



**CoSEA BoD Meeting & 76th General Assembly Legislative Bill Review**  
**Tuesday, March 3, 4:30 – 6:00 pm**

The meeting discussed four Colorado House tax bills: 1221, 1222, 1223, and 1289, and Senate Bill 26-116. [Heidi Morgan](#) of [Wagner Morgan Strategies](#) presented summaries to the group and offered valuable context for participants to contemplate.

Executive Recap

- [House Bill 1221](#) limits net operating loss carryforward to 10 years at 70% and introduces a refundable tax credit. We voted unanimously to monitor this bill pending further questions about the credit's eligibility and fraud prevention measures.
- [House Bill 1222](#) decouples federal tax deductions for business interest, qualified property depreciation, and research and development, affecting small businesses, prompting a unanimous decision to oppose it. We voted unanimously to oppose
- [House Bill 1223](#) removes the sales tax exemption for downloadable software, also facing strong opposition. The group emphasized the need for guardrails to prevent fraud with refundable tax credits. We voted unanimously to oppose.
- [House Bill 1289](#) is a complicated bill with a broad impact across various industries. We voted unanimously to monitor this legislation for now.
- [Senate Bill 26-116](#), which addresses property tax modifications. With time for only a brief conversation, we generally agreed to monitor this bill for now.

Throughout the discussion, concerns were raised about the effects of refundable tax credits and the need for guardrails to prevent fraud.

**Summary of House Bill 1221**

Heidi Morgan explains that House Bill 1221 limits the alternative minimum tax credit for income tax years starting January 1, 2026.

The bill requires corporations to include their federal taxable income in the employee remuneration deduction.

It limits the net operating loss that can be carried forward from 20 years to 10 years and reduces the amount that can be claimed from 80% to 70%.

The bill creates a new refundable tax credit based on the age and income of taxpayers' children.

### Discussion on House Bill 1221

John highlights sections of the bill that may impact smaller taxpayers, such as the limitation on net operating loss carryforward and the refundable tax credit.

John expresses concerns about the Department of Revenue's ability to mitigate fraud and abuse with the refundable tax credit.

Michelle Divan asks for a layman's explanation of the bill's purpose, and Heidi Morgan confirms that the state is trying to establish a minimum income level for residents.

Rusty King shares his experience with clients receiving refundable credits and expresses concerns about the impact on corporations.

John proposes to remain neutral on House Bill 1221 and ask more questions about the refundable tax credit's guardrails.

The group agrees to ask questions about the need to file a tax return, the requirement of earned income, and the availability of the credit for all residents.

John and Heidi Morgan note the questions to ask the bill sponsors.

### **Summary of House Bill 1222**

Heidi Morgan explains that House Bill 1222 modifies tax expenditures by decoupling certain federal tax deductions from state income tax.

The bill requires adding back federal deductions for business interest, qualified property depreciation, and domestic research and experimental expenditures.

It creates a new refundable tax credit, similar to House Bill 1221.

Michelle Divan and John Dundon discuss the bill's impact on small businesses and the need for guardrails to prevent fraud.

### Discussion on House Bill 1222

John highlights the bill's impact on small businesses, particularly those that use bonus depreciation and qualified production property depreciation.

Michelle Divan strongly opposes the bill, citing its negative impact on small businesses.

Heidi Morgan suggests taking an amend position or opposing the bill, emphasizing the importance of representing small businesses' interests.

The group decides to oppose House Bill 1222, with Michelle Divan leading the opposition.

### **Summary of House Bill 1223**

Heidi Morgan explains that House Bill 1223 modifies certain tax expenditures related to downloadable software.

The bill removes the sales and use tax exemption for downloadable software that qualifies as tangible property.

It applies the revenue to a refundable tax credit, similar to the previous bills.

Heidi Morgan notes that the bill is likely to face significant opposition and may not move forward.

### **Discussion on House Bill 1223**

John and Heidi Morgan discuss the potential impact of the bill on small businesses that use downloadable software.

John expresses opposition to the bill, citing the increased software costs and the need to pass them on to customers.

Bill Plaughter confirms his opposition to the bill, noting that it was opposed last year as well.

Heidi Morgan suggests talking to the bill sponsors, including House Speaker Pro Tem Andy Faith and Representative Stephen Woodrow, to understand the impact on small businesses.

### **Summary of House Bill 1289**

This bill includes provisions for Opportunity Zones, senior tax credits, and various other tax credits and deductions.

John and others expressed support for sections 4 and 5 of the bill, which relate to senior tax credits and the Water's Edge election for multinational corporations.

### **Discussion on House Bill 1289**

The group agreed to monitor the bill rather than take a formal position on it.

#### Next Steps:

- Ramp up for Legislative Day at the State Capital Wednesday 4/22/2026
- [Heidi: Send draft article to group for distribution to local publications.](#)
- [Heidi: Provide answers to the group regarding guardrails and eligibility requirements for refundable tax credits in HB 1221 \(e.g., must file tax return, must have earned income, residency requirements, etc.\).](#)
- [Heidi: Communicate the group's opposition to HB 1222 and HB 1223 to the relevant legislative sponsors/committees.](#)
- [Heidi: Investigate and report back to the group on whether SB 116's lodging tax provisions apply to short-term, long-term, or mid-term rentals.](#)
- [Heidi: Attend the Colorado Chamber tax counsel meeting on Friday to assess the likelihood of bills moving forward and report back to the group.](#)
- [Heidi: Get more information on the wildfire hazard mitigation tax credit \(thinning, beetle kill, etc.\) as requested by group members.](#)
- [Heidi: Provide more information on the electric bike tax credit/rebate process as requested by Rusty.](#)
- [Heidi: Send out the draft article to the group for local publication distribution \(already listed above, but repeated for completeness\).](#)