

Second Regular Session  
Seventy-fifth General Assembly  
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted  
on Second Reading in the Second House*

LLS NO. 26-0143.01 Jed Franklin x5484

HOUSE BILL 26-1223

HOUSE SPONSORSHIP

**Woodrow and Boesenecker**, Bacon, Brown, Clifford, Lindsay, McCluskie, McCormick, Nguyen, Rutinel, Sirota, Smith, Zokaie

SENATE SPONSORSHIP

**Ball and Roberts**,

House Committees

Finance  
Appropriations

Senate Committees

Finance  
Appropriations

A BILL FOR AN ACT

101 CONCERNING MODIFYING CERTAIN TAX EXPENDITURES, AND, IN  
102 CONNECTION THEREWITH, MAKING AN APPROPRIATION.

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>.)*

**Section 2** of the bill creates a new tax credit. The new tax credit allows taxpayers to claim a refundable tax credit, in addition to the child tax credit and the family affordability tax credit, in an amount determined by the amount and age of the taxpayer's children and the taxpayer's income. The total amount of the new tax credit is adjusted annually based on legislative council staff projections, such that the total amount of the

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.*

SENATE  
Amended 2nd Reading  
May 11, 2026

HOUSE  
3rd Reading Unamended  
May 4, 2026

HOUSE  
Amended 2nd Reading  
May 1, 2026

new tax credit claimed in an income tax year is projected to be the same as the amount of revenue raised in **sections 3 and 4.**

Beginning January 1, 2027, the bill also repeals the downloaded software sales and use tax exemption so that all software that is available for repeated sale and license qualifies as tangible property and thus is subject to sales and use tax. The bill exempts from sales and use tax downloaded software governed by a negotiable license agreement or developed for use by a particular user.

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

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3           **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-131 as  
4 follows:

5           **39-22-131. Family affordability credit - tax preference**  
6 **performance statement - legislative declaration - definitions.**

7           (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH  
8 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
9 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
10 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
11 DECLARES THAT THE PURPOSES OF THE INCOME TAX CREDIT CREATED IN  
12 THIS SECTION ARE THE SAME AS THE FAMILY AFFORDABILITY TAX CREDIT:  
13 TO SUBSTANTIALLY REDUCE CHILD POVERTY, MAKE COLORADO MORE  
14 AFFORDABLE FOR FAMILIES, AND HELP FAMILIES AFFORD EXPENSES  
15 ASSOCIATED WITH HAVING CHILDREN BY PROVIDING TAX RELIEF FOR  
16 CERTAIN INDIVIDUALS.

17           (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR, IN  
18 CONSULTATION WITH THE DEPARTMENT, SHALL MEASURE THE  
19 EFFECTIVENESS OF THE INCOME TAX CREDIT CREATED IN THIS SECTION IN  
20 COMBINATION WITH THE FAMILY AFFORDABILITY TAX CREDIT AND, IN THE  
21 SAME MANNER AS THE GENERAL ASSEMBLY AND THE STATE AUDITOR

1 MEASURE THE EFFECTIVENESS OF THE FAMILY AFFORDABILITY TAX CREDIT  
2 BY DETERMINING THE NUMBER OF COLORADO FAMILIES THAT, AFTER  
3 CLAIMING A CREDIT PURSUANT TO THIS SECTION AND THE FAMILY  
4 AFFORDABILITY TAX CREDIT, NO LONGER FALL BELOW THE FEDERAL  
5 POVERTY LEVEL IN THE TAX YEAR IN WHICH THEY CLAIMED THE CREDITS.

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

8 (a) "CREDIT" MEANS THE CREDIT AGAINST INCOME TAX CREATED  
9 IN THIS SECTION.

10 (b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

11 (c) "ELIGIBLE CHILD" MEANS A QUALIFYING CHILD, AS DEFINED IN  
12 SECTION 152 (c) OF THE "INTERNAL REVENUE CODE OF 1986"; EXCEPT  
13 THAT THE AGE REQUIREMENTS ARE AS SET FORTH IN SUBSECTIONS  
14 (3)(a)(I), (3)(a)(II), (3)(b)(I), AND (3)(b)(II) OF THIS SECTION.

15 (d) "FEDERAL POVERTY LEVEL" MEANS THE POVERTY LINE THAT  
16 IS REQUIRED TO BE UPDATED ANNUALLY WITHIN THE FEDERAL POVERTY  
17 GUIDELINES ADOPTED BY THE UNITED STATES DEPARTMENT OF HEALTH  
18 AND HUMAN SERVICES PURSUANT TO 42 U.S.C. SEC. 9902 (2).

