

**First Regular Session
Sixty-third General Assembly
STATE OF COLORADO**

REENGROSSED

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

LLS NO. 01-0082.01 Michele Hanigsberg

HOUSE BILL 01-1003

HOUSE SPONSORSHIP

Lawrence

SENATE SPONSORSHIP

Evans

House Committees

Finance

Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE CREATION OF A STATE INCOME TAX CREDIT FOR**
102 **EMPLOYER CONTRIBUTIONS TO MEDICAL SAVINGS ACCOUNTS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Health Care Task Force. Replaces the state income tax deduction for an employer that contributes to employee medical savings accounts with a state income tax credit. Provides that the amount of the credit equals a specified percentage of the amount contributed by the employer to such accounts.

Specifies a maximum aggregate amount that may be claimed for a credit. Provides that an unused credit may be carried forward for a specified number of years.

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.

HOUSE
3rd Reading Unamended
April 5, 2001

HOUSE
Amended 2nd Reading
April 4, 2001

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

2 **SECTION 1.** 39-22-504.7 (2) (e), Colorado Revised Statutes, is
3 amended, and the said 39-22-504.7 (2) is further amended BY THE
4 ADDITION OF A NEW PARAGRAPH, to read:

5 **39-22-504.7. Medical savings accounts - establishment -**
6 **contributions - distributions - restrictions - taxation - tax credit -**
7 **portability.** (2) (e) **Employer contributions - tax deduction.** FOR
8 INCOME TAX YEARS COMMENCING PRIOR TO JANUARY 1, 2002, employer
9 contributions to employee medical savings accounts constitute a deduction
10 from the employer's federal taxable income, pursuant to sections
11 39-22-104 (4) (h) and 39-22-304 (3) (k).

12 (f) **Tax credits - employer contributions.** (I) FOR INCOME TAX
13 YEARS COMMENCING ON OR AFTER JANUARY 1, 2002, AN EMPLOYER WHO
14 MAKES A CONTRIBUTION DURING THE TAX YEAR TO AN EMPLOYEE MEDICAL
15 SAVINGS ACCOUNT ESTABLISHED PURSUANT TO THIS SECTION SHALL BE
16 ALLOWED A CREDIT WITH RESPECT TO THE INCOME TAXES IMPOSED
17 PURSUANT TO THIS ARTICLE. THE CREDIT SHALL EQUAL TWENTY-FIVE
18 PERCENT OF THE AGGREGATE AMOUNT CONTRIBUTED DURING THE TAX
19 YEAR BY THE EMPLOYER TO ALL EMPLOYEE MEDICAL SAVINGS ACCOUNTS
20 ESTABLISHED PURSUANT TO THIS SECTION; EXCEPT THAT THE AGGREGATE
21 AMOUNT OF THE CREDIT CLAIMED BY AN EMPLOYER FOR ALL EMPLOYEES
22 PURSUANT TO THIS SECTION SHALL NOT EXCEED FIFTY THOUSAND DOLLARS
23 FOR ANY SINGLE TAX YEAR.

24 (II) IF THE AMOUNT OF A CREDIT ALLOWED PURSUANT TO THE
25 PROVISIONS OF THIS PARAGRAPH (f) EXCEEDS THE AMOUNT OF INCOME

1 TAXES OTHERWISE DUE ON THE TAXPAYER'S INCOME IN THE INCOME TAX
2 YEAR FOR WHICH THE CREDIT IS BEING CLAIMED, THE AMOUNT OF THE
3 CREDIT NOT USED AS AN OFFSET AGAINST INCOME TAXES IN SAID INCOME
4 TAX YEAR MAY BE CARRIED FORWARD AND USED AS A CREDIT AGAINST
5 SUBSEQUENT YEARS' INCOME TAX LIABILITY FOR A PERIOD NOT TO EXCEED
6 FIVE YEARS AND SHALL BE APPLIED FIRST TO THE EARLIEST INCOME TAX
7 YEARS POSSIBLE. ANY CREDIT REMAINING AFTER SAID PERIOD SHALL NOT
8 BE REFUNDED OR CREDITED TO THE TAXPAYER.

9 **SECTION 2.** 39-22-104 (4) (h), Colorado Revised Statutes, is
10 amended to read:

11 **39-22-104. Income tax imposed on individuals, estates, and**
12 **trusts - single rate.** (4) There shall be subtracted from federal taxable
13 income:

14 (h) FOR INCOME TAX YEARS COMMENCING PRIOR TO JANUARY 1,
15 2002, any amount contributed to a medical savings account by an
16 employer pursuant to section 39-22-504.7 (2) (e), to the extent such
17 amount is not claimed as a deduction on the taxpayer's federal tax return;

18 **SECTION 3.** 39-22-304 (3) (k), Colorado Revised Statutes, is
19 amended to read:

20 **39-22-304. Net income of corporation - repeal.** (3) There shall
21 be subtracted from federal taxable income:

22 (k) FOR INCOME TAX YEARS COMMENCING PRIOR TO JANUARY 1,
23 2002, any amount contributed to a medical savings account pursuant to
24 section 39-22-504.7 (2) (e), to the extent such amount is not claimed as
25 a deduction on the taxpayer's federal tax return;

26 **SECTION 4.** 39-22-504.6 (2.4), Colorado Revised Statutes, is
27 amended to read:

1 **39-22-504.6. Definitions.** As used in sections 39-22-504.5 to
2 39-22-504.7, unless the context otherwise requires:

3 (2.4) "Eligible medical expense" means any medical expense,
4 INCLUDING ANY ELIGIBLE PRESCRIPTION DRUG EXPENSE, that is deductible
5 for purposes of section 213 (d) of the internal revenue code.

6 **SECTION 5. Effective date.** This act shall take effect at 12:01
7 a.m. on the day following the expiration of the ninety-day period after
8 final adjournment of the general assembly that is allowed for submitting
9 a referendum petition pursuant to article V, section 1 (3) of the state
10 constitution; except that, if a referendum petition is filed against this act
11 or an item, section, or part of this act within such period, then the act,
12 item, section, or part, if approved by the people, shall take effect on the
13 date of the official declaration of the vote thereon by proclamation of the
14 governor.