

**Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO**

REREVISED

*This Version Includes All Amendments
Adopted in the Second House*

LLS NO. 24-0501.05 Jessica Herrera x4218

HOUSE BILL 24-1340

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House Committees

Education
Finance
Appropriations

Senate Committees

Finance
Appropriations

SENATE
Amended 3rd Reading
May 8, 2024

A BILL FOR AN ACT

101 **CONCERNING THE CREATION OF INCENTIVES AGAINST THE STATE**
102 **INCOME TAX FOR STUDENTS PURSUING POST-SECONDARY**
103 **CREDENTIALS, AND, IN CONNECTION THEREWITH, MAKING AN**
104 **APPROPRIATION.**

SENATE
Amended 2nd Reading
May 7, 2024

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://leg.colorado.gov>.)

HOUSE
3rd Reading Unamended
May 4, 2024

The bill creates 2 separate state income tax incentives (incentives) to encourage enrollment in institutions of higher education. For income tax years commencing on or after January 1, 2024, but prior to January 1,

HOUSE
Amended 2nd Reading
May 3, 2024

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

2030, the first incentive is available to a graduate of any Colorado institution of higher education with a credential required or supported by certain jobs identified by the 2023 Colorado talent pipeline report, defined by the bill as "top jobs", in the amount of \$250 for the completion of a qualified program less than one year in duration, \$500 for the completion of a qualified program between one year and 2 years in duration, \$1,500 for graduates of an associate's degree program, and \$3,000 for graduates of a bachelor's degree program.

For income tax years commencing on or after January 1, 2026, but prior to January 1, 2030, the second incentive is available to an eligible transfer student attending a 4-year Colorado institution of higher education, in the amount of \$50 per credit hour transferred from either a 2-year Colorado institution of higher education or earned while under certain enrollment status in high school. The incentive is capped at 60 credit hours or \$3,000 and may only be awarded after the student completes at least 15 credits at the 4-year Colorado institution of higher education.

Notwithstanding the incentive amounts otherwise allowed for both incentives, if the revenue forecast prepared by either legislative council staff or the office of state planning and budgeting in June of any income tax year for which an incentive is allowed projects that the amount of excess state revenues for the state fiscal year that ends during the income tax year will be:

- At least \$500 million but no more than \$750 million, the amount of the incentive allowed is reduced by fifty percent for that income tax year.
- Less than \$500 million, the incentive is not allowed for that income tax year.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-560 as
3 follows:

4 **39-22-560. Tuition and fee tax credit for qualifying students**
5 **- tax preference performance statement - legislative declaration -**
6 **definitions - repeal.** (1) (a) THE GENERAL ASSEMBLY FINDS,
7 DETERMINES, AND DECLARES THAT:

8 (I) THE COST OF HIGHER EDUCATION AND STUDENT DEBT CAN BE
9 A DETERRENT FOR MANY STUDENTS TO PURSUE POST-SECONDARY

1 CREDENTIALS;

2 (II) COLORADO'S POSTSECONDARY MATRICULATION RATE WAS
3 LESS THAN FIFTY PERCENT IN 2021 WITH A LARGE SHARE GOING OUT OF
4 STATE. POSTSECONDARY EDUCATION HELPS STUDENTS ACHIEVE
5 ECONOMIC MOBILITY, AND STUDENTS ARE MORE LIKELY TO STAY IN
6 COLORADO IF THEY ATTEND INSTITUTIONS IN COLORADO. BY
7 INCENTIVIZING STUDENTS TO ATTEND INSTITUTIONS IN COLORADO,
8 STUDENTS WILL SEE MORE ECONOMIC MOBILITY WHILE BENEFITING THE
9 STATE WORKFORCE.

10 (III) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT IN THE
11 EVENT OF A RECESSION, EXISTING SUPPORT OF NEED-BASED FINANCIAL AID
12 BE A POTENTIAL BACKSTOP FOR THIS INCENTIVE;

13 (IV) THE COSTS OF HIGHER EDUCATION ARE A BARRIER TO MANY
14 STUDENTS. REDUCING THOSE COSTS AND STUDENT DEBT CAN HELP
15 STUDENTS NOT ONLY ATTEND COLLEGE BUT ALSO BE FINANCIALLY
16 SUCCESSFUL. TARGETED INCENTIVES FOR ATTENDING PUBLIC
17 INSTITUTIONS OF HIGHER EDUCATION, WHICH HAVE LOWER TUITION, HELP
18 MORE STUDENTS COMPLETE HIGHER EDUCATION WITH LESS OR NO DEBT
19 AND HELP COLORADO RETAIN OUR OWN TALENT.

