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HOUSE BILL 24-1340

BY REPRESENTATIVE(S) Bird and Taggart, Amabile, Boesenecker, Catlin, deGruy Kennedy, English, Froelich, Hamrick, Hernandez, Herod, Jodeh, Joseph, Lieder, Lukens, Mabrey, Mauro, McLachlan, Ortiz, Ricks, Rutinel, Sirota, Snyder, Soper, Titone, Valdez, Velasco, Weissman, Young, McCluskie, Brown, Clifford, Garcia, Kipp, Lindsay, Marvin, Story; also SENATOR(S) Kirkmeyer and Zenzinger, Bridges, Cutter, Exum, Fields, Gardner, Gonzales, Hansen, Jaquez Lewis, Michaelson Jenet, Priola, Rodriguez, Winter F., Fenberg.

CONCERNING THE CREATION OF INCENTIVES AGAINST THE STATE INCOME TAX FOR STUDENTS PURSUING POST-SECONDARY CREDENTIALS, 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, **add** 39-22-570 as follows:

39-22-570. Tuition and fee tax credit for qualifying students - tax preference performance statement - legislative declaration - definitions - repeal. (1) (a) THE GENERAL ASSEMBLY FINDS, DETERMINES, AND DECLARES THAT:

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

(I) THE COST OF HIGHER EDUCATION AND STUDENT DEBT CAN BE A DETERRENT FOR MANY STUDENTS TO PURSUE POST-SECONDARY CREDENTIALS;

(II) COLORADO'S POSTSECONDARY MATRICULATION RATE WAS LESS THAN FIFTY PERCENT IN 2021 WITH A LARGE SHARE GOING OUT OF STATE. POSTSECONDARY EDUCATION HELPS STUDENTS ACHIEVE ECONOMIC MOBILITY, AND STUDENTS ARE MORE LIKELY TO STAY IN COLORADO IF THEY ATTEND INSTITUTIONS IN COLORADO. BY INCENTIVIZING STUDENTS TO ATTEND INSTITUTIONS IN COLORADO, STUDENTS WILL SEE MORE ECONOMIC MOBILITY WHILE BENEFITING THE STATE WORKFORCE.

(III) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT IN THE EVENT OF A RECESSION, EXISTING SUPPORT OF NEED-BASED FINANCIAL AID BE A POTENTIAL BACKSTOP FOR THIS INCENTIVE;

(IV) THE COSTS OF HIGHER EDUCATION ARE A BARRIER TO MANY STUDENTS. REDUCING THOSE COSTS AND STUDENT DEBT CAN HELP STUDENTS NOT ONLY ATTEND COLLEGE BUT ALSO BE FINANCIALLY SUCCESSFUL. TARGETED INCENTIVES FOR ATTENDING PUBLIC INSTITUTIONS OF HIGHER EDUCATION, WHICH HAVE LOWER TUITION, HELP MORE STUDENTS COMPLETE HIGHER EDUCATION WITH LESS OR NO DEBT AND HELP COLORADO RETAIN OUR OWN TALENT.

(V) BUILDING BRIDGES TO HIGHER EDUCATION SUPPORTS OUR STATE'S STUDENTS AND ECONOMIC HEALTH.

(VI) TO CONTINUE TO STRENGTHEN THE EDUCATIONAL PIPELINE, A FINANCIAL INCENTIVE SHOULD BE PROVIDED TO LOW- AND MIDDLE- INCOME POST-SECONDARY COLORADO STUDENTS.

(b) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY FINDS AND DECLARES THAT THE GENERAL LEGISLATIVE PURPOSES OF THIS TAX EXPENDITURE ARE TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS AND PROVIDE TAX RELIEF FOR CERTAIN INDIVIDUALS. SPECIFICALLY, THIS TAX EXPENDITURE IS INTENDED TO ENCOURAGE STUDENTS TO ATTEND PUBLIC

COLORADO INSTITUTIONS OF HIGHER EDUCATION AND REDUCE STUDENT DEBT BY PROVIDING A YEARLY REFUNDABLE INCENTIVE TO STUDENTS IN THEIR FIRST TWO YEARS OF HIGHER EDUCATION AGAINST THE TUITION AND FEES PAID TO A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION.

(c) THE TAX INCENTIVE PROVIDES A YEARLY REFUNDABLE CREDIT TO STUDENTS AGAINST THE TUITION AND FEE COSTS PAID TO A PUBLIC TWO-YEAR OR FOUR-YEAR INSTITUTION, AREA TECHNICAL COLLEGE, OR LOCAL DISTRICT COLLEGE IN THEIR FIRST TWO YEARS OF HIGHER EDUCATION. ELIGIBLE STUDENTS ARE THOSE WHO ARE CLASSIFIED AS IN-STATE STUDENTS, ENROLL IN AT LEAST SIX CREDIT HOURS IN A SEMESTER OR TERM, HAVE AT LEAST A 2.5 GRADE POINT AVERAGE IN A SEMESTER OR TERM, MATRICULATED IN COLLEGE WITHIN TWO YEARS OF HIGH SCHOOL GRADUATION, AND HAVE A FEDERAL ADJUSTED GROSS HOUSEHOLD INCOME OF NINETY THOUSAND DOLLARS OR LESS AS INDICATED ON THE FREE APPLICATION FOR FEDERAL STUDENT AID OR COLORADO APPLICATION FOR STATE FINANCIAL AID.

