

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 22-0527.01 Ed DeCecco x4216

HOUSE BILL 22-1163

HOUSE SPONSORSHIP

Soper,

SENATE SPONSORSHIP

Smallwood,

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE CREATION OF A STATE INCOME TAX DEDUCTION FOR
102 OUT-OF-POCKET MEDICAL 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>.)

The starting point for determining state income tax liability is federal taxable income. Federal taxable income is adjusted for additions and subtractions (deductions) that are used to determine Colorado taxable income, which amount is multiplied by the state's income tax rate of 4.55%.

For the next 7 income tax years, the bill allows an individual to

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.

claim a deduction for qualifying out-of-pocket medical expenses, if the expenses are not:

- Claimed as a deduction on the taxpayer's federal income tax return;
- Paid or reimbursed from a medical savings account; or
- Paid or reimbursed by the taxpayer's insurance company.

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

SECTION 1. In Colorado Revised Statutes, 39-22-104, **add** (4)(bb) as follows:

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

(bb) (I) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2023, BUT PRIOR TO JANUARY 1, 2030, AN AMOUNT EQUAL TO A QUALIFYING MEDICAL EXPENSE PAID BY THE TAXPAYER DURING THE TAXABLE YEAR FOR MEDICAL CARE OF THE TAXPAYER OR THE TAXPAYER'S SPOUSE OR A DEPENDENT, IF THE EXPENSE IS NOT:

(A) CLAIMED AS A DEDUCTION ON THE TAXPAYER'S FEDERAL INCOME TAX RETURN;

(B) PAID OR REIMBURSED FROM A MEDICAL SAVINGS ACCOUNT IN ACCORDANCE WITH SECTION 39-22-504.7 (3)(b)(I); OR

(C) PAID OR REIMBURSED BY THE TAXPAYER'S INSURANCE COMPANY.

(II) THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

(A) COLORADANS SPEND MILLIONS OF DOLLARS EACH YEAR ON OUT-OF-POCKET HEALTH CARE COSTS;

(B) THESE TYPES OF EXPENSES ARE EXPECTED TO ANNUALLY GROW BY ALMOST TEN PERCENT PER YEAR OVER THE NEXT FIVE YEARS,

1 THEREBY CONSUMING A GREATER PERCENTAGE OF INDIVIDUALS' OR
2 FAMILIES' BUDGETS;

3 (C) IT IS EXPECTED THAT UP TO FIVE HUNDRED THOUSAND
4 COLORADANS MAY LOSE THEIR COVERAGE UNDER MEDICAID IN THE NEAR
5 FUTURE, AND THOSE PERSONS MAY HAVE SUBSTANTIALLY MORE
6 OUT-OF-POCKET MEDICAL EXPENSES AS A RESULT; AND

7 (D) THE STATE CAN ALLEVIATE SOME OF THE BURDEN OF
8 INCREASING OUT-OF-POCKET MEDICAL EXPENDITURES BY ALLOWING
9 INDIVIDUALS TO CLAIM SUCH EXPENDITURES AS INCOME TAX DEDUCTIONS.

10 (III) (A) IN ACCORDANCE WITH SECTION 39-21-304 (1), THE
11 PURPOSE OF THE TAX EXPENDITURE CREATED IN THIS SUBSECTION (4)(bb)
12 IS TO PROVIDE TAX RELIEF FOR TAXPAYERS WHO HAVE QUALIFYING
13 MEDICAL EXPENSES DURING AN INCOME TAX YEAR.

14 (B) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
15 MEASURE THE EFFECTIVENESS OF THE EXEMPTION IN ACHIEVING THE
16 PURPOSE SPECIFIED IN SUBSECTION (4)(bb)(III)(A) OF THIS SECTION BASED
17 ON THE NUMBER OF TAXPAYERS WHO CLAIM THE EXEMPTION.

18 (IV) AS USED IN THIS SUBSECTION (4)(bb), "QUALIFYING MEDICAL
19 EXPENSE" MEANS A MEDICAL EXPENSE, INCLUDING A DENTAL EXPENSE,
20 THAT MEETS THE REQUIREMENTS FOR A DEDUCTION SET FORTH IN SECTION
21 213 OF THE INTERNAL REVENUE CODE, EXCLUDING THE REQUIREMENT
22 THAT THE MEDICAL EXPENSES EXCEED SEVEN AND ONE-HALF PERCENT OF
23 THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME.

24 (V) THIS SUBSECTION (4)(bb) IS REPEALED, EFFECTIVE JULY 1,
25 2031.

26 **SECTION 2. Act subject to petition - effective date.** This act
27 takes effect at 12:01 a.m. on the day following the expiration of the

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