

First Regular Session  
Seventieth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 15-0731.01 Jason Gelender x4330

SENATE BILL 15-118

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SENATE SPONSORSHIP

Merrifield, Johnston, Todd, Aguilar, Carroll, Garcia, Guzman, Heath, Kerr, Ulibarri

HOUSE SPONSORSHIP

(None),

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Senate Committees

Finance

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE STATE INCOME TAX DEDUCTIONS FOR  
102 CONTRIBUTIONS TO AND DISTRIBUTIONS OF INVESTMENT  
103 EARNINGS FROM THE QUALIFIED STATE TUITION PROGRAM  
104 ESTABLISHED BY COLLEGEINVEST.

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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 a taxpayer's Colorado taxable income, current state law begins from a base of the taxpayer's federal taxable income and provides for various modifications to that base, including

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.*

subtractions from federal taxable income (state income tax deductions) in amounts equal to the full amounts of both contributions made by a taxpayer to the qualified state tuition program established by collegeinvest and distributions of investment earnings taken from the plan. The bill modifies these state income tax deductions by making the percentages of the amounts of contributions or distributions allowed to be subtracted from a taxpayer's taxable income dependent upon the amount of the taxpayer's federal adjusted gross income as follows:

- ! 200% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is \$75,000 or less;
- ! 150% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is more than \$75,000 but not more than \$200,000; and
- ! 100% of the amounts of contributions or distributions for a taxpayer whose federal adjusted gross income is more than \$200,000 but not more than \$250,000.

The bill eliminates deductions for a taxpayer whose federal adjusted gross income is more than \$250,000.

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

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

4 (a) Current state law allows state income tax deductions to any  
5 taxpayer in amounts equal to the full amounts of both contributions made  
6 by a taxpayer to the qualified state tuition program established by  
7 collegeinvest and distributions of investment earnings taken from the  
8 plan;

9 (b) The rationale for allowing these deductions is to encourage  
10 students and their families to save money for higher education and to  
11 reduce the cost of higher education so that more students can afford it;

12 (c) While the deductions have helped taxpayers at all income  
13 levels, they have disproportionately benefited taxpayers whose federal  
14 adjusted gross income is over one hundred thousand dollars, with

1 eighty-one percent of the total amount of deductions allowed going to  
2 such taxpayers and thirty-five percent of the total deductions allowed  
3 going to taxpayers whose federal adjusted gross income is over two  
4 hundred fifty thousand dollars; and

5 (d) In order to better serve the purpose of increasing access to  
6 higher education by reducing the cost of higher education for students for  
7 whom cost is a significant barrier, it is necessary, appropriate, and in the  
8 best interest of all Coloradans to increase the amount of the deductions  
9 for lower and middle-income taxpayers, maintaining the deductions at  
10 their current levels for upper middle-income taxpayers, and eliminating  
11 the deductions for high-income taxpayers in the manner specified in this  
12 act.

13 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**  
14 (4) (i) (I) and (4) (i) (II); and **add** (4) (i) (I.5) and (4) (i) (II.5) as follows:

15 **39-22-104. Income tax imposed on individuals, estates, and**  
16 **trusts - single rate - definitions - repeal.** (4) There shall be subtracted  
17 from federal taxable income:

18 (i) (I) For income tax years commencing on or after January 1,  
19 1998, BUT BEFORE JANUARY 1, 2016, an amount equal to the portion  
20 attributable to interest and other income of a distribution under a qualified  
21 state tuition program that is distributed for the purpose of meeting  
22 qualified higher education expenses of a designated beneficiary, to the  
23 extent such amount is included in federal taxable income;

24 (I.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
25 JANUARY 1, 2016, AN AMOUNT EQUAL TO:

26 (A) TWO HUNDRED PERCENT OF THE PORTION ATTRIBUTABLE TO  
27 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED

1 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF  
2 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED  
3 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL  
4 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME  
5 IS SEVENTY-FIVE THOUSAND DOLLARS OR LESS;

6 (B) ONE HUNDRED FIFTY PERCENT OF THE PORTION ATTRIBUTABLE  
7 TO INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED  
8 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF  
9 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED  
10 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL  
11 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME  
12 IS MORE THAN SEVENTY-FIVE THOUSAND DOLLARS BUT NOT MORE THAN  
13 TWO HUNDRED THOUSAND DOLLARS; AND