(d) THE 2022 AMERICAN COMMUNITY SURVEY CONDUCTED BY THE UNITED STATES CENSUS BUREAU FOUND THAT THE MEDIAN HOUSEHOLD INCOME IN COLORADO IS EIGHTY NINE THOUSAND THREE HUNDRED TWO DOLLARS. A NINETY THOUSAND DOLLAR INCOME THRESHOLD ENSURES THAT ALL COLORADO HOUSEHOLDS AT OR BELOW MEDIAN INCOME WILL BE ABLE TO BENEFIT FROM THIS INCENTIVE.

(e) THE GENERAL ASSEMBLY AND THE STATE AUDITOR SHALL MEASURE THE EFFECTIVENESS OF THE INCENTIVE IN ACHIEVING THE PURPOSE SPECIFIED IN SUBSECTION (1)(b) OF THIS SECTION BASED ON THE NUMBER OF INCENTIVES THAT ARE CLAIMED.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "ACADEMIC YEAR" MEANS THE PERIOD BEGINNING WITH A COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION'S FALL SEMESTER OR TERM AND ENDING THE FOLLOWING CALENDAR YEAR AT THE CONCLUSION OF THE COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION'S SUMMER SEMESTER OR TERM.

(b) "COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION" MEANS:

(I) A PUBLIC, POST-SECONDARY INSTITUTION THAT IS GOVERNED BY THE BOARD OF GOVERNORS OF THE COLORADO STATE UNIVERSITY SYSTEM, THE BOARD OF REGENTS OF THE UNIVERSITY OF COLORADO, THE BOARD OF TRUSTEES OF THE COLORADO SCHOOL OF MINES, THE BOARD OF TRUSTEES OF THE UNIVERSITY OF NORTHERN COLORADO, THE BOARD OF TRUSTEES OF ADAMS STATE UNIVERSITY, THE BOARD OF TRUSTEES OF WESTERN COLORADO UNIVERSITY, THE BOARD OF TRUSTEES OF COLORADO MESA UNIVERSITY, THE BOARD OF TRUSTEES OF FORT LEWIS COLLEGE, THE BOARD OF TRUSTEES OF METROPOLITAN STATE UNIVERSITY OF DENVER, OR THE STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION;

(II) AN AREA TECHNICAL COLLEGE, AS DEFINED IN SECTION 23-60-103 (1); OR

(III) COLORADO MOUNTAIN COLLEGE AND AIMS COMMUNITY COLLEGE.

(c) "ELIGIBLE STUDENT" MEANS AN INDIVIDUAL WHO:

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

(II) IS DESIGNATED AS A DEGREE OR CREDENTIAL SEEKING STUDENT AT 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.

(d) "INCENTIVE" MEANS THE REFUNDABLE CREDIT ALLOWED BY THIS SECTION.

(e) "QUALIFYING SEMESTER OR TERM" MEANS A SEMESTER OR TERM THAT THE ELIGIBLE STUDENT:

(I) BEGINS WITH FEWER THAN SIXTY-SIX CREDIT HOURS ACCUMULATED, INCLUDING ALL CREDITS TRANSFERRED TO THE COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION, EXCEPT THOSE CREDITS EARNED THROUGH PRIOR LEARNING ASSESSMENT, CONCURRENT ENROLLMENT, ADVANCED PLACEMENT, THE INTERNATIONAL BACCALAUREATE PROGRAM, MILITARY CREDITS, OR ANY OTHER CREDITS ACCUMULATED PRIOR TO MATRICULATION AT ANY INSTITUTION OF HIGHER EDUCATION; AND

(II) COMPLETES EARNING AT LEAST SIX CREDIT HOURS OR EQUIVALENT WITH A GRADE POINT AVERAGE OF 2.5 OR HIGHER.

(f) "SCHOLARSHIPS OR GRANTS" MEANS THE SUM OF ANY AMOUNT PAID FOR THE BENEFIT OF AN ELIGIBLE STUDENT THAT ARE REQUIRED TO BE TAKEN INTO ACCOUNT PURSUANT TO SECTION 25A (g)(2) OF THE INTERNAL REVENUE CODE.

(g) "TUITION AND FEES" HAS THE SAME MEANING AS "QUALIFIED TUITION AND RELATED EXPENSES" AS DEFINED IN SECTION 25A (f)(1) OF THE INTERNAL REVENUE CODE THAT ARE PAID BY OR FOR THE BENEFIT OF AN ELIGIBLE STUDENT.

(3) (a) FOR EACH INCOME TAX YEAR COMMENCING ON OR AFTER JANUARY 1, 2025, 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 ACADEMIC YEAR ENDING DURING THE INCOME TAX YEAR.

(b) THE AMOUNT OF INCENTIVE ALLOWED TO AN ELIGIBLE STUDENT FOR EACH INCOME TAX YEAR 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 QUALIFYING SEMESTER OR TERM DURING THE ACADEMIC YEAR COMPLETED DURING THE PRIOR CALENDAR YEAR.