20 (V) BUILDING BRIDGES TO HIGHER EDUCATION SUPPORTS OUR
21 STATE'S STUDENTS AND ECONOMIC HEALTH.

22 (VI) TO CONTINUE TO STRENGTHEN THE EDUCATIONAL PIPELINE,
23 A FINANCIAL INCENTIVE SHOULD BE PROVIDED TO LOW- AND MIDDLE-
24 INCOME POST-SECONDARY COLORADO STUDENTS.

25 (b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH
26 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE
27 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY

1 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND
2 DECLARES THAT THE GENERAL LEGISLATIVE PURPOSES OF THIS TAX
3 EXPENDITURE ARE TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY
4 TAXPAYERS AND PROVIDE TAX RELIEF FOR CERTAIN INDIVIDUALS.
5 SPECIFICALLY, THIS TAX EXPENDITURE IS INTENDED TO ENCOURAGE
6 STUDENTS TO ATTEND PUBLIC COLORADO INSTITUTIONS OF HIGHER
7 EDUCATION AND REDUCE STUDENT DEBT BY PROVIDING A YEARLY
8 REFUNDABLE INCENTIVE TO STUDENTS IN THEIR FIRST TWO YEARS OF
9 HIGHER EDUCATION AGAINST THE TUITION AND FEES PAID TO A COLORADO
10 PUBLIC INSTITUTION OF HIGHER EDUCATION.

11 (c) THE TAX INCENTIVE PROVIDES A YEARLY REFUNDABLE CREDIT
12 TO STUDENTS AGAINST THE TUITION AND FEE COSTS PAID TO A PUBLIC
13 TWO-YEAR OR FOUR-YEAR INSTITUTION, AREA TECHNICAL COLLEGE, OR
14 LOCAL DISTRICT COLLEGE IN THEIR FIRST TWO YEARS OF HIGHER
15 EDUCATION. ELIGIBLE STUDENTS ARE THOSE WHO ARE CLASSIFIED AS
16 IN-STATE STUDENTS, ENROLL IN AT LEAST SIX CREDIT HOURS IN A
17 SEMESTER OR TERM, HAVE AT LEAST A 2.5 GRADE POINT AVERAGE IN A
18 SEMESTER OR TERM, MATRICULATED IN COLLEGE WITHIN TWO YEARS OF
19 HIGH SCHOOL GRADUATION, AND HAVE A FEDERAL ADJUSTED GROSS
20 HOUSEHOLD INCOME OF NINETY THOUSAND DOLLARS OR LESS AS
21 INDICATED ON THE FREE APPLICATION FOR FEDERAL STUDENT AID OR
22 COLORADO APPLICATION FOR STATE FINANCIAL AID.

23 (d) THE 2022 AMERICAN COMMUNITY SURVEY CONDUCTED BY THE
24 UNITED STATES CENSUS BUREAU FOUND THAT THE MEDIAN HOUSEHOLD
25 INCOME IN COLORADO IS EIGHTY NINE THOUSAND THREE HUNDRED TWO
26 DOLLARS. A NINETY THOUSAND DOLLAR INCOME THRESHOLD ENSURES
27 THAT ALL COLORADO HOUSEHOLDS AT OR BELOW MEDIAN INCOME WILL

1 BE ABLE TO BENEFIT FROM THIS INCENTIVE.

2 (e) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL
3 MEASURE THE EFFECTIVENESS OF THE INCENTIVE IN ACHIEVING THE
4 PURPOSE SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE
5 NUMBER OF INCENTIVES THAT ARE CLAIMED.

6 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
7 REQUIRES:

8 (a) "ACADEMIC YEAR" MEANS THE PERIOD BEGINNING WITH A
9 COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION'S FALL SEMESTER
10 OR TERM AND ENDING THE FOLLOWING CALENDAR YEAR AT THE
11 CONCLUSION OF THE COLORADO PUBLIC INSTITUTION OF HIGHER
12 EDUCATION'S SUMMER SEMESTER OR TERM.

