

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

INTRODUCED

LLS NO. 25-0478.01 Jed Franklin x5484

SENATE BILL 25-302

SENATE SPONSORSHIP

Kipp,

HOUSE SPONSORSHIP

Garcia and Zokaie,

Senate Committees
Finance

House Committees

A BILL FOR AN ACT

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

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>.)

Currently, the achieving a better life experience state income tax deduction (ABLE deduction) expires on December 31, 2025. The bill extends the ABLE deduction until December 31, 2030.

The bill specifies that the purposes of the ABLE deduction are to provide support to individuals with disabilities and their families and to provide an incentive for individuals with disabilities and their families to

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.

set aside money in an account to cover future disability-related expenses.

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

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

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

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

9 (c) Current benefit systems make it difficult to live with a
10 disability and have gainful employment, often depriving individuals who
11 have a disability of the right to work, which negatively impacts the state
12 by being deprived of a greater workforce;

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

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

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

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

25 (h) Qualified expenses for an ABLE account include education,

1 housing, transportation, health care, assistive technology, and
2 employment.

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

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

11 **39-22-104. Income tax imposed on individuals, estates, and**
12 **trusts - single rate - report - tax preference performance statement**
13 **- legislative declaration - definitions - repeal.** (4) There shall be
14 subtracted from federal taxable income:

15 (i) (I) (B) Before ~~January 1, 2026~~ JANUARY 1, 2031, an amount
16 equal to the portion attributable to interest and other income of a
17 distribution under a qualified ABLE program that is distributed for the
18 purpose of meeting qualified disability expenses of a designated
19 beneficiary, to the extent such amount is included in federal taxable
20 income;

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

23 (II) (B) Except as provided in subsection (4)(i)(II)(C) of this
24 section, for income tax years commencing on or after January 1, 2022, an
25 amount equal to all payments or contributions, not to exceed twenty
26 thousand dollars per taxpayer per beneficiary for a taxpayer who files a
27 single return, or thirty thousand dollars per taxpayer per beneficiary for

1 taxpayers who file a joint return, made during the taxable year under an
2 advance payment contract, to a savings trust account, or otherwise in
3 connection with a qualified state tuition program established by
4 collegeinvest created in section 23-3.1-203, or to a qualified state tuition
5 program that is affiliated with an educational institution in the state and
6 that is established and maintained pursuant to section 529 of the internal
7 revenue code or any successor section, or, before ~~January 1, 2026~~
8 JANUARY 1, 2031, in connection with a qualified ABLE program.
9 Notwithstanding subsection (4)(i)(III)(D) of this section, collegeinvest
10 may treat a change in beneficiary as a nonqualifying distribution if the
11 change was made for the purpose of evading the limit in this subsection
12 (4)(i)(II)(B).

13 (III.5) No subtraction is allowed pursuant to this subsection (4)(i)
14 to the extent that such payments or contributions are excluded from the
15 taxpayer's federal taxable income for the taxable year. Before ~~January 1,~~
16 ~~2026~~ JANUARY 1, 2031, any subtraction taken under this subsection (4)(i)
17 is added to the account holder's taxable income in the taxable year or
18 years in which any distribution, refund, or any other withdrawal is made
19 pursuant to an advance payment contract, from a savings trust account, or
20 otherwise in connection with a qualified ABLE program for any reason
21 other than:

22 (D) This subsection (4)(i)(III.5) is repealed, effective ~~January 1,~~
23 ~~2030~~ JANUARY 1, 2035.

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

26 (D) "Qualified ABLE program", before ~~January 1, 2026~~ JANUARY
27 1, 2031, means a qualified ABLE program as defined in section 529A (b)

1 of the internal revenue code.

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

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

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

14 **SECTION 3. Act subject to petition - effective date.** This act
15 takes effect at 12:01 a.m. on the day following the expiration of the
16 ninety-day period after final adjournment of the general assembly; except
17 that, if a referendum petition is filed pursuant to section 1 (3) of article V
18 of the state constitution against this act or an item, section, or part of this
19 act within such period, then the act, item, section, or part will not take
20 effect unless approved by the people at the general election to be held in
21 November 2026 and, in such case, will take effect on the date of the
22 official declaration of the vote thereon by the governor.