Second Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 18-0849.01 Esther van Mourik x4215 **HOUSE BILL 18-1203**

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A BILL FOR AN ACT

101 CONCERNING A REDUCTION OF THE STATE INCOME TAX RATE.

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 income tax years commencing on and after January 1, 2018, the bill reduces both the individual and the corporate state income tax rate from 4.63% to 4%. The bill also reduces the state alternative minimum tax by 0.63% for income tax years commencing on and after January 1, 2018.

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

SECTION 1. In Colorado Revised Statutes, 39-22-104, **amend** (1.7) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - legislative declaration - definitions - repeal. (1.7) (a) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2018, a tax of four and sixty-three one hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust.

(b) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, 2018, A TAX OF FOUR PERCENT IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

SECTION 2. In Colorado Revised Statutes, 39-22-105, **amend** (1.5) and (3)(b) as follows:

39-22-105. Alternative minimum tax. (1.5) (a) With respect to each taxable year commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2018, for every individual, estate, and trust, in addition to the tax imposed in section 39-22-104, a tax is imposed in an amount equal to the excess of:

~~(a)~~ (I) Three and forty-seven one-hundredths percent of the Colorado alternative minimum taxable income, as determined pursuant to subsection (2) of this section; over

~~(b)~~ (II) The tax imposed in section 39-22-104.

(b) WITH RESPECT TO EACH TAXABLE YEAR COMMENCING ON OR AFTER JANUARY 1, 2018, FOR EVERY INDIVIDUAL, ESTATE, AND TRUST, IN ADDITION TO THE TAX IMPOSED IN SECTION 39-22-104, A TAX IS IMPOSED IN AN AMOUNT EQUAL TO THE EXCESS OF:

(I) TWO AND EIGHTY-FOUR ONE HUNDREDTHS PERCENT OF THE COLORADO ALTERNATIVE MINIMUM TAXABLE INCOME, AS DETERMINED PURSUANT TO SUBSECTION (2) OF THIS SECTION; OVER

(II) THE TAX IMPOSED IN SECTION 39-22-104.

(3) (b) (I) For taxable years beginning on or after January 1, 2000, BUT BEFORE JANUARY 1, 2018, each individual, estate, and trust shall be allowed a credit against the tax imposed by this part 1 in an amount equal to twelve percent of the credit allowed for the same tax year by section 53 of the internal revenue code.

(II) FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2018, EACH INDIVIDUAL, ESTATE, AND TRUST SHALL BE ALLOWED A CREDIT AGAINST THE TAX IMPOSED BY THIS PART 1 IN AN AMOUNT EQUAL TO ELEVEN AND THIRTY-SEVEN ONE HUNDREDTHS PERCENT OF THE CREDIT ALLOWED FOR THE SAME TAX YEAR BY SECTION 53 OF THE INTERNAL REVENUE CODE.

SECTION 3. In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(I); and **add** (1)(d)(I)(J) as follows:

39-22-301. Corporate tax imposed. (1) (d) (I) A tax is imposed upon each domestic C corporation and foreign C corporation doing business in Colorado annually in an amount of the net income of such C corporation during the year derived from sources within Colorado as set forth in the following schedule of rates:

(I) Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2000, BUT BEFORE JANUARY 1, 2018, four and sixty-three one hundredths percent of the Colorado net income;

(J) EXCEPT AS OTHERWISE PROVIDED IN SECTION 39-22-627, FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2018, FOUR PERCENT OF THE COLORADO NET INCOME.

SECTION 4. In Colorado Revised Statutes, 39-22-604, **amend** (18)(a) introductory portion and (18)(b) as follows:

39-22-604. Withholding tax - requirement to withhold - tax lien - exemption from lien - definitions. (18) (a) Any person who makes a payment for services to any natural person that is not otherwise subject to state income tax withholding but that requires an information return, including but not limited to any payment for which internal revenue service form 1099-B, 1099-DIV, 1099-INT, 1099-MISC, 1099-OID, or 1099-PATR, the issuance of any of which allows taxpayer identification number verification through the taxpayer identification number matching program administered by the internal revenue service, or any other version of form 1099 is required, shall deduct and withhold state income tax at the rate ~~of four and sixty-three one-hundredths percent~~ SET FORTH IN SECTION 39-22-104 if the person who performed the services:

(b) Any person other than a natural person and any natural person who in the course of conducting a trade or business as a sole proprietor makes any payment for services to a natural person that is not reported on any information return shall deduct and withhold state income tax at the rate ~~of four and sixty-three one-hundredths percent~~ SET FORTH IN SECTION

39-22-104, unless the employer making payment has a validated taxpayer identification number from the person to whom payment is made.

