

2025-2026 #21 - Amended

Be it Enacted by the People of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-22-104, **amend** (1.7)(c); and **add** (1.7)(d) as follows:

39-22-104. Income tax imposed on individuals, estates, and trusts - single rate - report – tax preference performance statement - legislative declaration - definitions - repeal.

(1.7)(c) Except as otherwise provided in section 39-22-627, subject to subsection (2) of this section, with respect to taxable years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, a tax of four and forty one-hundredths percent is imposed on the federal taxable income, as determined pursuant to section 63 of the internal revenue code, of every individual, estate, and trust.

(d) SUBJECT TO SUBSECTION (2) OF THIS SECTION, WITH RESPECT TO TAXABLE YEARS COMMENCING ON OR AFTER JANUARY 1, ~~2025~~2027, BUT BEFORE JANUARY 1, 2028, A TAX OF FOUR AND TWENTY ONE-HUNDREDTHS PERCENT (~~4.20%~~) IS IMPOSED ON THE FEDERAL TAXABLE INCOME, AS DETERMINED PURSUANT TO SECTION 63 OF THE INTERNAL REVENUE CODE, OF EVERY INDIVIDUAL, ESTATE, AND TRUST.

SECTION 2. In Colorado Revised Statutes, 39-22-301, **amend** (1)(d)(I)(K); and **add** (1)(d)(I)(L) as follows:

39-22-301. Corporate tax imposed - repeal.

(1)(d)(I) A tax is imposed upon each domestic C corporation, foreign C corporation, and combined group, as defined in section 39-22-303 (12)(a.3), doing business in Colorado annually in an amount of the net income of such C corporation during the year derived from sources within Colorado as set forth in the following schedule of rates:

(K) Except as otherwise provided in section 39-22-627, for income tax years commencing on or after January 1, 2022, BUT BEFORE JANUARY 1, 2027, four and forty one-hundredths percent of the Colorado net income.

(L) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, BUT BEFORE JANUARY 1, 2028, FOUR AND TWENTY ONE-HUNDREDTHS PERCENT (~~4.20%~~) OF THE COLORADO NET INCOME.

SECTION 3. Any reduction in state revenue attributed to the voter approval of Sections 1 and 2 of this measure shall not reduce for ~~Department of Education~~department of education as created in ~~C.R.S. section~~ 24-1-115 or ~~Department of Health Care Policy and Financing~~department of health care policy and financing as created in ~~C.R.S. section~~ 24-1-119.5.

SECTION 4. In Colorado Revised Statutes, ~~repeal~~ 39-22-627 as follows:

~~**39-22-627. Temporary adjustment of rate of income tax – refund of excess state revenues – authority of executive director.**~~

~~(1)(a)(I) Subject to the provisions of this section, if, for any state fiscal year commencing on or after July 1, 2024, but before July 1, 2034, the amount of state revenues in excess of the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution that are required to be refunded for such state fiscal year exceeds the amount specified in subsection (1)(b) of this section, the executive director shall temporarily reduce the state income tax rate for the income tax year commencing during the calendar year in which the~~

~~state fiscal year ended from its current percentage of the federal taxable income of every individual, estate, trust, and corporation, as specified in sections 39-22-104 (1.7) and 39-22-301 (1)(d)(I), as a method to refund excess state revenues that are required to be refunded pursuant to section 20 (7)(d) of article X of the state constitution. Except as otherwise provided in subsection (1)(b)(II) of this section, the state income tax rate for the income tax year commencing during the calendar year in which the state fiscal year ended is reduced, depending on the total amount of excess state revenues required to be refunded for a specified state fiscal year pursuant to section 20 (7)(d) of article X of the state constitution as determined by the annual certification of excess state revenues required by section 24-77-106.5 that exceed the amount of excess state revenues less the amount of reimbursement for property tax exemptions, by an applicable amount specified in subsection (1)(a)(II) of this section, subject to the annual adjustments required by subsection (1)(a)(III) of this section.~~

~~(H)(A) If the amount of such excess state revenues is greater than three hundred million dollars but less than or equal to five hundred million dollars, the income tax rate is reduced by four one-hundredths of one percent;~~

