Second Regular Session
Seventieth General Assembly
STATE OF COLORADO

REENGROSSED

This Version Includes All Amendments
Adopted 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

CONCERNING THE ELIMINATION OF THE CAP ON THE STATE INCOME 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

SENATE
3rd Reading Unamended
April 26, 2016

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.

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

SECTION 1. In Colorado Revised Statutes, 39-22-104, **amend** (4) (f) (III) 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) (III) For income tax years commencing on or after January 1, 1989, BUT PRIOR TO JANUARY 1, 2017, amounts subtracted under this paragraph (f) shall not exceed twenty thousand dollars per tax year; except that, for income tax years, commencing on or after January 1, 2000, BUT PRIOR TO JANUARY 1, 2017, amounts subtracted under subparagraph (I) of this paragraph (f) 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. 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.