SECTION 5. In Colorado Revised Statutes, 39-22-627, **amend** (1), (2), (3), and (6) as follows:

39-22-627. Temporary adjustment of rate of income tax - refund of excess state revenues - authority of executive director. (1) (a) Subject to the provisions of this section, if, for any state fiscal year commencing on or after July 1, 2010, the amount of state revenues in excess of the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution that are required to be refunded for such state fiscal year exceeds the amount specified in ~~paragraph (b) of this subsection (1)~~ SUBSECTION (1)(b) OF THIS SECTION, the executive director shall temporarily reduce the state income tax rate for the income tax year commencing during the calendar year in which the state fiscal year ended ~~from four and sixty-three one-hundredths percent of the federal taxable income of every individual, estate, trust, and corporation, as specified in sections 39-22-104 (1.7) and 39-22-301 (1)(d)(I)(I), to four and one-half percent of the federal taxable income of every individual, estate, trust, and corporation~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT to refund excess state revenues that are required to be refunded pursuant to section 20 (7)(d) of article X of the state constitution.

(b) In order for the provisions of subsection (1)(a) of this section to take effect, the amount of state revenues required to be refunded for the specified state fiscal year must exceed the total of the amount of reimbursement for property tax revenues lost as a result of the property tax exemptions allowed by part 2 of article 3 of this title 39 paid by the state treasurer to each county treasurer as required by section 39-3-207 (4) for the property tax year that commenced during the specified state fiscal year plus the estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate ~~from four and sixty-three one-hundredths percent to four and one-half percent of federal taxable income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT, as determined pursuant to this section.

(2) Except as otherwise provided in subsection (3) of this section, no later than October 1, 2011, and no later than each October 1 thereafter of any calendar year, during which it is certified in accordance with the provisions of section 24-77-106.5 ~~C.R.S.,~~ that state revenues exceed the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution for the state fiscal year ending in that calendar year and exceed any amount that the voters statewide have authorized the state to retain and spend for the state fiscal year ending in that calendar year, the executive director shall estimate the amount by which state revenues would be decreased as the result of a reduction in the state income tax rate ~~from four and sixty-three one-hundredths percent to four and one-half percent of federal taxable income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT for the income tax year commencing during the calendar year in which the state fiscal year ended.

(3) If one or more ballot questions are submitted to the voters at a statewide election to be held in November of any given calendar year that seek authorization for the state to retain and spend all or any portion of the amount of excess state revenues for the state fiscal year ending

during said calendar year, the executive director shall not reduce the state income tax rate until the results of said election are known so that the state income tax rate may be reduced only if, after the results of said election, the amount of excess state revenues required to be refunded for the state fiscal year exceeds the total of the amount of reimbursement for property tax revenues lost as a result of the property tax exemptions allowed by part 2 of article 3 of this title 39 paid by the state treasurer to each county treasurer as required by section 39-3-207 (4) for the property tax year that commenced during the specified state fiscal year plus the estimated amount by which state revenues would be decreased as a result of a reduction in the state income tax rate ~~from four and sixty-three one-hundredths percent to four and one-half percent of federal taxable income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT pursuant to this section.

(6) If, based on the financial report prepared by the controller in accordance with section 24-77-106.5, the controller certifies that the amount of the state revenues for any state fiscal year commencing on or after July 1, 2017, exceeds the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution for that state fiscal year and exceeds the amount of excess state revenues that the voters statewide have authorized the state to retain and spend for that state fiscal year by less than the total of the amount of reimbursement for property tax revenues lost as a result of the property tax exemptions allowed by part 2 of article 3 of this title 39 paid by the state treasurer to each county treasurer as required by section 39-3-207 (4) for the property tax year that commenced during the specified state fiscal year plus the estimated amount by which state revenues would be decreased as the

result of a reduction in the state income tax rate ~~from four and sixty-three one-hundredths percent to four and one-half percent of federal taxable income~~ BY TWO AND EIGHTY THOUSAND SEVEN HUNDRED SEVENTY-EIGHT HUNDRED-THOUSANDTHS PERCENT as calculated by the executive director pursuant to subsection (2) of this section, then the reduction in the state income tax rate allowed pursuant to subsection (1) of this section shall not be allowed for the income tax year commencing during the calendar year in which the state fiscal year ended.

SECTION 6. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 8, 2018, if adjournment sine die is on May 9, 2018); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2018 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.