

NOTE: This bill has been prepared for the signatures of the appropriate legislative officers and the Governor. To determine whether the Governor has signed the bill or taken other action on it, please consult the legislative status sheet, the legislative history, or the Session Laws.



SENATE BILL 25-302

BY SENATOR(S) Kipp and Simpson, Amabile, Cutter, Gonzales J., Jodeh, Marchman, Wallace;
also REPRESENTATIVE(S) Garcia and Zokaie, Bacon, Bird, Boesenecker, Brown, Clifford, Gilchrist, Lindsay, Mabrey, Rutinel, Sirota, Story, McCluskie.

CONCERNING EXTENDING THE ACHIEVING A BETTER LIFE EXPERIENCE STATE
INCOME TAX DEDUCTION.

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) An individual with a disability often faces living a life burdened by significantly higher than average medical costs, housing costs, and transportation costs, among other costs;

(b) This burden can create major financial hardship for individuals with disabilities and their families;

(c) Current benefit systems make it difficult to live with a disability

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

and have gainful employment, often depriving individuals who have a disability of the right to work, which negatively impacts the state by being deprived of a greater workforce;

(d) An ABLE savings account, also known as a 529A account, is a tax-advantaged savings account for an individual with a disability;

(e) An ABLE savings account allows an individual with a disability to save and invest money for disability-related expenses without facing challenges to eligibility for certain means-tested programs like medicaid and supplemental social security income;

(f) A key feature of an ABLE account includes that the individual with a disability is the owner of the ABLE account, which can promote self-determination and independence;

(g) ABLE accounts can hold a substantial amount of savings without impacting eligibility for these benefits, preventing a descent into poverty by creating a safety net; and

(h) Qualified expenses for an ABLE account include education, housing, transportation, health care, assistive technology, and employment.

(2) Therefore, it is the general assembly's intent to provide tax relief to help individuals with disabilities to have more means to cover life expenses and provide individuals with disabilities greater flexibility to enter the workforce.

SECTION 2. In Colorado Revised Statutes, 39-22-104, **amend** (4)(i)(I)(B), (4)(i)(I)(C), (4)(i)(II)(B), (4)(i)(III.5) introductory portion, (4)(i)(III.5)(D), (4)(i)(IV)(D), (4)(i)(IV)(E), (4)(i)(IV.5); and **add** (4)(i)(VII) as follows:

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

(i) (I) (B) Before ~~January 1, 2026~~ JANUARY 1, 2031, an amount equal to the portion attributable to interest and other income of a

distribution under a qualified ABLE program that is distributed for the purpose of meeting qualified disability expenses of a designated beneficiary, to the extent such amount is included in federal taxable income;

(C) Subsection (4)(i)(I)(B) of this section and this subsection (4)(i)(I)(C) are repealed, effective ~~January 1, 2030~~ JANUARY 1, 2035.

(II) (B) Except as provided in subsection (4)(i)(II)(C) of this section, for income tax years commencing on or after January 1, 2022, an amount equal to all payments or contributions, not to exceed twenty thousand dollars per taxpayer per beneficiary for a taxpayer who files a single return, or thirty thousand dollars per taxpayer per beneficiary for taxpayers who file a joint return, made during the taxable year under an advance payment contract, to a savings trust account, or otherwise in connection with a qualified state tuition program established by collegeinvest created in section 23-3.1-203, or to a qualified state tuition program that is affiliated with an educational institution in the state and that is established and maintained pursuant to section 529 of the internal revenue code or any successor section, or, before ~~January 1, 2026~~ JANUARY 1, 2031, in connection with a qualified ABLE program. Notwithstanding subsection (4)(i)(III)(D) of this section, collegeinvest may treat a change in beneficiary as a nonqualifying distribution if the change was made for the purpose of evading the limit in this subsection (4)(i)(II)(B).

(III.5) No subtraction is allowed pursuant to this subsection (4)(i) to the extent that such payments or contributions are excluded from the taxpayer's federal taxable income for the taxable year. Before ~~January 1, 2026~~ JANUARY 1, 2031, any subtraction taken under this subsection (4)(i) is added to the account holder's taxable income in the taxable year or years in which any distribution, refund, or any other withdrawal is made pursuant to an advance payment contract, from a savings trust account, or otherwise in connection with a qualified ABLE program for any reason other than:

(D) This subsection (4)(i)(III.5) is repealed, effective ~~January 1, 2030~~ JANUARY 1, 2035.

(IV) As used in this subsection (4)(i), unless the context otherwise requires:

(D) "Qualified ABLE program", before ~~January 1, 2026~~ JANUARY

1, 2031, means a qualified ABLE program as defined in section 529A (b) of the internal revenue code.

(E) "Qualified disability expense", before ~~January 1, 2026~~ JANUARY 1, 2031, has the same meaning as defined in section 529A (e)(5) of the internal revenue code.

(IV.5) Subsections (4)(i)(IV)(B) and (4)(i)(IV)(C) of this section and this subsection (4)(i)(IV.5) are repealed, effective ~~January 1, 2030~~ JANUARY 1, 2035.

(VII) THE PURPOSES OF THE DEDUCTION AUTHORIZED IN SUBSECTION (4)(i)(I)(B) OF THIS SECTION ARE TO PROVIDE SUPPORT TO INDIVIDUALS WITH DISABILITIES AND THEIR FAMILIES AND TO PROVIDE AN INCENTIVE FOR INDIVIDUALS WITH DISABILITIES AND THEIR FAMILIES TO SET ASIDE MONEY IN AN ACCOUNT TO COVER FUTURE DISABILITY-RELATED EXPENSES.

SECTION 3. 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; 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 2026 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

James Rashad Coleman, Sr.
PRESIDENT OF
THE SENATE

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Esther van Mourik
SECRETARY OF
THE SENATE

Vanessa Reilly
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO