

**First Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO**

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 23-0125.01 Megan McCall x4215

HOUSE BILL 23-1112

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House Committees

Finance
Appropriations

Senate Committees

Finance
Appropriations

SENATE
Amended 3rd Reading
May 6, 2023

A BILL FOR AN ACT

101 **CONCERNING THE ENLARGEMENT OF CERTAIN INCOME TAX CREDITS**
102 **FOR LOW- AND MIDDLE-INCOME WORKING INDIVIDUALS OR**
103 **FAMILIES, AND, IN CONNECTION THEREWITH, REDUCING STATE**
104 **INCOME TAX REVENUE BY INCREASING THE EARNED INCOME TAX**
105 **CREDIT AND RESTRUCTURING THE CHILD TAX CREDIT TO ALLOW**
106 **ALL LOW-INCOME TAXPAYERS WITH INCOME BELOW CERTAIN**
107 **THRESHOLDS TO CLAIM THE CREDIT.**

SENATE
Amended 2nd Reading
May 5, 2023

HOUSE
3rd Reading Unamended
April 29, 2023

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/>.)

HOUSE
Amended 2nd Reading
April 26, 2023

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.*

Legislative Oversight Committee Concerning Tax Policy. For income tax years commencing on or after January 1, 2024, the bill increases the earned income tax credit that a resident individual can claim on their state income tax return to 40% of the federal credit claimed on the resident individual's federal income tax return. For income tax years commencing on or after January 1, 2024, the bill changes the definition of "eligible child" to match the age of eligibility for the federal credit, increases percentages of the federal credit that a resident individual can claim for the child tax credit on their state income tax return by 20%, 10%, or 5% depending on the resident individual's income level, and requires the department of revenue to adjust for inflation the income levels set forth to determine eligibility for the credit.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-123.5, **amend**
3 (2)(a), (2)(c)(I), (2.5)(a), (2.5)(d)(I), and (2.7)(b)(I); and **add**
4 (2)(d), (2.5)(e), and (2.7)(c) as follows:

5 **39-22-123.5. Earned income tax credit - not a refund of excess**
6 **state revenues - trigger - legislative declaration - repeal.** (2) (a) (I) For
7 an income tax year commencing prior to January 1, 2022, a resident
8 individual who claims an earned income tax credit on the individual's
9 federal tax return is allowed an earned income tax credit against the taxes
10 due under this article 22 that is equal to ten percent of the federal credit
11 that the resident individual claimed on his or her federal tax return for the
12 same tax year.

13 (II) THIS SUBSECTION (2)(a) IS REPEALED, EFFECTIVE DECEMBER
14 31, 2032.

15
16 (c) (I) For income tax years commencing on or after January 1,
17 2023, but before January 1, 2026 2024, **AND FOR THE INCOME TAX YEAR**
18 **COMMENCING ON JANUARY 1, 2025**, a resident individual who claims an


1 earned income tax credit on the individual's federal tax return is allowed
2 an earned income tax credit against the taxes due under this article 22 that
3 is equal to twenty-five percent of the federal credit that the resident
4 individual claimed on his or her federal tax return for the same tax year.

5 (d) (I) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
6 2024, A RESIDENT INDIVIDUAL WHO CLAIMS AN EARNED INCOME TAX
7 CREDIT ON THE INDIVIDUAL'S FEDERAL TAX RETURN IS ALLOWED AN
8 EARNED INCOME TAX CREDIT AGAINST THE TAXES DUE UNDER THIS
9 ARTICLE 22 THAT IS EQUAL TO THIRTY-EIGHT PERCENT OF THE FEDERAL
10 CREDIT THAT THE RESIDENT INDIVIDUAL CLAIMED ON HIS OR HER FEDERAL
11 TAX RETURN FOR THE SAME TAX YEAR.

12 (II) THIS SUBSECTION (2)(d) IS REPEALED, EFFECTIVE DECEMBER
13 31, 2034.

