must include a repeal of the expenditure after a specified
25 period of tax years and any bill that extends an expiring tax expenditure
26 must extend the expenditure for a specified period of tax years. A bill that
27 creates a new tax expenditure or extends an expiring tax expenditure may

1 not establish the tax expenditure for an indefinite period of time.

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