

Second Regular Session
Sixty-seventh General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 10-0458.01 Ed DeCecco

HOUSE BILL 10-1263

HOUSE SPONSORSHIP

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SENATE SPONSORSHIP

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A BILL FOR AN ACT

101 **CONCERNING A LIMIT ON THE STATE INCOME TAX BENEFIT FOR**
102 **COMPENSATION PAID BY A BUSINESS FOR PERSONAL SERVICES**
103 **RENDERED.**

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>.)

For purposes of calculating the state income tax, the bill increases Colorado taxable income by an amount equal to the amount of salary or other compensation over \$250,000 paid to an individual that is claimed as a federal deduction by a taxpayer.

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.

The bill also limits the amount of a separate state income tax deduction for wages or salaries, which are disallowed from being claimed as a deduction under federal law, to \$250,000 per individual.

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

2 **SECTION 1.** 39-22-104 (3), Colorado Revised Statutes, is
3 amended BY THE ADDITION OF A NEW PARAGRAPH to read:

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

7 (j) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
8 1, 2011, AN AMOUNT EQUAL TO THE AMOUNT OF SALARY OR OTHER
9 COMPENSATION FOR PERSONAL SERVICES ACTUALLY RENDERED OVER TWO
10 HUNDRED FIFTY THOUSAND DOLLARS PAID TO AN INDIVIDUAL THAT IS
11 CLAIMED AS A DEDUCTION BY A TAXPAYER PURSUANT TO SECTION 162 (a)
12 (1) OR ANY OTHER SECTION OF THE INTERNAL REVENUE CODE.

13 **SECTION 2.** 39-22-304 (2), Colorado Revised Statutes, is
14 amended BY THE ADDITION OF A NEW PARAGRAPH to read:

15 **39-22-304. Net income of corporation.** (2) There shall be added
16 to federal taxable income:

17 (i) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
18 1, 2011, AN AMOUNT EQUAL TO THE AMOUNT OF SALARY OR OTHER
19 COMPENSATION FOR PERSONAL SERVICES ACTUALLY RENDERED OVER TWO
20 HUNDRED FIFTY THOUSAND DOLLARS PAID TO AN INDIVIDUAL THAT IS
21 CLAIMED AS A DEDUCTION BY A TAXPAYER PURSUANT TO SECTION 162 (a)
22 (1) OR ANY OTHER SECTION OF THE INTERNAL REVENUE CODE.

23 **SECTION 3.** 39-22-304 (3) (i), Colorado Revised Statutes, is
24 amended to read:

1 **39-22-304. Net income of corporation.** (3) There shall be
2 subtracted from federal taxable income:

3 (i) That portion of wages or salaries paid or incurred for the
4 taxable year, the deduction for which is disallowed by section 280C of the
5 internal revenue code; EXCEPT THAT, FOR INCOME TAX YEARS
6 COMMENCING ON OR AFTER JANUARY 1, 2010, SUCH WAGES OR SALARIES
7 SHALL NOT EXCEED TWO HUNDRED FIFTY THOUSAND DOLLARS PER
8 INDIVIDUAL.

9 **SECTION 4. Safety clause.** The general assembly hereby finds,
10 determines, and declares that this act is necessary for the immediate
11 preservation of the public peace, health, and safety.