14 (2.5) (a) (I) For income tax years commencing on or after January
15 1, 2020, but before January 1, 2022, a resident individual is allowed an
16 earned income tax credit against the taxes due under this article 22 that
17 is equal to ten percent of the federal credit that the resident individual
18 would have been allowed, but for the fact that the resident individual, the
19 resident individual's spouse, or one or more of the resident individual's
20 dependents do not have a social security number that is valid for
21 employment.

22 (II) THIS SUBSECTION (2.5)(a) IS REPEALED, EFFECTIVE DECEMBER
23 31, 2032.

24 
25 (d) (I) For income tax years commencing on or after January 1,
26 2023, but before January 1, 2026 2024, AND FOR THE INCOME TAX YEAR
27 COMMENCING ON JANUARY 1, 2025, a resident individual is allowed an

1 earned income tax credit against the taxes due under this article 22 that
2 is equal to twenty-five percent of the federal credit that the resident
3 individual would have been allowed, but for the fact that the resident
4 individual, the resident individual's spouse, or one or more of the resident
5 individual's dependents do not have a social security number that is valid
6 for employment.

7 (e) (I) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,
8 2024, A RESIDENT INDIVIDUAL IS ALLOWED AN EARNED INCOME TAX
9 CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 THAT IS EQUAL
10 TO THIRTY-EIGHT PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
11 INDIVIDUAL WOULD HAVE BEEN ALLOWED, BUT FOR THE FACT THAT THE
12 RESIDENT INDIVIDUAL, THE RESIDENT INDIVIDUAL'S SPOUSE, OR ONE OR
13 MORE OF THE RESIDENT INDIVIDUAL'S DEPENDENTS DO NOT HAVE A SOCIAL
14 SECURITY NUMBER THAT IS VALID FOR EMPLOYMENT.

15 (II) THIS SUBSECTION (2.5)(e) IS REPEALED, EFFECTIVE DECEMBER
16 31, 2034.

17

18 (2.7) (b) (I) For income tax years commencing on or after January
19 1, 2023, but before January 1, ~~2026~~ 2024, AND FOR THE INCOME TAX YEAR
20 COMMENCING ON JANUARY 1, 2025, a resident individual is allowed an
21 earned income tax credit against the taxes due under this article 22 that
22 is equal to twenty-five percent of the federal credit that the resident
23 individual would have been allowed under section 32 (n)(1) of the
24 internal revenue code, notwithstanding the date limitation set forth in
25 section 32 (n) of the internal revenue code as specified in section 9621 (a)
26 of the "American Rescue Plan Act of 2021", Pub.L. 117-2.

27 (c) (I) FOR THE INCOME TAX YEAR COMMENCING ON JANUARY 1,

1 2024, A RESIDENT INDIVIDUAL IS ALLOWED AN EARNED INCOME TAX
2 CREDIT AGAINST THE TAXES DUE UNDER THIS ARTICLE 22 THAT IS EQUAL
3 TO THIRTY-EIGHT PERCENT OF THE FEDERAL CREDIT THAT THE RESIDENT
4 INDIVIDUAL WOULD HAVE BEEN ALLOWED UNDER SECTION 32 (n)(1) OF
5 THE INTERNAL REVENUE CODE, NOTWITHSTANDING THE DATE LIMITATION
6 SET FORTH IN SECTION 32 (n) OF THE INTERNAL REVENUE CODE AS
7 SPECIFIED IN SECTION 9621 (a) OF THE "AMERICAN RESCUE PLAN ACT OF
8 2021", PUB.L. 117-2.

9 (II) THIS SUBSECTION (2.7)(c) IS REPEALED, EFFECTIVE DECEMBER
10 31, 2034.