19 (e) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE  
20 UNITED STATES DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS  
21 CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL  
22 ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR  
23 INDEX.

24 (f) "JOINT FILER ADJUSTED BASE INCOME" MEANS, FOR INCOME  
25 TAX YEARS COMMENCING BEFORE JANUARY 1, 2034, AN AMOUNT OF  
26 ADJUSTED GROSS INCOME EQUAL TO THE AMOUNT OF ADJUSTED GROSS  
27 INCOME DETERMINED BY THE DEPARTMENT PURSUANT TO SECTION

1 39-22-130 (7) TO BE NECESSARY FOR TWO RESIDENT INDIVIDUALS WHO  
2 FILE A JOINT RETURN TO QUALIFY FOR THE FAMILY AFFORDABILITY TAX  
3 CREDIT PURSUANT TO SECTION 39-22-130 FOR THE INCOME TAX YEAR  
4 COMMENCING ON JANUARY 1, 2027.

5 (g) "SINGLE FILER ADJUSTED BASE INCOME" MEANS, FOR INCOME  
6 TAX YEARS COMMENCING BEFORE JANUARY 1, 2034, AN AMOUNT OF  
7 ADJUSTED GROSS INCOME EQUAL TO THE AMOUNT OF ADJUSTED GROSS  
8 INCOME DETERMINED BY THE DEPARTMENT PURSUANT TO SECTION  
9 39-22-130 (7) TO BE NECESSARY FOR A SINGLE RESIDENT INDIVIDUAL WHO  
10 FILES A SINGLE RETURN TO QUALIFY FOR THE FAMILY AFFORDABILITY TAX  
11 CREDIT PURSUANT TO SECTION 39-22-130 FOR THE INCOME TAX YEAR  
12 COMMENCING ON JANUARY 1, 2027.

13 (3) (a) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY  
14 SECTION 39-22-129 AND THE FAMILY AFFORDABILITY TAX CREDIT  
15 ALLOWED BY SECTION 39-22-130, FOR INCOME TAX YEARS COMMENCING  
16 ON OR AFTER JANUARY 1, 2027, A RESIDENT INDIVIDUAL WHO FILES A  
17 SINGLE RETURN IS ALLOWED A CREDIT AGAINST THE INCOME TAXES  
18 IMPOSED PURSUANT TO THIS ARTICLE 22 FOR:

19 (I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS  
20 FIVE YEARS OLD OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN  
21 AN AMOUNT DETERMINED BY STAFF OF THE LEGISLATIVE COUNCIL  
22 PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION; AND

23 (II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS SIX  
24 YEARS OLD OR OLDER BUT LESS THAN SEVENTEEN YEARS OLD AT THE  
25 CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE  
26 PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(a)(I) OF THIS  
27 SECTION.

1 (b) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY SECTION  
2 39-22-129 AND THE FAMILY AFFORDABILITY TAX CREDIT ALLOWED BY  
3 SECTION 39-22-130, FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
4 JANUARY 1, 2027, TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN  
5 ARE ALLOWED A   CREDIT AGAINST THE INCOME TAXES DUE IMPOSED  
6 PURSUANT TO THIS ARTICLE 22 FOR:

7 (I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS  
8 FIVE YEARS OLD OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN  
9 AN AMOUNT DETERMINED BY STAFF OF THE LEGISLATIVE COUNCIL  
10 PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION; AND

11 (II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS SIX  
12 YEARS OLD OR OLDER BUT LESS THAN SEVENTEEN YEARS OLD AT THE  
13 CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE  
14 PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(b)(I) OF THIS  
15 SECTION.