13 (b) "COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION"
14 MEANS:

15 (I) A PUBLIC, POST-SECONDARY INSTITUTION THAT IS GOVERNED
16 BY THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY
17 SYSTEM, THE BOARD OF REGENTS OF THE UNIVERSITY OF COLORADO, THE
18 BOARD OF TRUSTEES OF THE COLORADO SCHOOL OF MINES, THE BOARD OF
19 TRUSTEES OF THE UNIVERSITY OF NORTHERN COLORADO, THE BOARD OF
20 TRUSTEES OF ADAMS STATE UNIVERSITY, THE BOARD OF TRUSTEES OF
21 WESTERN COLORADO UNIVERSITY, THE BOARD OF TRUSTEES OF
22 COLORADO MESA UNIVERSITY, THE BOARD OF TRUSTEES OF FORT LEWIS
23 COLLEGE, THE BOARD OF TRUSTEES OF METROPOLITAN STATE UNIVERSITY
24 OF DENVER, OR THE STATE BOARD FOR COMMUNITY COLLEGES AND
25 OCCUPATIONAL EDUCATION;

26 (II) AN AREA TECHNICAL COLLEGE, AS DEFINED IN SECTION
27 23-60-103 (1); OR

1 (III) COLORADO MOUNTAIN COLLEGE AND AIMS COMMUNITY
2 COLLEGE.

3 (c) "ELIGIBLE STUDENT" MEANS AN INDIVIDUAL WHO:

4 (I) HAS MATRICULATED AT A COLORADO PUBLIC INSTITUTION OF
5 HIGHER EDUCATION WITHIN TWO YEARS OF COMPLETION OF HIGH SCHOOL
6 GRADUATION OR AN EQUIVALENT.

7 (II) IS DESIGNATED AS A DEGREE OR CREDENTIAL SEEKING
8 STUDENT AT A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION FOR
9 THE SEMESTER OR TERM FOR WHICH AN INCENTIVE IS CLAIMED;

10 (III) QUALIFIES FOR IN-STATE TUITION, AS DESCRIBED IN ARTICLE
11 7 OF TITLE 23, FOR THE SEMESTER OR TERM FOR WHICH THE INCENTIVE IS
12 CLAIMED; AND

13 (IV) HAS COMPLETED A FREE APPLICATION FOR FEDERAL STUDENT
14 AID (FAFSA) OR COLORADO APPLICATION FOR STATE FINANCIAL AID
15 (CASFA) FOR THE SEMESTER OR TERM FOR WHICH AN INCENTIVE IS
16 CLAIMED THAT INDICATES THAT THE STUDENT'S HOUSEHOLD HAS AN
17 ADJUSTED GROSS INCOME THAT IS NINETY THOUSAND DOLLARS OR LESS.

18 ==

19 (d) "INCENTIVE" MEANS THE REFUNDABLE CREDIT ALLOWED BY
20 THIS SECTION.

21 (e) "QUALIFYING SEMESTER OR TERM" MEANS A SEMESTER OR
22 TERM THAT THE ELIGIBLE STUDENT:

23 (I) BEGINS WITH FEWER THAN SIXTY-SIX CREDIT HOURS
24 ACCUMULATED, INCLUDING ALL CREDITS TRANSFERRED TO THE
25 COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION, EXCEPT THOSE
26 CREDITS EARNED THROUGH PRIOR LEARNING ASSESSMENT, CONCURRENT
27 ENROLLMENT, ADVANCED PLACEMENT, THE INTERNATIONAL

1 BACCALAUREATE PROGRAM, MILITARY CREDITS, OR ANY OTHER CREDITS
2 ACCUMULATED PRIOR TO MATRICULATION AT ANY INSTITUTION OF HIGHER
3 EDUCATION; AND

4 (II) COMPLETES EARNING AT LEAST SIX CREDIT HOURS OR
5 EQUIVALENT WITH A GRADE POINT AVERAGE OF 2.5 OR HIGHER.

6 (f) "SCHOLARSHIPS OR GRANTS" MEANS THE SUM OF ANY AMOUNT
7 PAID FOR THE BENEFIT OF AN ELIGIBLE STUDENT THAT ARE REQUIRED TO
8 BE TAKEN INTO ACCOUNT PURSUANT TO SECTION 25A (g)(2) OF THE
9 INTERNAL REVENUE CODE.

10 (g) "TUITION AND FEES" HAS THE SAME MEANING AS "QUALIFIED
11 TUITION AND RELATED EXPENSES" AS DEFINED IN SECTION 25A (f)(1) OF
12 THE INTERNAL REVENUE CODE THAT ARE PAID BY OR FOR THE BENEFIT OF
13 AN ELIGIBLE STUDENT.

