

Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 16-0669.01 Ed DeCecco x4216

SENATE BILL 16-001

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A BILL FOR AN ACT

101 **CONCERNING THE EXPANSION OF THE STATE INCOME TAX DEDUCTION**
102 **FOR MILITARY 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://www.leg.state.co.us/billsummaries>.)

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 his or her military retirement benefits from federal taxable income, and

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.

SENATE
3rd Reading Unamended
May 4, 2016

SENATE
Amended 2nd Reading
May 3, 2016

a person who is 65 years old or older may deduct up to \$24,000.

With respect to military retirement benefits, the bill eliminates these limits and allows a person to claim a state income tax deduction for the entire amount.

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

2 **SECTION 1.** In Colorado Revised Statutes, 39-22-104, **amend**

3 (4) (f) as follows:

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

7

8 (f) (I) For income tax years commencing on or after January 1,
9 1989, Amounts received as pensions or annuities from any source, by any
10 individual who is fifty-five years of age or older at the close of the taxable
11 year, to the extent included in federal adjusted gross income or as added
12 in paragraph (c) of subsection (3) of this section;

13 (II) For income tax years commencing on or after January 1, 1989,
14 Amounts received as pensions or annuities from any source by any
15 individual who is less than fifty-five years of age at the close of the
16 taxable year if such benefits are received because of the death of the
17 person originally entitled to receive such benefits and only to the extent
18 such benefits are included in federal adjusted gross income or as added
19 in paragraph (c) of subsection (3) of this section;

20 (II.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER
21 JANUARY 1, 2017, THERE IS NO LIMIT ON THE AMOUNT SUBTRACTED
22 UNDER SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH (f) FOR AN
23 AMOUNT RECEIVED AS A PENSION OR ANNUITY THAT ARISES FROM AN

1 INDIVIDUAL'S SERVICE IN THE UNIFORMED SERVICES OF THE UNITED
2 STATES.

3 (III) For income tax years commencing on or after January 1,
4 1989; Amounts subtracted under SUBPARAGRAPHS (I) AND (II) OF this
5 paragraph (f) FOR A PENSION OR ANNUITY THAT ARISES FROM ANY SOURCE
6 OTHER THAN AN INDIVIDUAL'S SERVICE IN THE UNIFORMED SERVICES OF
7 THE UNITED STATES, shall not exceed twenty thousand dollars per tax
8 year; except that for income tax years commencing on or after January 1,
9 2000; amounts subtracted under subparagraph (I) of this paragraph (f)
10 FROM THESE SAME SOURCES shall not exceed twenty-four thousand dollars
11 per tax year for any individual who is sixty-five years of age or older at
12 the close of the taxable year. For the purpose of determining the exclusion
13 allowed by this paragraph (f), in the case of a joint return, social security
14 benefits included in federal taxable income shall be apportioned in a ratio
15 of the gross social security benefits of each taxpayer to the total gross
16 social security benefits of both taxpayers. For the purposes of this
17 paragraph (f), "pensions and OR annuities" means retirement benefits that
18 are periodic payments attributable to personal services performed by an
19 individual prior to his or her retirement from employment and that arise
20 from an employer-employee relationship, from service in the uniformed
21 services of the United States, or from contributions to a retirement plan
22 which are deductible for federal income tax purposes. "Pensions and OR
23 annuities" includes lump-sum distributions from pension and profit
24 sharing plans to the extent that such distributions qualify for the
25 tax-averaging computation under section 402 (e) (1) of the internal
26 revenue code; distributions from individual retirement arrangements and
27 self-employed retirement accounts to the extent that such distributions are

1 not deemed to be premature distributions for federal income tax purposes,
2 amounts received from fully matured privately purchased annuities, social
3 security benefits, and amounts paid from any such sources by reason of
4 permanent disability or death of the person entitled to receive the benefits.

5 **SECTION 2. Act subject to petition - effective date -**
6 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
7 the expiration of the ninety-day period after final adjournment of the
8 general assembly (August 10, 2016, if adjournment sine die is on May 11,
9 2016); except that, if a referendum petition is filed pursuant to section 1
10 (3) of article V of the state constitution against this act or an item, section,
11 or part of this act within such period, then the act, item, section, or part
12 will not take effect unless approved by the people at the general election
13 to be held in November 2016 and, in such case, will take effect on the
14 date of the official declaration of the vote thereon by the governor.

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