11 SECTION 2. In Colorado Revised Statutes, 39-22-129, **amend**
12 (1)(b), (2)(a), (3)(a), (3.5)(a), and (4) introductory portion; and add (4.5),
13 (8), and (9) as follows:

14 39-22-129. **Child tax credit - legislative declaration -**
15 **definitions - repeal.** (1) (b) Now, therefore, it is the intent of the general
16 assembly to establish a permanent and refundable state child tax credit for
17 eligible Colorado taxpayers, which is equal to a percentage of the federal
18 credit based on a family's adjusted gross income. The intended purpose
19 of this credit is to support Colorado working families with young
20 children, reduce child poverty, and to help Colorado's economy.

21 (2) As used in this section:

22 (a) (I) "Eligible child" means FOR INCOME TAX YEARS
23 COMMENCING BEFORE JANUARY 1, 2024, a qualifying child for purposes
24 of the federal child tax credit who is under six years of age at the end of
25 the taxable year for which the credit is claimed.

26 (II) "ELIGIBLE CHILD" MEANS FOR INCOME TAX YEARS
27 COMMENCING ON OR AFTER JANUARY 1, 2024, A QUALIFYING CHILD, AS

1 DEFINED IN SECTION 152 (c) OF THE INTERNAL REVENUE CODE, WHO IS
2 UNDER SIX YEARS OF AGE AT THE END OF THE TAXABLE YEAR FOR WHICH
3 THE CREDIT IS CLAIMED.

4 (3) (a) Except as provided in subsection (4) of this section, for
5 income tax years commencing on or after January 1, 2022, BUT BEFORE
6 JANUARY 1, 2024, a resident individual who claims a federal child tax
7 credit for an eligible child on the individual's federal tax return is allowed
8 a child tax credit in the amount set forth in subsection (3)(b) or (3)(c) of
9 this section against the income taxes due under this article 22 for the same
10 tax year.

11 =====
12 =====

13 (3.5) (a) Except as provided in subsection (4) of this section, for
14 income tax years commencing on or after January 1, 2022, BUT BEFORE
15 JANUARY 1, 2024, a resident individual who could have claimed a federal
16 child tax credit for an eligible child on the individual's federal tax return
17 had section 24 (h)(7) of the internal revenue code not applied to the
18 definition of qualifying child, is allowed a child tax credit in the amount
19 set forth in subsection (3.5)(b) or (3.5)(c) of this section against the
20 income taxes due under this article 22 for the same tax year.

21 =====

22 (4) In any income tax year commencing on or after January 1,
23 2022, BUT BEFORE JANUARY 1, 2024, if the changes specified in section
24 9611 of the "American Rescue Plan Act of 2021", Pub.L. 117-2, are no
25 longer applicable to the federal child tax credit allowed in section 24 of
26 the internal revenue code, then the amount of the child tax credit allowed
27 in this section is as follows:

1 (4.5) (a) (I) FOR INCOME TAX YEARS COMMENCING ON
2 OR AFTER JANUARY 1, 2024, A RESIDENT INDIVIDUAL WHO FILES A SINGLE
3 RETURN IS ALLOWED A CHILD TAX CREDIT AGAINST THE INCOME TAXES
4 DUE UNDER THIS ARTICLE 22 FOR EACH ELIGIBLE CHILD OF THE TAXPAYER
5 IN THE FOLLOWING AMOUNTS:

6 (A) ONE THOUSAND TWO HUNDRED DOLLARS IF THE INDIVIDUAL'S
7 FEDERAL ADJUSTED GROSS INCOME IS TWENTY-FIVE THOUSAND DOLLARS
8 OR LESS;

9 (B) SIX HUNDRED DOLLARS IF THE INDIVIDUAL'S FEDERAL
10 ADJUSTED GROSS INCOME IS GREATER THAN TWENTY-FIVE THOUSAND
11 DOLLARS BUT LESS THAN OR EQUAL TO FIFTY THOUSAND DOLLARS; AND

12 (C) TWO HUNDRED DOLLARS IF THE INDIVIDUAL'S FEDERAL
13 ADJUSTED GROSS INCOME IS GREATER THAN FIFTY THOUSAND DOLLARS
14 BUT LESS THAN OR EQUAL TO SEVENTY-FIVE THOUSAND DOLLARS.

