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. 16-0669.01 Ed DeCecco x4216 **SENATE BILL 16-001**

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A BILL FOR AN ACT

CONCERNING THE EXPANSION OF THE STATE INCOME TAX DEDUCTION FOR MILITARY 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 his or her military retirement benefits from federal taxable income, and

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Amended 2nd Reading
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a person who is 65 years old or older may deduct up to $24,000.

With respect to military retirement benefits, the bill eliminates these limits and allows a person to claim a state income tax deduction for the entire amount.

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

SECTION 1. In Colorado Revised Statutes, 39-22-104, **amend** (4) (f) as follows:

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

(f) (I) ~~For income tax years commencing on or after January 1, 1989,~~ Amounts received as pensions or annuities from any source, by any individual who is fifty-five years of age or older at the close of the taxable year, to the extent included in federal adjusted gross income or as added in paragraph (c) of subsection (3) of this section;

(II) ~~For income tax years commencing on or after January 1, 1989,~~ Amounts received as pensions or annuities from any source by any individual who is less than fifty-five years of age at the close of the taxable year if such benefits are received because of the death of the person originally entitled to receive such benefits and only to the extent such benefits are included in federal adjusted gross income or as added in paragraph (c) of subsection (3) of this section;

(II.5) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2017, THERE IS NO LIMIT ON THE AMOUNT SUBTRACTED UNDER SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH (f) FOR AN AMOUNT RECEIVED AS A PENSION OR ANNUITY THAT ARISES FROM AN

INDIVIDUAL'S SERVICE IN THE UNIFORMED SERVICES OF THE UNITED STATES.

(III) ~~For income tax years commencing on or after January 1, 1989,~~ Amounts subtracted under SUBPARAGRAPHS (I) AND (II) OF this paragraph (f) FOR A PENSION OR ANNUITY THAT ARISES FROM ANY SOURCE OTHER THAN AN INDIVIDUAL'S SERVICE IN THE UNIFORMED SERVICES OF THE UNITED STATES, shall not exceed twenty thousand dollars per tax year; except that ~~for income tax years commencing on or after January 1, 2000,~~ amounts subtracted under subparagraph (I) of this paragraph (f) FROM THESE SAME SOURCES shall not exceed twenty-four thousand dollars per tax year for any individual who is sixty-five years of age or older at the close of the taxable year. For the purpose of determining the exclusion allowed by this paragraph (f), in the case of a joint return, social security benefits included in federal taxable income shall be apportioned in a ratio of the gross social security benefits of each taxpayer to the total gross social security benefits of both taxpayers. For the purposes of this paragraph (f), "pensions ~~and~~ OR annuities" means retirement benefits that are periodic payments attributable to personal services performed by an individual prior to his or her retirement from employment and that arise from an employer-employee relationship, from service in the uniformed services of the United States, or from contributions to a retirement plan which are deductible for federal income tax purposes. "Pensions ~~and~~ OR annuities" includes ~~lump-sum distributions from pension and profit sharing plans to the extent that such distributions qualify for the tax-averaging computation under section 402 (e) (1) of the internal revenue code,~~ distributions from individual retirement arrangements and self-employed retirement accounts to the extent that such distributions are not deemed to be premature distributions for federal income tax purposes, amounts received from fully matured privately purchased annuities, social security benefits, and amounts paid from any such sources by reason of permanent disability or death of the person entitled to receive the benefits.

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

(2) This act applies for income tax years that commence after the applicable effective date of this act.