14 (3) (a) FOR EACH INCOME TAX YEAR COMMENCING ON OR AFTER
15 JANUARY 1, 2025, BUT PRIOR TO JANUARY 1, 2033, _____ AN ELIGIBLE
16 STUDENT IS ALLOWED AN INCENTIVE AGAINST THE INCOME TAXES IMPOSED
17 BY THIS ARTICLE 22 FOR EVERY QUALIFYING SEMESTER OR TERM
18 COMPLETED DURING THE ACADEMIC YEAR ENDING DURING THE INCOME
19 TAX YEAR.

20 (b) THE AMOUNT OF INCENTIVE ALLOWED TO AN ELIGIBLE
21 STUDENT FOR EACH INCOME TAX YEAR IS EQUAL TO THE AMOUNT PAID BY
22 OR FOR THE BENEFIT OF THE ELIGIBLE STUDENT IN TUITION AND FEES TO A
23 COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION MINUS ANY
24 SCHOLARSHIPS OR GRANTS FOR EACH QUALIFYING SEMESTER OR TERM
25 DURING THE ACADEMIC YEAR COMPLETED DURING THE PRIOR CALENDAR
26 YEAR.

27 (4) (a) EACH COLORADO PUBLIC INSTITUTION OF HIGHER

1 EDUCATION IS REQUIRED BY JANUARY 15, 2026, AND EVERY JANUARY 15
2 THEREAFTER UNTIL 2033, TO ELECTRONICALLY REPORT EACH ELIGIBLE
3 STUDENT FOR ANY QUALIFYING SEMESTER OR TERM COMPLETED DURING
4 THE ACADEMIC YEAR COMPLETED DURING THE PRIOR CALENDAR YEAR TO
5 THE DEPARTMENT OF HIGHER EDUCATION IN A FORMAT PRESCRIBED BY
6 THE DEPARTMENT OF HIGHER EDUCATION THAT INCLUDES:

7 (I) THE STUDENT'S TAX IDENTIFICATION NUMBER OR SOCIAL
8 SECURITY NUMBER; AND

9 (II) THE AMOUNT OF TUITION AND FEES PAID MINUS ANY
10 SCHOLARSHIPS OR GRANTS.

11 (b) BY JANUARY 31, 2026, AND EVERY JANUARY 31 THEREAFTER
12 THROUGH 2033, THE COLORADO PUBLIC INSTITUTION OF HIGHER
13 EDUCATION SHALL PROVIDE EACH ELIGIBLE STUDENT WITH A STATEMENT
14 CONTAINING THE INFORMATION PERTAINING TO THAT STUDENT'S
15 ELIGIBILITY AND THE AMOUNT REPORTED TO THE DEPARTMENT OF HIGHER
16 EDUCATION PURSUANT TO SUBSECTION (4)(a)(II) OF THIS SECTION.

17 (c) THE DEPARTMENT OF HIGHER EDUCATION IS REQUIRED BY
18 JANUARY 31, 2026, AND EVERY JANUARY 31 THEREAFTER THROUGH 2034,
19 TO ELECTRONICALLY REPORT THE INFORMATION RECEIVED PURSUANT TO
20 SUBSECTION (4)(a) OF THIS SECTION ALONG WITH ANY LATER
21 CORRECTIONS OR ADDITIONS TO THE DEPARTMENT OF REVENUE IN A
22 FORMAT PRESCRIBED BY THE EXECUTIVE DIRECTOR.

23 (5) THE AMOUNT OF THE INCENTIVE ALLOWED UNDER THIS
24 SECTION THAT EXCEEDS THE ___ ELIGIBLE STUDENT'S INCOME TAXES DUE
25 IS REFUNDED TO THE TAXPAYER.

26 (6) (a) THE DEPARTMENT OF HIGHER EDUCATION, IN CONSULTATION
27 WITH COLORADO PUBLIC INSTITUTIONS OF HIGHER EDUCATION, SHALL

1 DETERMINE EACH INSTITUTION'S AVERAGE PERCENTAGE OF STATE AND
2 INSTITUTIONAL FINANCIAL AID ALLOCATED TO THE RESIDENT STUDENT
3 POPULATION WHO HAVE A FAMILY INCOME OF NINETY THOUSAND DOLLARS
4 OR LESS IN EACH YEAR OF THE THREE YEARS PRIOR TO 2025.

5 (b) EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION
6 SHALL MAINTAIN A PERCENTAGE OF STATE AND INSTITUTIONAL FINANCIAL
7 AID TO RESIDENT STUDENTS WHO HAVE AN ADJUSTED GROSS HOUSEHOLD
8 INCOME OF NINETY THOUSAND DOLLARS OR LESS THAT IS EQUAL TO OR
9 GREATER THAN THE AVERAGE PERCENTAGE OF STATE AND INSTITUTIONAL
10 FINANCIAL AID CALCULATED BY THE DEPARTMENT OF HIGHER EDUCATION
11 IN EACH OF THE THREE ACADEMIC YEARS PRIOR TO THE ACADEMIC YEAR
12 2024-25.