16 (4) (a) NOTWITHSTANDING SUBSECTION (3) OF THIS SECTION, FOR  
17 INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE  
18 CREDIT AMOUNTS IN:

19 (I) SUBSECTION (3)(a)(I) OF THIS SECTION ARE REDUCED, BUT NOT  
20 BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED  
21 SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND  
22 DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME  
23 EXCEEDS THE SINGLE FILER ADJUSTED BASE INCOME; AND

24 (II) SUBSECTION (3)(b)(I) OF THIS SECTION ARE REDUCED, BUT NOT  
25 BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED  
26 SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND  
27 DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS

1 INCOME EXCEEDS THE JOINT FILER ADJUSTED BASE INCOME.

2 (b) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
3 1, 2028, THE DEPARTMENT SHALL ADJUST THE JOINT FILER ADJUSTED  
4 BASED INCOME AND SINGLE FILER ADJUSTED BASE INCOME TO REFLECT  
5 INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED  
6 IN THIS SECTION IS ALLOWED IF CUMULATIVE INFLATION SINCE THE LAST  
7 ADJUSTMENT, WHEN APPLIED TO THE CURRENT LIMITS, RESULTS IN AN  
8 INCREASE OF AT LEAST ONE THOUSAND DOLLARS WHEN THE ADJUSTED  
9 LIMITS ARE ROUNDED TO THE NEAREST ONE THOUSAND DOLLARS.

10 (5) BEGINNING WITH THE QUARTERLY JUNE REVENUE FORECAST  
11 THAT LEGISLATIVE COUNCIL STAFF PRESENTS IN JUNE OF 2027, AND FOR  
12 EACH JUNE REVENUE FORECAST THEREAFTER, AS PART OF THE QUARTERLY  
13 JUNE REVENUE FORECAST, LEGISLATIVE COUNCIL STAFF SHALL  
14 DETERMINE:

15 (a) FOR THE CURRENT CALENDAR YEAR, A PROJECTION OF THE  
16 CHANGE IN STATE REVENUE DIRECTLY ATTRIBUTABLE TO THE CHANGES  
17 MADE IN THIS HOUSE BILL 26-1223, NOTWITHSTANDING THE CREDIT  
18 CREATED IN THIS SECTION;

19 (b) A DOLLAR AMOUNT OF THE CREDIT AVAILABLE PURSUANT TO  
20 SUBSECTIONS (3)(a)(I) AND (3)(b)(I) OF THIS SECTION, WHICH DOLLAR  
21 AMOUNT MUST BE THE SAME FOR BOTH SUBSECTIONS (3)(a)(I) AND  
22 (3)(b)(I) OF THIS SECTION, SUCH THAT THE STAFF OF THE LEGISLATIVE  
23 COUNCIL PROJECTS, FOR THE CURRENT CALENDAR YEAR, THAT THE TOTAL  
24 DOLLAR AMOUNT OF CREDITS CLAIMED PURSUANT TO SUBSECTION (3) OF  
25 THIS SECTION WILL EQUAL THE DOLLAR AMOUNT THAT STAFF OF THE  
26 LEGISLATIVE COUNCIL DETERMINES PURSUANT TO SUBSECTION (5)(a) OF  
27 THIS SECTION.

1 (6) IN THE CASE OF A PART-YEAR RESIDENT, THE CREDIT IS  
2 APPORTIONED IN THE RATIO DETERMINED UNDER SECTION 39-22-110 (1).

3 (7) THE CREDIT IS NOT CONSIDERED TO BE INCOME OR RESOURCES  
4 FOR THE PURPOSE OF DETERMINING ELIGIBILITY FOR THE PAYMENT OF  
5 PUBLIC ASSISTANCE BENEFITS AND MEDICAL ASSISTANCE BENEFITS  
6 AUTHORIZED UNDER STATE LAW OR FOR A PAYMENT MADE UNDER ANY  
7 OTHER PUBLICLY FUNDED PROGRAM.

8 (8) THE AMOUNT OF THE CREDIT THAT EXCEEDS THE RESIDENT  
9 INDIVIDUAL'S INCOME TAXES DUE IS REFUNDED TO THE INDIVIDUAL.

10 (9) THE DEPARTMENT IS AUTHORIZED AND ENCOURAGED TO  
11 DEVELOP A MEANS OF REFUNDING THE CREDITS TO RESIDENT INDIVIDUALS  
12 WHO QUALIFY FOR THE CREDITS IN TWELVE EQUAL MONTHLY REFUNDS  
13 RATHER THAN ANNUALLY.

14 (10) NOTWITHSTANDING SECTION 39-21-304 (4), THE CREDIT DOES  
15 NOT REPEAL AFTER A SPECIFIED PERIOD OF TAX YEARS.

