

CHAPTER 432

TAXATION

SENATE BILL 25-319

BY SENATOR(S) Bridges and Amabile, Kirkmeyer, Cutter, Exum, Jodeh, Kipp, Michaelson Jenet;
also REPRESENTATIVE(S) Bird and Taggart, Sirota, Boesenecker, Carter, Clifford, Hamrick, Phillips, Ricks, Smith, Woodrow,
McCluskie.

AN ACT

CONCERNING THE ADMINISTRATION OF THE INCOME TAX INCENTIVE FOR CERTAIN HIGHER
EDUCATION COSTS INCURRED BY ELIGIBLE STUDENTS, AND, IN CONNECTION THEREWITH, MAKING
AN APPROPRIATION.

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

SECTION 1. In Colorado Revised Statutes, 39-22-570, **amend** (2)(c), (3), (4)(a) introductory portion, (4)(b), (4)(c), and (6)(d); and **add** (2)(b.5), (2)(c.5), and (2)(d.5) as follows:

39-22-570. Tuition and fee tax incentive for qualifying students - tax preference performance statement - report - legislative declaration - definitions - repeal. (2) As used in this section, unless the context otherwise requires:

(b.5) "DEPENDENT STUDENT" MEANS A STUDENT WHO IS NOT AN INDEPENDENT STUDENT.

(c) "Eligible student" means an individual who:

(I) ~~Has matriculated at a Colorado public institution of higher education within two years of completion of~~ COMPLETED high school graduation or an equivalent ON OR AFTER JANUARY 1, 2024, OR IS CURRENTLY ENROLLED AS OF FALL 2024;

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

(II) Is designated as a degree- or credential-seeking UNDERGRADUATE student at

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a Colorado public institution of higher education for the semester or term for which an incentive is claimed;

(III) Qualifies for in-state tuition, as described in article 7 of title 23, for the semester or term for which the incentive is claimed; ~~and~~

(IV) Has completed a free application for federal student aid (FAFSA) or Colorado application for state financial aid (CASFA) for the semester or term for which an incentive is claimed; ~~that indicates that the student's household has an adjusted gross income that is ninety thousand dollars or less.~~ AND

(V) HAS A HOUSEHOLD ADJUSTED GROSS INCOME FOR THE SECOND PRECEDING INCOME TAX YEAR THAT IS NINETY THOUSAND DOLLARS OR LESS.

(c.5) (I) "HOUSEHOLD ADJUSTED GROSS INCOME" MEANS:

(A) IN THE CASE OF A DEPENDENT STUDENT, THE SUM OF THE STUDENT'S AND THE PARENT'S OR PARENTS', AS APPLICABLE, ADJUSTED GROSS INCOMES TO THE EXTENT THAT THE PARENT'S OR PARENTS' INCOME IS TAKEN INTO ACCOUNT FOR PURPOSES OF 20 U.S.C. SEC. 1087oo (f);

(B) IN THE CASE OF A SINGLE INDEPENDENT STUDENT, THE STUDENT'S ADJUSTED GROSS INCOME; AND

(C) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2)(c.5)(II) OF THIS SECTION, IN THE CASE OF A MARRIED INDEPENDENT STUDENT, THE SUM OF THE STUDENT'S AND THE SPOUSE'S ADJUSTED GROSS INCOMES.

(II) IN THE CASE OF A STUDENT WHO IS DIVORCED OR SEPARATED, OR WHOSE SPOUSE HAS DIED, THE SPOUSE'S ADJUSTED GROSS INCOME IS DISREGARDED.

(d.5) "INDEPENDENT STUDENT" HAS THE SAME MEANING AS SET FORTH IN 20 U.S.C. SEC. 1087vv (d), AS AMENDED.

(3)(a) (I) ~~For each~~ THE income tax year commencing on or after January 1, 2025, but prior to ~~January 1, 2033~~ JANUARY 1, 2026, an eligible student is allowed an incentive against the income taxes imposed by this article 22 for every qualifying semester or term completed during the academic year ending during the income tax year AND ANY OTHER QUALIFYING SEMESTER OR TERM COMPLETED DURING THE INCOME TAX YEAR.