15 (II) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
16 1, 2024, TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN ARE
17 ALLOWED A CHILD TAX CREDIT AGAINST THE INCOME TAXES DUE UNDER
18 THIS ARTICLE 22 FOR EACH ELIGIBLE CHILD OF THE TAXPAYER IN THE
19 FOLLOWING AMOUNTS:

20 (A) ONE THOUSAND TWO HUNDRED DOLLARS IF THE INDIVIDUALS'
21 FEDERAL ADJUSTED GROSS INCOME IS THIRTY-FIVE THOUSAND DOLLARS
22 OR LESS;

23 (B) SIX HUNDRED DOLLARS IF THE INDIVIDUALS' FEDERAL
24 ADJUSTED GROSS INCOME IS GREATER THAN THIRTY-FIVE THOUSAND
25 DOLLARS BUT LESS THAN OR EQUAL TO SIXTY THOUSAND DOLLARS; AND

26 (C) TWO HUNDRED DOLLARS IF THE INDIVIDUALS' FEDERAL
27 ADJUSTED GROSS INCOME IS GREATER THAN SIXTY THOUSAND DOLLARS

1 BUT LESS THAN OR EQUAL TO EIGHTY-FIVE THOUSAND DOLLARS.

2 (b) (I) A RESIDENT INDIVIDUAL WHO FILES A SINGLE RETURN AND
3 WHOSE FEDERAL ADJUSTED GROSS INCOME IS GREATER THAN
4 SEVENTY-FIVE THOUSAND DOLLARS IS NOT ALLOWED A CREDIT UNDER
5 THIS SECTION.

6 (II) TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN AND
7 WHOSE FEDERAL ADJUSTED GROSS INCOME IS GREATER THAN EIGHTY-FIVE
8 THOUSAND DOLLARS ARE NOT ALLOWED A CREDIT UNDER THIS SECTION.

9 (8) (a) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
10 JANUARY 1, 2025, THE DEPARTMENT OF REVENUE SHALL ADJUST THE
11 FEDERAL ADJUSTED GROSS INCOME AMOUNTS SET FORTH IN THIS
12 SECTION TO REFLECT INFLATION FOR EACH INCOME TAX YEAR IN WHICH
13 THE CREDIT DESCRIBED IN THIS SECTION IS ALLOWED IF CUMULATIVE
14 INFLATION SINCE THE LAST ADJUSTMENT, WHEN APPLIED TO THE CURRENT
15 LIMITS, RESULTS IN AN INCREASE OF AT LEAST ONE THOUSAND DOLLARS
16 WHEN THE ADJUSTED LIMITS ARE ROUNDED TO THE NEAREST ONE
17 THOUSAND DOLLARS.

18 (b) AS USED IN THIS SUBSECTION (8), "INFLATION" MEANS THE
19 ANNUAL PERCENTAGE CHANGE IN THE UNITED STATES DEPARTMENT OF
20 LABOR BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR
21 DENVER-AURORA-LAKEWOOD FOR ALL ITEMS PAID BY ALL URBAN
22 CONSUMERS, OR ITS APPLICABLE SUCCESSOR INDEX.

23 (9) SUBSECTIONS (3), (3.5), AND (4) OF THIS SECTION AND THIS
24 SUBSECTION (9) ARE REPEALED, EFFECTIVE DECEMBER 31, 2026.

25 **SECTION 3. Act subject to petition - effective date.** This act
26 takes effect at 12:01 a.m. on the day following the expiration of the
27 ninety-day period after final adjournment of the general assembly; except

1 that, if a referendum petition is filed pursuant to section 1 (3) of article V
2 of the state constitution against this act or an item, section, or part of this
3 act within such period, then the act, item, section, or part will not take
4 effect unless approved by the people at the general election to be held in
5 November 2024 and, in such case, will take effect on the date of the
6 official declaration of the vote thereon by the governor.