16 **SECTION 2.** In Colorado Revised Statutes, 39-26-102, **amend**  
17 (5.7) and (15)(c) as follows:

18 **39-26-102. Definitions - repeal.**

19 As used in this article 26, unless the context otherwise requires:

20 (5.7) "Mainframe computer access" means the provision of access  
21 to computer equipment for the purpose of storing or processing data.  
22 "Mainframe computer access" does not include the provision of access to  
23 computer equipment for the purpose of examining or acquiring data  
24 maintained by the vendor. ~~"Mainframe computer access" does not include~~  
25 ~~the provision of access to computer equipment incident to electronic~~  
26 ~~computer software delivery, as defined in subsection (15)(c)(H)(C) of this~~  
27 ~~section, or incident to the use of computer software hosted by an~~

1 application service provider, as defined in subsection (15)(c)(H)(A) of  
2 this section.

3 (15) (c) (I) "Tangible personal property" commencing July 1,  
4 2012, shall include INCLUDES computer software. if the computer  
5 software meets all of the following criteria:

6 (A) The computer software is prepackaged for repeated sale or  
7 license;

8 (B) The use of the computer software is governed by a tear-open  
9 nonnegotiable license agreement; and

10 (C) The computer software is delivered to the customer in a  
11 tangible medium. Computer software is not delivered to the customer in  
12 a tangible medium if it is provided through an application service  
13 provider, delivered by electronic computer software delivery, or  
14 transferred by load and leave computer software delivery.

15 (II) As used in this paragraph (c) SUBSECTION (15)(c), unless the  
16 context otherwise requires:

17 (A) "Application service provider" or "ASP" means an entity that  
18 retains custody over or hosts computer software for use by third parties.  
19 Users of the computer software hosted by an ASP typically will access the  
20 computer software via the internet. The ASP may or may not own or  
21 license the computer software, but generally will own and maintain  
22 hardware and networking equipment required for the user to access the  
23 computer software. Where the ASP owns the computer software, the ASP  
24 may charge the user a license fee for the computer software or a fee for  
25 maintaining the computer software or hardware used by its customer.

26 (B) "Computer software" means a set of coded instructions THAT  
27 ARE BOTH designed to cause a computer or automatic data processing

1 ~~equipment to perform a task~~ OTHER ELECTRONIC DEVICE TO PERFORM A  
2 TASK AND ARE DELIVERED BY ANY MEANS, INCLUDING COMPACT DISC,  
3 DOWNLOAD, OR REMOTE ACCESS THROUGH THE INTERNET. "COMPUTER  
4 SOFTWARE" INCLUDES APPLICATIONS INSTALLED ON CELLULAR PHONES,  
5 TABLETS, OR OTHER MOBILE DEVICES.

6 (C) ~~"Electronic computer software delivery" means computer~~  
7 ~~software transferred by remote telecommunications to the purchaser's~~  
8 ~~computer, where the purchaser does not obtain possession of any tangible~~  
9 ~~medium in the transaction.~~

10 (D) ~~"Load and leave computer software delivery" means delivery~~  
11 ~~of computer software to the purchaser by use of a tangible medium where~~  
12 ~~the title to or possession of the tangible medium is not transferred to the~~  
13 ~~purchaser, and where the computer software is manually loaded by the~~  
14 ~~vendor, or the vendor's representative, at the purchaser's location.~~

15 (E) ~~"Prepackaged for repeated sale or license" means computer~~  
16 ~~software that is prepackaged for repeated sale or license in the same form~~  
17 ~~to multiple users without modification, and is typically sold in a~~  
18 ~~shrink-wrapped box.~~

19 (F) ~~"Tangible medium" means a tape, disk, compact disc, card, or~~  
20 ~~comparable physical medium.~~

21 (G) ~~"Tear-open nonnegotiable license agreement" means a license~~  
22 ~~agreement contained on or in the package, which by its terms becomes~~  
23 ~~effective upon opening of the package and accepting the licensing~~  
24 ~~agreement. "Tear-open nonnegotiable license agreement" does not~~  
25 ~~include a written license agreement or contract signed by the licensor and~~  
26 ~~the licensee.~~

27 (III) ~~The internalized instruction code that controls the basic~~

1 operations, such as arithmetic and logic, of the computer causing it to  
2 execute instructions contained in system programs is an integral part of  
3 the computer and is not normally accessible or modifiable by the user.  
4 Such internalized instruction code is considered part of the hardware and  
5 considered tangible personal property that is taxable pursuant to section  
6 39-26-104 (1)(a). The fact that the vendor does or does not charge  
7 separately for such code is immaterial.