(4)(a) EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION IS REQUIRED BY JANUARY 15, 2026, AND EVERY JANUARY 15 THEREAFTER UNTIL 2033, TO ELECTRONICALLY REPORT EACH ELIGIBLE STUDENT FOR ANY

QUALIFYING SEMESTER OR TERM COMPLETED DURING THE ACADEMIC YEAR COMPLETED DURING THE PRIOR CALENDAR YEAR TO THE DEPARTMENT OF HIGHER EDUCATION IN A FORMAT PRESCRIBED BY THE DEPARTMENT OF HIGHER EDUCATION THAT INCLUDES:

(I) THE STUDENT'S TAX IDENTIFICATION NUMBER OR SOCIAL SECURITY NUMBER; AND

(II) THE AMOUNT OF TUITION AND FEES PAID MINUS ANY SCHOLARSHIPS OR GRANTS.

(b) BY JANUARY 31, 2026, AND EVERY JANUARY 31 THEREAFTER THROUGH 2033, THE COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL PROVIDE EACH ELIGIBLE STUDENT 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.

(c) THE DEPARTMENT OF HIGHER EDUCATION IS REQUIRED BY JANUARY 31, 2026, AND EVERY JANUARY 31 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.

(5) THE AMOUNT OF THE INCENTIVE ALLOWED UNDER THIS SECTION THAT EXCEEDS THE ELIGIBLE STUDENT'S INCOME TAXES DUE IS REFUNDED TO THE TAXPAYER.

(6) (a) THE DEPARTMENT OF HIGHER EDUCATION, IN CONSULTATION WITH COLORADO PUBLIC INSTITUTIONS OF HIGHER EDUCATION, SHALL DETERMINE EACH INSTITUTION'S 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 EACH YEAR OF THE THREE YEARS PRIOR TO 2025.

(b) EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL MAINTAIN A PERCENTAGE OF STATE AND INSTITUTIONAL FINANCIAL AID TO RESIDENT STUDENTS WHO HAVE AN ADJUSTED GROSS HOUSEHOLD INCOME OF NINETY THOUSAND DOLLARS OR LESS THAT IS EQUAL TO OR

GREATER THAN THE AVERAGE PERCENTAGE OF STATE AND INSTITUTIONAL FINANCIAL AID CALCULATED BY THE DEPARTMENT OF HIGHER EDUCATION IN EACH OF THE THREE ACADEMIC YEARS PRIOR TO THE ACADEMIC YEAR 2024-25.

(c) IF AN INSTITUTION DOES NOT MAINTAIN THE PERCENTAGE, THE INSTITUTION SHALL NOTIFY THE DEPARTMENT OF HIGHER EDUCATION BY A DATE DETERMINED BY THE DEPARTMENT OF HIGHER EDUCATION AND MUST INCLUDE IN THE NOTIFICATION A DESCRIPTION OF CHANGES TO INSTITUTIONAL FINANCES OR THE STUDENT POPULATION THAT PREVENTED THE INSTITUTION FROM MAINTAINING THE STATE AND INSTITUTIONAL FINANCIAL AID ALLOCATION PERCENTAGE. THE DEPARTMENT OF HIGHER EDUCATION SHALL INCLUDE THIS INFORMATION IN ITS REPORT DESCRIBED IN SUBSECTION (7)(d) OF THIS SECTION.

(d) ON OR BEFORE JUNE 30, 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 STUDENT ENROLLMENT INFORMATION FOR ELIGIBLE AND NON-ELIGIBLE STUDENTS, DISAGGREGATED BY INCOME, AND SHALL INCLUDE, ONCE THE DATE IS AVAILABLE, DISAGGREGATED OUTCOME MEASURES BY INCOME FOR ELIGIBLE AND NON-ELIGIBLE STUDENTS, INCLUDING BUT NOT LIMITED TO STUDENT RETENTION AND COMPLETION RATES. EACH COLORADO PUBLIC INSTITUTION OF HIGHER EDUCATION SHALL ANNUALLY REPORT STUDENT LEVEL FINANCIAL AID, STUDENT ELIGIBILITY, AND INCENTIVE ELIGIBILITY INFORMATION TO THE DEPARTMENT OF HIGHER EDUCATION THAT THE DEPARTMENT OF HIGHER EDUCATION DEEMS NECESSARY TO PROVIDE TO THE DEPARTMENT OF REVENUE FOR INCENTIVE ADMINISTRATION OR FOR INCLUSION IN THE REPORT.

(7) THIS SECTION IS REPEALED, EFFECTIVE DECEMBER 31, 2037.

SECTION 2. Appropriation. (1) For the 2024-25 state fiscal year,

\$101,756 is appropriated to the department of higher education for use by the Colorado commission on higher education and higher education special purpose programs. This appropriation is from the general fund and is based on the assumption that the commission will require an additional 1.3 FTE. To implement this act, the commission may use this appropriation for administration.

SECTION 3. 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; 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 2024 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Steve Fenberg
PRESIDENT OF
THE SENATE

Robin Jones
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO