

CHAPTER 5

TAXATION

HOUSE BILL 25B-1001

BY REPRESENTATIVE(S) Sirota, Bacon, Boesenecker, Brown, Camacho, Clifford, Duran, English, Espenoza, Froelich, Garcia, Jackson, Joseph, Lieder, Lindsay, Lindstedt, Mabrey, McCormick, Phillips, Smith, Story, Titone, Velasco, Willford, Woodrow, Zokaie, McCluskie;
also SENATOR(S) Hinrichsen and Cutter, Exum, Gonzales J., Jodeh, Kipp, Michaelson Jenet, Sullivan, Wallace, Weissman, Winter F., Coleman.

AN ACT

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

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

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

- (a) The continuation of the qualified business income (QBI) deduction add-back is a continuation of existing tax policy;
- (b) In 2020, the general assembly enacted House Bill 20-1420, which included a provision that required certain taxpayers to add to their federal taxable income an amount equal to their federal QBI deduction for purposes of determining their state taxable income;
- (c) The provision initially applied to income tax years 2021 and 2022 and was later extended to apply to income tax years 2023 to 2025;
- (d) This corresponding, permanent continuation of the QBI deduction add-back is a continuation of existing tax policy and is not a "tax policy change" under section 20 (4)(a) of article X of the Colorado constitution; and
- (e) The continuation of the QBI deduction add-back will not cause any "net

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revenue gain" to the state under section 20 (4)(a) of article X of the Colorado constitution because it simply maintains the status quo.

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

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

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

SECTION 3. 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: August 28, 2025