13 (c) IF AN INSTITUTION DOES NOT MAINTAIN THE PERCENTAGE, THE
14 INSTITUTION SHALL NOTIFY THE DEPARTMENT OF HIGHER EDUCATION BY
15 A DATE DETERMINED BY THE DEPARTMENT OF HIGHER EDUCATION AND
16 MUST INCLUDE IN THE NOTIFICATION A DESCRIPTION OF CHANGES TO
17 INSTITUTIONAL FINANCES OR THE STUDENT POPULATION THAT PREVENTED
18 THE INSTITUTION FROM MAINTAINING THE STATE AND INSTITUTIONAL
19 FINANCIAL AID ALLOCATION PERCENTAGE. THE DEPARTMENT OF HIGHER
20 EDUCATION SHALL INCLUDE THIS INFORMATION IN ITS REPORT DESCRIBED
21 IN SUBSECTION (7)(d) OF THIS SECTION.

22 (d) ON OR BEFORE JUNE 30, 2027, AND EACH YEAR THEREAFTER
23 UNTIL 2037, THE DEPARTMENT OF HIGHER EDUCATION SHALL SUBMIT A
24 REPORT TO THE JOINT BUDGET COMMITTEE AND THE HOUSE OF
25 REPRESENTATIVES AND SENATE EDUCATION COMMITTEES, OR ANY
26 SUCCESSOR COMMITTEES, INCLUDING, FOR EACH INSTITUTION, THE
27 AVERAGE PERCENTAGE OF STATE AND INSTITUTIONAL FINANCIAL AID

1 ALLOCATED TO THE RESIDENT STUDENT POPULATION WHO HAVE A FAMILY
2 INCOME OF NINETY THOUSAND DOLLARS OR LESS IN THE THREE ACADEMIC
3 YEARS PRIOR TO THE ACADEMIC YEAR 2024-25, AND IN EACH ACADEMIC
4 YEAR THEREAFTER UNTIL 2034. THE DEPARTMENT OF HIGHER EDUCATION
5 SHALL INCLUDE IN THE REPORT STUDENT ENROLLMENT INFORMATION FOR
6 ELIGIBLE AND NON-ELIGIBLE STUDENTS, DISAGGREGATED BY INCOME, AND
7 SHALL INCLUDE, ONCE THE DATE IS AVAILABLE, DISAGGREGATED
8 OUTCOME MEASURES BY INCOME FOR ELIGIBLE AND NON-ELIGIBLE
9 STUDENTS, INCLUDING BUT NOT LIMITED TO STUDENT RETENTION AND
10 COMPLETION RATES. EACH COLORADO PUBLIC INSTITUTION OF HIGHER
11 EDUCATION SHALL ANNUALLY REPORT STUDENT LEVEL FINANCIAL AID,
12 STUDENT ELIGIBILITY, AND INCENTIVE ELIGIBILITY INFORMATION TO THE
13 DEPARTMENT OF HIGHER EDUCATION THAT THE DEPARTMENT OF HIGHER
14 EDUCATION DEEMS NECESSARY TO PROVIDE TO THE DEPARTMENT OF
15 REVENUE FOR INCENTIVE ADMINISTRATION OR FOR INCLUSION IN THE
16 REPORT.

17 (7) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2037.

18 **SECTION 2. Appropriation.** (1) For the 2024-25 state fiscal
19 year, \$101,756 is appropriated to the department of higher education for
20 use by the Colorado commission on higher education and higher
21 education special purpose programs. This appropriation is from the
22 general fund and is based on the assumption that the commission will
23 require an additional 1.3 FTE. To implement this act, the commission
24 may use this appropriation for administration.

25 **SECTION 3. Act subject to petition - effective date.** This act
26 takes effect at 12:01 a.m. on the day following the expiration of the
27 ninety-day period after final adjournment of the general assembly; except

1 that, if a referendum petition is filed pursuant to section 1 (3) of article V
2 of the state constitution against this act or an item, section, or part of this
3 act within such period, then the act, item, section, or part will not take
4 effect unless approved by the people at the general election to be held in
5 November 2024 and, in such case, will take effect on the date of the
6 official declaration of the vote thereon by the governor.