

**Second Regular Session
Seventieth General Assembly
STATE OF COLORADO**

ENGROSSED

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

LLS NO. 16-0906.01 Ed DeCecco x4216

SENATE BILL 16-086

SENATE SPONSORSHIP

Neville T., Marble, Holbert, Baumgardner, Woods

HOUSE SPONSORSHIP

Neville P., Saine, Everett, Humphrey

Senate Committees

Finance
Appropriations

House Committees

A BILL FOR AN ACT

101 **CONCERNING THE ELIMINATION OF THE CAP ON THE STATE INCOME**
102 **TAX DEDUCTION FOR 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 amounts received as pensions or annuities from any source from federal

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
2nd Reading Unamended
April 25, 2016

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

The bill eliminates these limits and allows a person to claim a state income tax deduction for the entire amount of his or her pension or annuity payments.

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) (III) 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 (f) (III) For income tax years commencing on or after January 1,
8 1989, BUT PRIOR TO JANUARY 1, 2017, amounts subtracted under this
9 paragraph (f) shall not exceed twenty thousand dollars per tax year;
10 except that, for income tax years, commencing on or after January 1,
11 2000, BUT PRIOR TO JANUARY 1, 2017, amounts subtracted under
12 subparagraph (I) of this paragraph (f) shall not exceed twenty-four
13 thousand dollars per tax year for any individual who is sixty-five years of
14 age or older at the close of the taxable year. For the purpose of
15 determining the exclusion allowed by this paragraph (f), in the case of a
16 joint return, social security benefits included in federal taxable income
17 shall be apportioned in a ratio of the gross social security benefits of each
18 taxpayer to the total gross social security benefits of both taxpayers. For
19 the purposes of this paragraph (f), "pensions ~~and~~ OR annuities" means
20 retirement benefits that are periodic payments attributable to personal
21 services performed by an individual prior to his or her retirement from
22 employment and that arise from an employer-employee relationship, from
23 service in the uniformed services of the United States, or from

1 contributions to a retirement plan which are deductible for federal income
2 tax purposes. "Pensions ~~and~~ OR annuities" includes lump-sum
3 distributions from pension and profit sharing plans to the extent that such
4 distributions qualify for the tax-averaging computation under section 402
5 (e) (1) of the internal revenue code, distributions from individual
6 retirement arrangements and self-employed retirement accounts to the
7 extent that such distributions are not deemed to be premature distributions
8 for federal income tax purposes, amounts received from fully matured
9 privately purchased annuities, social security benefits, and amounts paid
10 from any such sources by reason of permanent disability or death of the
11 person entitled to receive the benefits.

12 **SECTION 2. Act subject to petition - effective date.** This act
13 takes effect at 12:01 a.m. on the day following the expiration of the
14 ninety-day period after final adjournment of the general assembly (August
15 10, 2016, if adjournment sine die is on May 11, 2016); except that, if a
16 referendum petition is filed pursuant to section 1 (3) of article V of the
17 state constitution against this act or an item, section, or part of this act
18 within such period, then the act, item, section, or part will not take effect
19 unless approved by the people at the general election to be held in
20 November 2016 and, in such case, will take effect on the date of the
21 official declaration of the vote thereon by the governor.