(II) FOR EACH INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2026, BUT PRIOR TO JANUARY 1, 2033, AN ELIGIBLE STUDENT IS ALLOWED AN INCENTIVE AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22 FOR EVERY QUALIFYING SEMESTER OR TERM COMPLETED DURING THE INCOME TAX YEAR.

(b) The amount of incentive allowed to an eligible student for each ~~income tax year~~ QUALIFYING SEMESTER OR TERM is equal to the amount paid by or for the benefit of the eligible student in tuition and fees to a Colorado public institution of higher education minus any scholarships or grants for ~~each~~ THE qualifying semester

~~or term during the academic year completed during the prior calendar year~~
SEMESTERS OR TERMS.

(c) WITH REGARD TO WHETHER AN INDIVIDUAL IS AN ELIGIBLE STUDENT OR WHETHER A SEMESTER OR TERM IS A QUALIFYING SEMESTER OR TERM, A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL TAKE INTO ACCOUNT THE FACTS AND CIRCUMSTANCES DETERMINED ON OR BEFORE JANUARY 15 FOLLOWING THE INCOME TAX YEAR AND SHALL DISREGARD ANY CHANGE IN FACTS OR CIRCUMSTANCES OCCURRING THEREAFTER.

(4) (a) Each Colorado public institution of higher education is required by ~~January 15~~ JANUARY 31, 2026, and every ~~January 15~~ JANUARY 31 thereafter until 2033, to electronically report each eligible student, UNLESS PROHIBITED BY FEDERAL LAW, IN WHICH CASE EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL INSTEAD REPORT EACH STUDENT WHO SATISFIES THE QUALIFICATIONS FOR BEING AN ELIGIBLE STUDENT SET FORTH IN SUBSECTIONS (2)(c)(I) TO (2)(c)(IV) OF THIS SECTION WITHOUT REGARD TO WHETHER THE STUDENT'S HOUSEHOLD ADJUSTED GROSS INCOME EXCEEDS THE LIMIT SET FORTH IN SUBSECTION (2)(c)(V) OF THIS SECTION, for any qualifying semester or term ~~completed during the academic year completed during the~~ FOR WHICH AN INCENTIVE IS ALLOWED PURSUANT TO THIS SECTION FOR THE prior calendar year to the department of higher education in a format prescribed by the department of higher education that includes:

(b) By January 31, 2026, and every January 31 thereafter through 2033, the Colorado public institution of higher education shall provide each eligible student, UNLESS PROHIBITED BY FEDERAL LAW, IN WHICH CASE EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL INSTEAD PROVIDE EACH STUDENT WHO SATISFIES THE QUALIFICATIONS FOR BEING AN ELIGIBLE STUDENT SET FORTH IN SUBSECTIONS (2)(c)(I) TO (2)(c)(IV) OF THIS SECTION WITHOUT REGARD TO WHETHER THE STUDENT'S HOUSEHOLD ADJUSTED GROSS INCOME EXCEEDS THE LIMIT SET FORTH IN SUBSECTION (2)(c)(V) OF THIS SECTION, with a statement containing the information pertaining to that student's eligibility and the amount reported to the department of higher education pursuant to subsection (4)(a)(II) of this section. A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION MAY PROVIDE THE STATEMENT ELECTRONICALLY AND IS NOT REQUIRED TO PROVIDE IT IN PHYSICAL FORM.

(c) The department of higher education is required by ~~January 31~~ FEBRUARY 15, 2026, and every ~~January 31~~ FEBRUARY 15 thereafter through 2034, to electronically report the information received pursuant to subsection (4)(a) of this section along with any later corrections or additions to the department of revenue in a format prescribed by the executive director.