~~(B) If the amount of such excess state revenues is greater than five hundred million dollars but less than or equal to six hundred million dollars, the income tax rate is reduced by seven one-hundredths of one percent;~~

~~(C) If the amount of such excess state revenues is greater than six hundred million dollars but less than or equal to seven hundred million dollars, the income tax rate is reduced by nine one-hundredths of one percent;~~

~~(D) If the amount of such excess state revenues is greater than seven hundred million dollars but less than or equal to eight hundred million dollars, the income tax rate is reduced by eleven one-hundredths of one percent;~~

~~(E) If the amount of such excess state revenues is greater than eight hundred million dollars but less than or equal to one billion dollars, the income tax rate is reduced by twelve one-hundredths of one percent;~~

~~(F) If the amount of such excess state revenues is greater than one billion dollars but less than or equal to one billion five hundred million dollars, the income tax rate is reduced by thirteen one-hundredths of one percent; and~~

~~(G) If the amount of such excess state revenues is greater than one billion five hundred million dollars, the income tax rate is reduced by fifteen one-hundredths of one percent.~~

~~(H)(I) For each state fiscal year commencing on or after July 1, 2025, the executive director shall annually adjust the excess state revenue amounts specified in subsection (1)(a)(II) of this section by a percentage equal to the percentage of allowable increase in state fiscal year spending calculated pursuant to section 24-77-103 (2)(a)(I) for the state fiscal year for which the excess state revenue must be refunded.~~

~~(b)(I) The provisions of subsection (1)(a) of this section take effect only if the amount of excess state revenues required to be refunded for the specified state fiscal year, as outlined in subsection (1)(a)(II) of this section, exceeds the total of the amount of reimbursement for property tax~~

exemptions plus the estimated amount by which state revenues would be decreased as the result of the applicable reduction in the state income tax rate.

(H) For any state fiscal year commencing on or after July 1, 2025, if the permanent state income tax rate then in effect is four and twenty five one hundredths percent or less of the federal taxable income of every individual, estate, trust, and corporation, any otherwise applicable temporary income tax rate reduction outlined in subsection (1)(a) of this section does not take effect; except that, if the amount of excess state revenues required to be refunded for the state fiscal year is equal to or greater than two billion dollars, the executive director shall temporarily reduce the state income tax rate to the extent necessary to refund all excess state revenues that would not otherwise be refunded by another method established by law other than the methods set forth in sections 39-22-2002 and 39-22-2003.

(c) For the income tax year beginning on January 1, 2024, the executive director shall temporarily reduce the state income tax rate from four and forty one hundredths percent of the federal taxable income of every individual, estate, trust, and corporation, as specified in sections 39-22-104 (1.7) and 39-22-301 (1)(d)(I), to four and twenty five one hundredths percent of the federal taxable income of every individual, estate, trust, and corporation, as a method to refund excess state revenues that are required to be refunded pursuant to section 20 (7)(d) of article X of the state constitution for state fiscal year 2023-24.

(2) Except as otherwise provided in subsection (3) of this section, no later than October 1, 2024, and no later than each October 1 thereafter of any calendar year during which it is certified in accordance with the provisions of section 24-77-106.5 that state revenues exceed the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution for the state fiscal year ending in that calendar year and exceed any amount that the voters statewide have authorized the state to retain and spend for the state fiscal year ending in that calendar year, the executive director shall estimate the amount by which state revenues would be decreased as the result of the applicable percentage reduction listed in subsection (1)(a)(II), (1)(b)(II), or (1)(c) of this section in the state income tax rate for the income tax year commencing during the calendar year in which the state fiscal year ended.

(3) If one or more ballot questions are submitted to the voters at a statewide election to be held in November of any given calendar year that seek authorization for the state to retain and spend all or any portion of the amount of excess state revenues for the state fiscal year ending during said calendar year, the executive director shall not reduce the state income tax rate until the results of said election are known so that the state income tax rate may be reduced only if, after the results of said election, the amount of excess state revenues required to be refunded for the state fiscal year exceeds the total of the amount of reimbursement for property tax exemptions plus the estimated amount by which state revenues would be decreased as a result of the applicable reduction in the state income tax rate pursuant to this section.