14 (C) ONE HUNDRED PERCENT OF THE PORTION ATTRIBUTABLE TO  
15 INTEREST AND OTHER INCOME OF A DISTRIBUTION UNDER A QUALIFIED  
16 STATE TUITION PROGRAM THAT IS DISTRIBUTED FOR THE PURPOSE OF  
17 MEETING QUALIFIED HIGHER EDUCATION EXPENSES OF A DESIGNATED  
18 BENEFICIARY, TO THE EXTENT SUCH AMOUNT IS INCLUDED IN FEDERAL  
19 TAXABLE INCOME, IF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME  
20 IS MORE THAN TWO HUNDRED THOUSAND DOLLARS BUT NOT MORE THAN  
21 TWO HUNDRED FIFTY THOUSAND DOLLARS.

22 (II) For income tax years commencing on or after January 1, 2001,  
23 BUT BEFORE JANUARY 1, 2016, an amount equal to all payments or  
24 contributions made during the taxable year under an advance payment  
25 contract, to a savings trust account, or otherwise in connection with a  
26 qualified state tuition program established by collegeinvest created in  
27 section 23-3.1-203, C.R.S., or to a qualified state tuition program that is

1 affiliated with an educational institution in the state and that is established  
2 and maintained pursuant to section 529 of the internal revenue code or  
3 any successor section;

4 (II.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
5 JANUARY 1, 2016, AN AMOUNT EQUAL TO:

6 (A) TWO HUNDRED PERCENT OF ALL PAYMENTS OR  
7 CONTRIBUTIONS MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE  
8 PAYMENT CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN  
9 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED  
10 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A  
11 QUALIFIED STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN  
12 EDUCATIONAL INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND  
13 MAINTAINED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE  
14 OR ANY SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED  
15 GROSS INCOME IS SEVENTY-FIVE THOUSAND DOLLARS OR LESS;

16 (B) ONE HUNDRED FIFTY PERCENT OF ALL PAYMENTS OR  
17 CONTRIBUTIONS MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE  
18 PAYMENT CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN  
19 CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED  
20 BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A  
21 QUALIFIED STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN  
22 EDUCATIONAL INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND  
23 MAINTAINED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE  
24 OR ANY SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED  
25 GROSS INCOME IS MORE THAN SEVENTY-FIVE THOUSAND DOLLARS BUT NOT  
26 MORE THAN TWO HUNDRED THOUSAND DOLLARS; AND

27 (C) ONE HUNDRED PERCENT OF ALL PAYMENTS OR CONTRIBUTIONS

1     MADE DURING THE TAXABLE YEAR UNDER AN ADVANCE PAYMENT  
2     CONTRACT, TO A SAVINGS TRUST ACCOUNT, OR OTHERWISE IN  
3     CONNECTION WITH A QUALIFIED STATE TUITION PROGRAM ESTABLISHED  
4     BY COLLEGEINVEST CREATED IN SECTION 23-3.1-203, C.R.S., OR TO A  
5     QUALIFIED STATE TUITION PROGRAM THAT IS AFFILIATED WITH AN  
6     EDUCATIONAL INSTITUTION IN THE STATE AND THAT IS ESTABLISHED AND  
7     MAINTAINED PURSUANT TO SECTION 529 OF THE INTERNAL REVENUE CODE  
8     OR ANY SUCCESSOR SECTION IF THE TAXPAYER'S FEDERAL ADJUSTED  
9     GROSS INCOME IS MORE THAN TWO HUNDRED THOUSAND DOLLARS BUT  
10    NOT MORE THAN TWO HUNDRED FIFTY THOUSAND DOLLARS.

11           **SECTION 3. Act subject to petition - effective date.** This act  
12    takes effect at 12:01 a.m. on the day following the expiration of the  
13    ninety-day period after final adjournment of the general assembly (August  
14    5, 2015, if adjournment sine die is on May 6, 2015); except that, if a  
15    referendum petition is filed pursuant to section 1 (3) of article V of the  
16    state constitution against this act or an item, section, or part of this act  
17    within such period, then the act, item, section, or part will not take effect  
18    unless approved by the people at the general election to be held in  
19    November 2016 and, in such case, will take effect on the date of the  
20    official declaration of the vote thereon by the governor.