

First Regular Session
Seventy-first General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 17-0015.02 Ed DeCecco x4216

SENATE BILL 17-075

SENATE SPONSORSHIP

Crowder,

HOUSE SPONSORSHIP

Landgraf,

Senate Committees
Finance

House Committees

A BILL FOR AN ACT
101 **CONCERNING A STATE INCOME TAX DEDUCTION FOR MILITARY**
102 **RETIREMENT BENEFITS.**

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. This number is adjusted for additions and subtractions (deductions) that are used to determine Colorado taxable income, which amount is multiplied by the state's 4.63% income tax rate. Currently, a person who is 55-64 years old may deduct up to \$20,000 of retirement benefits from federal taxable income, and a person who is 65

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

years old or older may deduct up to \$24,000. These limits apply to retirement benefits from all sources, including those related to service in the military.

The bill excludes all military retirement benefits from this deduction and instead allows a person of any age to deduct an unlimited amount of military retirement benefits from his or her state income tax. All other retirement benefits continue to be subject to the existing limits on the amounts that are deductible.

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

2 **SECTION 1. Legislative declaration.** The general assembly
3 hereby finds and declares that the purpose of the tax deduction created by
4 this act is to honor the sacrifice and service of veterans and to create an
5 incentive for more veterans to make their post-military homes in this
6 state.

7 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**
8 (4)(f)(III); and **add** (4)(x) as follows:

9 **39-22-104. Income tax imposed on individuals, estates, and**
10 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted
11 from federal taxable income:

12 (f) (III) (A) For income tax years commencing on or after January
13 1, 1989, amounts subtracted under ~~this paragraph (f)~~ SUBSECTIONS
14 (4)(f)(I) AND (4)(f)(II) OF THIS SECTION shall not exceed twenty thousand
15 dollars per tax year; except that, for income tax years commencing on or
16 after January 1, 2000, amounts subtracted under ~~subparagraph (I) of this~~
17 ~~paragraph (f)~~ SUBSECTION (4)(f)(I) OF THIS SECTION shall not exceed
18 twenty-four thousand dollars per tax year for any individual who is
19 sixty-five years of age or older at the close of the taxable year. For the
20 purpose of determining the exclusion allowed by this ~~paragraph (f)~~
21 SUBSECTION (4)(f), in the case of a joint return, social security benefits

1 included in federal taxable income shall be apportioned in a ratio of the
2 gross social security benefits of each taxpayer to the total gross social
3 security benefits of both taxpayers. EXCEPT AS SET FORTH IN SUBSECTION
4 (4)(f)(III)(B) OF THIS SECTION, for the purposes of this ~~paragraph (f)~~
5 SUBSECTION (4)(f), "pensions and OR annuities" means retirement benefits
6 that are periodic payments attributable to personal services performed by
7 an individual prior to his or her retirement from employment and that
8 arise from an employer-employee relationship, from service in the
9 uniformed services of the United States, or from contributions to a
10 retirement plan which are deductible for federal income tax purposes.
11 "Pensions and OR annuities" includes distributions from individual
12 retirement arrangements and self-employed retirement accounts to the
13 extent that such distributions are not deemed to be premature distributions
14 for federal income tax purposes, amounts received from fully matured
15 privately purchased annuities, social security benefits, and amounts paid
16 from any such sources by reason of permanent disability or death of the
17 person entitled to receive the benefits.

18 (B) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
19 1, 2018, "PENSIONS OR ANNUITIES" DOES NOT INCLUDE RETIREMENT
20 BENEFITS THAT ARISE FROM AN INDIVIDUAL'S SERVICE IN THE ARMED
21 FORCES OF THE UNITED STATES.

22 (x) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
23 1, 2018, AN AMOUNT EQUAL TO ANY RETIREMENT BENEFITS RECEIVED AS
24 A RESULT OF THE INDIVIDUAL'S SERVICE IN THE ARMED FORCES OF THE
25 UNITED STATES, TO THE EXTENT INCLUDED IN FEDERAL ADJUSTED GROSS
26 INCOME.

27 **SECTION 3. Act subject to petition - effective date -**

1 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
2 the expiration of the ninety-day period after final adjournment of the
3 general assembly (August 9, 2017, if adjournment sine die is on May 10,
4 2017); except that, if a referendum petition is filed pursuant to section 1
5 (3) of article V of the state constitution against this act or an item, section,
6 or part of this act within such period, then the act, item, section, or part
7 will not take effect unless approved by the people at the general election
8 to be held in November 2018 and, in such case, will take effect on the
9 date of the official declaration of the vote thereon by the governor.

10 (2) This act applies for income tax years that commence after the
11 applicable effective date of this act.