(4) In estimating the amount by which state revenues would be decreased as the result of a reduction in the state income tax rate in accordance with the provisions of this section, the executive director shall utilize the most recent data available from the staff of the legislative council regarding the estimate of state revenues generated by the state income tax for the applicable income tax year.

~~(5)(a) Upon estimating the amount by which state revenues would be decreased as the result of a reduction in the state income tax rate for any income tax year in accordance with the provisions of this section, the executive director shall notify in writing the executive committee of the legislative council created pursuant to section 2-3-301 (1), C.R.S., of any amount so estimated and the basis for such estimate. Such written notification shall be given within five working days after such estimate is completed, but such written notification shall be given no later than October 1 of the calendar year.~~

~~(b) It is the function of the executive committee of the legislative council to review and approve or disapprove such estimated amount within twenty days of receipt of such written notification from the executive director. Any estimate of the amount by which state revenues would be decreased as the result of a reduction in the state income tax rate as estimated pursuant to the provisions of this section that is not approved or disapproved by the executive committee within said twenty days shall be automatically approved; except that, if within said twenty days the executive committee schedules a hearing on such estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate reduction, such automatic approval shall not occur unless the executive committee does not approve or disapprove such estimated amount after the conclusion of such hearing. Any hearing conducted by the executive committee pursuant to the provisions of this paragraph (b) shall be held no later than twenty five days after receipt of such written notification from the executive director.~~

~~(c)(I) If the executive committee of the legislative council disapproves the estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate as estimated by the executive director, the executive committee shall specify the estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate so that the executive director can determine whether to implement the reduced state income tax rate. Any estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate as specified by the executive committee pursuant to this subparagraph (I) shall be estimated in accordance with the provisions of this section.~~

~~(II) The executive director shall not adjust the state income tax rate until the estimated amount by which state revenues would be decreased as the result of a reduction in the state income tax rate estimate has been approved pursuant to the provisions of paragraph (b) of this subsection (5).~~

~~(d) Repealed.~~

~~(6) If, based on the financial report prepared by the controller in accordance with section 24-77-106.5, the controller certifies that the amount of the state revenues for any state fiscal year commencing on or after July 1, 2017, exceeds the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution for that state fiscal year and exceeds the amount of excess state revenues that the voters statewide have authorized the state to retain and spend for that state fiscal year by less than the total of the amount of reimbursement for property tax exemptions plus the estimated amount by which state revenues would be decreased as the result of the applicable reduction in the state income tax rate as calculated by the executive director pursuant to subsection (2) of this section, then the reduction in the state~~

~~income tax rate allowed pursuant to subsection (1) of this section is not allowed for the income tax year commencing during the calendar year in which the state fiscal year ended.~~

~~(7) Repealed.~~

~~(8) The general assembly finds and declares that a temporary state income tax rate reduction is a reasonable method of refunding a portion of the excess state revenues required to be refunded in accordance with section 20 (7)(d) of article X of the state constitution.~~

~~(9) Repealed.~~

~~(10) As used in this section, unless the context otherwise requires:~~

~~(a) "Excess state revenues" means the total amount of the state revenues for the state fiscal year in excess of the limitation on state fiscal year spending imposed by section 20 (7)(a) of article X of the state constitution that voters statewide have not authorized the state to retain and spend and that the state is required to refund under section 20 (7)(d) of article X of the state constitution, including any adjustment for amounts specified in section 24-77-103.7 or 24-77-103.8.~~

~~(b) "Reimbursement for property tax exemptions" means the amount of reimbursement for property tax revenues lost as a result of both the property tax exemptions allowed by part 2 of article 3 of this title 39 and the reduced valuation for assessment of qualified senior primary residence real property pursuant to sections 39-1-104.2 and 39-1-104.6 that is paid by the state treasurer to each county treasurer as required by section 39-3-207 (4) or 39-1-104.6 (9)(c) for the property tax year that commenced during the specified state fiscal year.~~

~~(11) This section is repealed, effective July 1, 2035.~~

SECTION 54. Effective date. This act takes effect January 1, 2027.