

First Extraordinary Session
Seventy-fifth General Assembly
STATE OF COLORADO

BILLPAPER

LLS NO. 25B-0009.01 Alison Killen x4350

HOUSE BILL

HOUSE SPONSORSHIP

Sirota,

SENATE SPONSORSHIP

Hinrichsen and Cutter,

House Committees

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE REQUIREMENT FOR CERTAIN TAXPAYERS TO ADD**
102 **BACK AN AMOUNT EQUAL TO THEIR FEDERAL DEDUCTION FOR**
103 **QUALIFIED BUSINESS INCOME ALLOWED UNDER SECTION 199A**
104 **OF THE FEDERAL "INTERNAL REVENUE CODE OF 1986" FOR**
105 **PURPOSES OF DETERMINING THEIR STATE TAXABLE INCOME.**

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>.)

The bill continues indefinitely the existing requirement that an amount equal to the federal qualified business income deduction allowed

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.

under section 199A of the federal "Internal Revenue Code of 1986" must be added back by certain taxpayers to their federal taxable income for purposes of determining their state taxable income.

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

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The continuation of the qualified business income (QBI)
5 deduction add-back is a continuation of existing tax policy;

6 (b) In 2020, the general assembly enacted House Bill 20-1420,
7 which included a provision that required certain taxpayers to add to their
8 federal taxable income an amount equal to their federal QBI deduction for
9 purposes of determining their state taxable income;

10 (c) The provision initially applied to income tax years 2021 and
11 2022 and was later extended to apply to income tax years 2023 to 2025;

12 (d) This corresponding, permanent continuation of the QBI
13 deduction add-back is a continuation of existing tax policy and is not a
14 "tax policy change" under section 20 (4)(a) of article X of the Colorado
15 constitution; and

16 (e) The continuation of the QBI deduction add-back will not cause
17 any "net revenue gain" to the state under section 20 (4)(a) of article X of
18 the Colorado constitution because it simply maintains the status quo.

19 **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**
20 (3)(o) as follows:

21 **39-22-104. Income tax imposed on individuals, estates, and**
22 **trusts - single rate - report - tax preference performance statement**
23 **- legislative declaration - definitions - repeal.** (3) There shall be added
24 to the federal taxable income:

1 (o) For income tax years commencing on or after January 1, 2021,
2 ~~but before January 1, 2026~~, an amount equal to the deduction allowed
3 under section 199A of the internal revenue code for a taxpayer who files
4 a single return and whose adjusted gross income is greater than five
5 hundred thousand dollars, and for taxpayers who file a joint return and
6 whose adjusted gross income is greater than one million dollars; except
7 that this subsection (3)(o) does not apply to a taxpayer who is required to
8 file a schedule F, profit or loss from farming, or successor form, as an
9 attachment to a federal income tax return for the tax year in which the
10 taxpayer claims the deduction allowed under section 199A of the internal
11 revenue code.

12 **SECTION 3. Safety clause.** The general assembly finds,
13 determines, and declares that this act is necessary for the immediate
14 preservation of the public peace, health, or safety or for appropriations for
15 the support and maintenance of the departments of the state and state
16 institutions.