8 (IV) If a retailer sells computer software to a Colorado purchaser  
9 that is considered tangible personal property taxable pursuant to section  
10 39-26-104 (1)(a) and the Colorado purchaser pays the retailer for a  
11 quantity of computer software licenses with the intent to distribute the  
12 computer software to any of the purchaser's locations outside of  
13 Colorado, the measure of Colorado sales tax due is the total of the license  
14 fees associated only with the licenses that are actually used in Colorado.  
15 The Colorado purchaser shall provide a written statement to the retailer,  
16 attesting to the amount of the license fees associated with Colorado and  
17 with points outside of Colorado. The written statement shall relieve the  
18 retailer of any liability associated with the proration.

19 SECTION 3. In Colorado Revised Statutes, 39-26-102, add  
20 (21)(c) as follows:

21 39-26-102. Performance statement - definitions - repeal.

22 As used in this article 26, unless the context otherwise requires:

23 (21) (c) (I) BEGINNING JULY 1, 2026, BUT BEFORE JULY 1, 2046,

24 A RETAILER THAT SELLS FOOD OR DRINK AS DESCRIBED IN SECTION

25 39-26-104 (1)(e) IS DEEMED TO USE GAS AND ELECTRICITY IN THE

26 PROCESSING OF PREPARED FOOD AS FOLLOWS:

27 (A) IF THE RETAILER'S SALES OF PREPARED FOOD EXCEED

1 TWENTY-FIVE PERCENT OF THE RETAILER'S TOTAL SALES REVENUE, ONE  
2 HUNDRED PERCENT OF THE PURCHASE PRICE PAID BY THE RETAILER FOR  
3 GAS AND ELECTRICITY IS EXEMPT FROM TAXATION UNDER THE PROVISIONS  
4 OF THIS PART 1. THE RETAILER MAY CLAIM THE EXEMPTION DESCRIBED IN  
5 THIS SUBSECTION (21)(c)(I)(A) WITH THE GAS OR ELECTRIC SERVICE  
6 UTILITY OR AS A CREDIT AGAINST THE TAX COLLECTED BY THE RETAILER.

7 (B) IF THE RETAILER'S SALES OF PREPARED FOOD ARE  
8 TWENTY-FIVE PERCENT OR LESS OF THE RETAILER'S TOTAL SALES  
9 REVENUE, THE RETAILER IS ALLOWED A CREDIT AGAINST THE TAX  
10 COLLECTED BY THE RETAILER PURSUANT TO THIS PART 1 IN AN AMOUNT  
11 EQUAL TO ONE-HALF OF ONE PERCENT OF A RETAILER'S SALES OF  
12 PREPARED FOOD.

13 (II) A RETAILER WHO CHOOSES TO CLAIM THE CREDIT ALLOWED  
14 BY THIS SUBSECTION (21)(c) MUST CLAIM THE CREDIT FOR THE PREVIOUS  
15 CALENDAR YEAR ON THE SALES TAX RETURN MADE FOR THE MONTH OF  
16 JANUARY; EXCEPT THAT A SEASONAL RETAILER MUST CLAIM THE CREDIT  
17 ON THE SALES TAX RETURN MADE FOR THE MONTH OF JUNE.

18 **SECTION 4.** In Colorado Revised Statutes, 39-26-105, amend  
19 (1.3)(a)(III)(C), (1.3)(a)(V)(B), (1.3)(a)(V)(C), (1.3)(b)(I), (1.3)(c),  
20 (1.3)(c.5), and (1.3)(f.7); and add (1.3)(a)(V)(D), (1.3)(a)(V)(E), and  
21 (1.3)(b)(III) as follows:

22 **39-26-105. Vendor liable for tax - definitions - repeal.**

23 (1.3) (a) As used in this subsection (1.3), unless the context  
24 otherwise requires:

25 (III) (C) "Qualifying retailer" means, for the specified sales tax  
26 period PERIODS in subsection (1.3)(a)(V)(C) SUBSECTIONS (1.3)(a)(V)(C),  
27 (1.3)(a)(V)(D), and (1.3)(a)(V)(E) of this section, a retailer doing

1 business in the state that timely files sales tax returns as required under  
2 subsection (1)(b) of this section and section 39-26-109 and that operates  
3 in the alcoholic beverages drinking places industry, the catering industry,  
4 the food services contractor industry, the restaurant and other eating  
5 places industry, or the mobile food services industry, or that operates a  
6 hotel-operated restaurant, bar, or catering service.