(6) (d) (I) ON OR BEFORE DECEMBER 1, 2026, THE DEPARTMENT OF HIGHER EDUCATION, IN CONSULTATION WITH THE DEPARTMENT OF REVENUE, SHALL SUBMIT A REPORT TO THE JOINT BUDGET COMMITTEE AND THE HOUSE OF REPRESENTATIVES AND SENATE EDUCATION COMMITTEES, OR ANY SUCCESSOR COMMITTEES, THAT DESCRIBES THE IMPLEMENTATION OF THE TAX INCENTIVE AND INCLUDES AN ESTIMATE OF THE TOTAL AMOUNT OF TAX INCENTIVES CLAIMED PURSUANT TO THIS SECTION FOR INCOME TAX YEARS THAT COMMENCE IN 2025.

(II) On or before ~~June 30, 2027~~ DECEMBER 1, 2027, and each year thereafter until 2037, the department of higher education shall submit a report to the joint budget committee and the house of representatives and senate education committees, or any successor committees, including, for each institution, the average percentage of state and institutional financial aid allocated to the resident student population who have a family income of ninety thousand dollars or less in the three academic years prior to the academic year 2024-25, and in each academic year thereafter until 2034. The department of higher education shall include in the report AVAILABLE DATA ON student enrollment information for INCENTIVE RECIPIENTS, eligible NONRECIPIENTS, and noneligible students, disaggregated by income UNLESS PROHIBITED BY FEDERAL LAW, and shall include, once the data is DATA ARE available, disaggregated outcome measures by income, UNLESS PROHIBITED BY FEDERAL LAW, for INCENTIVE RECIPIENTS, eligible NONRECIPIENTS, and noneligible students, including but not limited to student retention and RATES, completion rates, AND STUDENT LOAN DEBT. Each Colorado public institution of higher education shall annually report student level financial aid, TUITION AND FEES, student eligibility, and incentive eligibility information to the department of higher education that the department of higher education deems necessary TO CALCULATE THE COSTS OF THE INCENTIVE, to provide to the department of revenue for incentive administration or for inclusion in the report.

(III) TO ALLOW THE DEPARTMENT OF HIGHER EDUCATION TO COMPLETE THE REPORT THAT IT ANNUALLY SUBMITS AS REQUIRED BY SUBSECTION (6)(d)(II) OF THIS SECTION, THE DEPARTMENT OF REVENUE SHALL ANNUALLY PROVIDE TO THE DEPARTMENT OF HIGHER EDUCATION DATA THAT INDICATES WHETHER AN ELIGIBLE STUDENT HAS CLAIMED THE INCENTIVE.

SECTION 2. In Colorado Revised Statutes, 39-21-113, **add** (38) as follows:

39-21-113. Reports and returns - rule - repeal. (38) NOTWITHSTANDING THE CONFIDENTIALITY REQUIREMENTS OF THIS SECTION, THE EXECUTIVE DIRECTOR MAY PROVIDE THE DEPARTMENT OF HIGHER EDUCATION WITH INFORMATION OBTAINED PURSUANT TO THIS SECTION THAT INDICATES WHETHER AN ELIGIBLE STUDENT, AS DEFINED IN SECTION 39-22-570 (2)(c), HAS CLAIMED THE INCENTIVE, AS DEFINED IN SECTION 39-22-570 (2)(d), ALLOWED BY SECTION 39-22-570. ANY INFORMATION PROVIDED TO THE DEPARTMENT OF HIGHER EDUCATION PURSUANT TO THIS SUBSECTION (38) REMAINS CONFIDENTIAL, AND ALL EMPLOYEES OF THE DEPARTMENT OF HIGHER EDUCATION ARE SUBJECT TO THE LIMITATIONS SET FORTH IN SUBSECTION (4) OF THIS SECTION AND PENALTIES SPECIFIED IN SUBSECTION (6) OF THIS SECTION.

SECTION 3. Appropriation. (1) For the 2025-26 state fiscal year, \$135,446 is appropriated to the department of revenue for use by the taxation business group. This appropriation is from the general fund. To implement this act, the division may use this appropriation as follows:

- (a) \$113,004 for personal services related to taxation services, which amount is based on an assumption that the division will require an additional 1.9 FTE; and
- (b) \$22,442 for operating expenses related to taxation services.

SECTION 4. Safety clause. The general assembly finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety or for appropriations for the support and maintenance of the departments of the state and state institutions.

Approved: June 4, 2025