

**First Extraordinary Session
Seventy-fifth General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 25B-0028.02 Pierce Lively x2059

HOUSE BILL 25B-1020

HOUSE SPONSORSHIP

Pugliese and Caldwell,

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Pelton B. and Kirkmeyer,

House Committees

State, Civic, Military, & Veterans Affairs

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING ADDITIONS TO THE DEFINITION OF FEDERAL TAXABLE**
102 **INCOME FOR PURPOSES OF DETERMINING A TAXPAYER'S STATE**
103 **TAXABLE INCOME.**

Bill Summary

(Note: This summary applies to this resolution as introduced and does not reflect any amendments that may be subsequently adopted. If this resolution passes third reading in the house of introduction, a resolution summary that applies to the reengrossed version of this resolution will be available at <http://leg.colorado.gov/>.)

For tax years commencing on and after January 1, 2026, current law requires taxpayers to add the amount of any overtime compensation excluded or deducted from that taxpayer's federal gross income to that taxpayer's federal taxable income for purposes of determining the taxpayer's state taxable income. The bill repeals this addition and clarifies

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.

that this addition is "a tax policy change directly causing a net tax revenue gain to any district", so that reinstating this addition requires voter approval in advance pursuant to section 20 (4)(a) of article X of the state constitution.

For tax years commencing before January 1, 2026, current law requires certain taxpayers to add to their federal taxable income, for purposes of determining their state taxable income, an amount equal to the federal qualified business income deduction allowed under section 199A of the federal "Internal Revenue Code of 1986". The bill clarifies that extending this tax policy to apply to any tax year commencing on or after January 1, 2026, would be "a tax policy change directly causing a net tax revenue gain to any district" and requires voter approval in advance pursuant to section 20 (4)(a) of article X of the state constitution.

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

SECTION 1. Legislative declaration. (1) The general assembly finds and declares that:

(a) The state of Colorado is currently facing a budgetary structural deficit that the office of state planning and budgeting has projected will be \$783 million for state fiscal year 2025-26;

(b) The structural deficit does not allow the general assembly to disregard the state constitution or violate the rights of Colorado taxpayers;

(c) Section 20 (4)(a) of article X of the state constitution requires the state to obtain voter approval in advance of a tax policy change directly causing a net tax revenue gain to any district;

(d) Accordingly, the general assembly shall not enact a bill that would require an addition to a taxpayer's federal taxable income for purposes of determining the taxpayer's state taxable income without obtaining voter approval in advance for such an addition; and

(e) Doing otherwise would violate section 20 (4)(a) of article X of the state constitution.

SECTION 2. In Colorado Revised Statutes, 39-22-104, **repeal as**

1 **it will become effective January 1, 2026, (3)(u); and add (6) as follows:**

2 **39-22-104. Income tax imposed on individuals, estates, and**
3 **trusts - single rate - report - tax preference performance statement**
4 **- legislative declaration - definitions - repeal. (3) There shall be added**
5 to the federal taxable income:

6 (u) ~~The amount of any overtime compensation excluded or~~
7 ~~deducted from federal gross income.~~

8 (6) (a) THE ADDITION TO FEDERAL TAXABLE INCOME OF AN
9 AMOUNT EQUAL TO THE DEDUCTION ALLOWED UNDER SECTION 199A OF
10 THE INTERNAL REVENUE CODE FOR A TAXPAYER WHO FILES A SINGLE
11 RETURN AND WHOSE ADJUSTED GROSS INCOME IS GREATER THAN FIVE
12 HUNDRED THOUSAND DOLLARS, AND FOR TAXPAYERS WHO FILE A JOINT
13 RETURN AND WHOSE ADJUSTED GROSS INCOME IS GREATER THAN ONE
14 MILLION DOLLARS, QUALIFIES AS "A TAX POLICY CHANGE DIRECTLY
15 CAUSING A NET TAX REVENUE GAIN TO ANY DISTRICT" AND EITHER
16 EXTENDING OR ENACTING THIS ADDITION REQUIRES VOTER APPROVAL IN
17 ADVANCE PURSUANT TO SECTION 20 (4)(a) OF ARTICLE X OF THE STATE
18 CONSTITUTION.

19 (b) THE ADDITION TO FEDERAL TAXABLE INCOME OF THE AMOUNT
20 OF ANY OVERTIME COMPENSATION EXCLUDED OR DEDUCTED FROM
21 FEDERAL GROSS INCOME QUALIFIES AS "A TAX POLICY CHANGE DIRECTLY
22 CAUSING A NET TAX REVENUE GAIN TO ANY DISTRICT" AND REQUIRES
23 VOTER APPROVAL IN ADVANCE PURSUANT TO SECTION 20 (4)(a) OF
24 ARTICLE X OF THE STATE CONSTITUTION.

25 **SECTION 3.** In Session Laws of Colorado 2025, **repeal** section
26 18 of chapter 202.

27 **SECTION 4. Safety clause.** The general assembly finds,

1 determines, and declares that this act is necessary for the immediate
2 preservation of the public peace, health, or safety or for appropriations for
3 the support and maintenance of the departments of the state and state
4 institutions.