7 (V) (B) On and after June 14, 2021, but before June 3, 2022 BUT  
8 BEFORE THE EFFECTIVE DATE OF THIS SUBSECTION (1.3)(a)(V)(B), AS  
9 AMENDED, "specified sales tax period" means sales made in June 2021,  
10 July 2021, and August 2021, for which monthly returns must be filed  
11 pursuant to subsection (1)(b) of this section, on July 20, 2021, August 20,  
12 2021, and September 20, 2021, respectively.

13 (C) On and after June 3, 2022 ON AND AFTER THE EFFECTIVE DATE  
14 OF THIS SUBSECTION (1.3)(a)(V)(C), AS AMENDED, "specified sales tax  
15 period" means sales made in July 2022, August 2022, and September  
16 2022, for which monthly returns must be filed pursuant to subsection  
17 (1)(b) of this section, on August 20, 2022, September 20, 2022, and  
18 October 20, 2022, respectively.

19 (D) ON AND AFTER THE EFFECTIVE DATE OF THIS SUBSECTION  
20 (1.3)(a)(V)(D), AS AMENDED, "SPECIFIED SALES TAX PERIOD" MEANS  
21 SALES MADE IN JULY 2027, AUGUST 2027, NOVEMBER 2027, AND  
22 DECEMBER 2027, FOR WHICH MONTHLY RETURNS MUST BE FILED  
23 PURSUANT TO SUBSECTION (1)(b) OF THIS SECTION, ON AUGUST 20, 2027,  
24 SEPTEMBER 20, 2027, DECEMBER 20, 2027, AND JANUARY 20, 2028,  
25 RESPECTIVELY.

26 (E) IN ADDITION TO THE DEFINITION IN SUBSECTION (1.3)(a)(V)(D),  
27 ON AND AFTER THE EFFECTIVE DATE OF THIS SUBSECTION (1.3)(a)(V)(E),

1 AS AMENDED, "SPECIFIED SALES TAX PERIOD" MEANS SALES MADE IN JULY  
2 2028, AUGUST 2028, NOVEMBER 2028, AND DECEMBER 2028, FOR WHICH  
3 MONTHLY RETURNS MUST BE FILED PURSUANT TO SUBSECTION (1)(b) OF  
4 THIS SECTION, ON AUGUST 20, 2028, SEPTEMBER 20, 2028, DECEMBER 20,  
5 2028, AND JANUARY 20, 2029, RESPECTIVELY.

6 (b) (I) A qualifying retailer in the alcoholic beverages drinking  
7 places industry, in the restaurant and other eating places industry, in the  
8 food services contractor industry, or operating a hotel-operated restaurant,  
9 bar, or catering service may deduct from state net taxable sales the lesser  
10 of state net taxable sales or, EXCEPT AS PROVIDED IN SUBSECTION  
11 (1)(b)(III) OF THIS SECTION, seventy thousand dollars and retain the  
12 resulting sales tax collected for each month specified in subsection  
13 (1.3)(a)(V) of this section.

14 (III) FOR EACH MONTH SPECIFIED IN SUBSECTIONS (1.3)(a)(V)(D)  
15 AND (1.3)(a)(V)(E) OF THIS SECTION, THE MAXIMUM DEDUCTION ALLOWED  
16 PURSUANT TO SUBSECTION (1.3)(b)(I) OF THIS SECTION IS FOURTEEN  
17 THOUSAND DOLLARS.

18 (c) (I) A qualifying retailer in the mobile food services industry  
19 may deduct from state net taxable sales the lesser of aggregate state net  
20 taxable sales for all sites or EXCEPT AS OTHERWISE PROVIDED IN  
21 SUBSECTION (1)(c)(II) OF THIS SECTION, seventy thousand dollars per  
22 motorized vehicle or nonmotorized cart, not to exceed five motorized  
23 vehicles or nonmotorized carts, and retain the resulting state sales tax  
24 collected for each month IN THE SPECIFIED SALES TAX PERIOD specified in  
25 subsection (1.3)(a)(V)(A) of this section.

26 (II) FOR EACH MONTH SPECIFIED IN SUBSECTIONS (1.3)(a)(V)(D)  
27 AND (1.3)(a)(V)(E) OF THIS SECTION, THE MAXIMUM DEDUCTION ALLOWED

1 PURSUANT TO SUBSECTION (1.3)(c)(I) OF THIS SECTION IS FOURTEEN  
2 THOUSAND DOLLARS.

3 (c.5) (I) A qualifying retailer in the catering industry may deduct  
4 from state net taxable sales the lesser of aggregate state net taxable sales  
5 for all events or EXCEPT AS PROVIDED IN SUBSECTION (1)(c.5)(II) OF THIS  
6 SECTION, seventy thousand dollars and retain the resulting state sales tax  
7 collected for each month specified in subsection (1.3)(a)(V) of this  
8 section.

9 (II) FOR EACH MONTH SPECIFIED IN SUBSECTIONS (1.3)(a)(V)(D)  
10 AND (1.3)(a)(V)(E) OF THIS SECTION, THE MAXIMUM DEDUCTION ALLOWED  
11 PURSUANT TO SUBSECTION (1.3)(c.5)(I) OF THIS SECTION IS FOURTEEN  
12 THOUSAND DOLLARS.

13 (f.7) To the extent that information is available, and without  
14 changing the sales tax return form, the department of revenue shall  
15 include a report to its committee of reference at a hearing held in January  
16 2023 EACH YEAR, pursuant to section 2-7-203 (2)(a) of the "State  
17 Measurement for Accountable, Responsive, and Transparent (SMART)  
18 Government Act" specifying:

19 (I) The amount of sales tax revenue that the state did not collect  
20 in 2022 THE PREVIOUS CALENDAR YEAR as a result of the deduction  
21 allowed in this subsection (1.3); and

22 (II) How many retailers elected to take advantage of the deduction  
23 allowed in this subsection (1.3) in 2022 THE PREVIOUS CALENDAR YEAR.

24 **SECTION 5.** In Colorado Revised Statutes, 39-26-123, **amend**  
25 **(3)(b)(I)(B) as follows:**

26 **39-26-123. Receipts - disposition - transfers of general fund**  
27 **surplus - sales tax holding fund - creation - definitions.**

1 (3) For any state fiscal year commencing on or after July 1, 2013,  
2 the state treasurer shall credit eighty-five percent of all net revenue  
3 collected under this article 26 to the old age pension fund created in  
4 section 1 of article XXIV of the state constitution. The state treasurer  
5 shall credit to the general fund the remaining fifteen percent of the net  
6 revenue, less:

7 (b) (I) (B) Except as set forth in subsection (3)(b)(II) of this  
8 section and subject to subsection (3)(b)(III) of this section, beginning  
9 January 1, 2026, AND UNTIL DECEMBER 31, 2026, MONTHLY, an amount  
10 equal to one and six hundred fifty-five thousandths percent of net revenue  
11 excluding net revenue collected under part 2 of this article 26, which  
12 amount the state treasurer shall credit to the housing development grant  
13 fund created in section 24-32-721 (1), AND, BEGINNING JANUARY 1, 2027,  
14 MONTHLY, AN AMOUNT EQUAL TO ONE AND SIX HUNDRED TWENTY-FIVE  
15 THOUSANDTHS PERCENT OF NET REVENUE EXCLUDING NET REVENUE  
16 COLLECTED UNDER PART 2 OF THIS ARTICLE 26, WHICH AMOUNT THE STATE  
17 TREASURER SHALL CREDIT TO THE HOUSING DEVELOPMENT GRANT FUND  
18 CREATED IN SECTION 24-32-721 (1).

19 **SECTION 6.** In Colorado Revised Statutes, 39-26-713, **add** (3)  
20 as follows:

21 **39-26-713. Tangible personal property.**

22 (3) THE SALE, STORAGE, USE, OR CONSUMPTION OF COMPUTER  
23 SOFTWARE, AS DEFINED IN SECTION 39-26-102 (15)(c)(II)(B), IS EXEMPT  
24 FROM TAXATION UNDER THE PROVISIONS OF PARTS 1 AND 2 OF THIS  
25 ARTICLE 26 IF THAT SALE, STORAGE, USE, OR CONSUMPTION OF COMPUTER  
26 SOFTWARE IS EITHER GOVERNED BY A NEGOTIABLE LICENSE AGREEMENT  
27 OR DEVELOPED FOR USE BY A PARTICULAR USER.

1           (a) FOR PURPOSES OF THIS ARTICLE 26, "NEGOTIATED LICENSE  
2           AGREEMENT" MEANS A WRITTEN AGREEMENT OR CONTRACT THAT IS  
3           INDIVIDUALLY BARGAINED BETWEEN THE LICENSOR AND LICENSEE AND  
4           THAT IS SIGNED IN WRITING BY AUTHORIZED REPRESENTATIVES OF BOTH  
5           THE LICENSOR AND LICENSEE PRIOR TO OR CONTEMPORANEOUS WITH THE  
6           LICENSEE'S ACCESS TO OR USE OF THE SOFTWARE.

7           (b) FOR PURPOSES OF THIS ARTICLE 26, "INDIVIDUALLY BARGAINED  
8           BETWEEN THE LICENSOR AND LICENSEE" SPECIFICALLY EXCLUDES A  
9           STANDARD, FORM, OR BOILERPLATE AGREEMENT THAT IS OFFERED BY THE  
10           LICENSOR ON A NONNEGOTIABLE OR SUBSTANTIALLY NONNEGOTIABLE  
11           BASIS TO MULTIPLE LICENSEES, REGARDLESS OF WHETHER THE  
12           AGREEMENT BEARS A HANDWRITTEN OR ELECTRONIC SIGNATURE, OR THE  
13           AGREEMENT IS PRINTED ON, WITHIN, OR AFFIXED TO THE SOFTWARE  
14           PACKAGING; EMBEDDED WITHIN THE COMPUTER SOFTWARE ITSELF; OR  
15           PRESENTED AS PART OF THE TERMS AND CONDITIONS OF ANY WEBSITE OR  
16           APPLICATION THROUGH WHICH THE SOFTWARE IS ACQUIRED, ACCESSED, OR  
17           USED.

18           (c) FOR PURPOSES OF THIS ARTICLE 26, "SIGNED IN WRITING BY  
19           AUTHORIZED REPRESENTATIVES OF BOTH THE LICENSOR AND LICENSEE"  
20           SPECIFICALLY EXCLUDES AN ACCEPTANCE BY THE LICENSEE ON A  
21           CLICK-THROUGH, BROWSE-WRAP, SHRINK-WRAP, EMBEDDED SIGNATURE,  
22           IMPLIED, ACCOUNT CREATION, OR ANY OTHER AUTOMATED BASIS; EXCEPT  
23           THAT "SIGNED IN WRITING BY AUTHORIZED REPRESENTATIVES OF BOTH  
24           THE LICENSOR AND LICENSEE" MAY INCLUDE A SIGNATURE PERFORMED  
25           THROUGH AN ELECTRONIC SIGNATURE METHOD AUTHORIZED PURSUANT  
26           TO SECTION 39-21-120 AND DEPARTMENT RULES AND SPECIFICALLY  
27           INCLUDES ELECTRONIC SIGNATURE METHODS SUCH AS DOCUSIGN OR A

1 SIMILAR AUTHENTICATED ELECTRONIC SIGNATURE.

2 SECTION 7. In Colorado Revised Statutes, 39-26-715, add  
3 (2)(b)(IV) as follows:

4 39-26-715. Fuel and oil - definitions.

5 (2) The following are exempt from taxation under the provisions  
6 of part 2 of this article 26:

7 (b) (IV) BEGINNING JULY 1, 2026, BUT BEFORE JULY 1, 2046, FOR  
8 PURPOSES OF THIS SUBSECTION (2)(b), THE DEEMED USAGE RULES SET  
9 FORTH IN SECTION 39-26-102 (21)(c)(I) APPLY.

10

11 SECTION 8. Appropriation. (1) For the 2026-27 state fiscal  
12 year, \$48,326 is appropriated to the department of revenue. This  
13 appropriation is from the general fund. To implement this act, the  
14 department may use this appropriation as follows:

15 (a) \$10,086 to the executive director's office for personal services  
16 related to administration and support;

17 (b) \$13,821 to the taxation business group for personal services  
18 related to taxation services; and

19 (c) \$24,419 for tax administration IT system (GenTax) support.

20 SECTION 9. Applicability. Sections 2 and 3 of this act apply to  
21 the sale, storage, use, and consumption of tangible personal property on  
22 or after January 1, 2027.

23 SECTION 10. Effective date. This act takes effect upon passage;  
24 except that section 1 of this act takes effect only if House Bill 26-1221  
25 and House Bill 26-1222 do not become law.

26 SECTION 11. Safety clause. The general assembly finds,  
27 determines, and declares that this act is necessary for the immediate

- 1 preservation of the public peace, health, or safety or for appropriations for
- 2 the support and maintenance of the departments of the state and state
- 3 institutions.