

ARTICLES

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## Services

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BILL SCHENKELBERG,  
CPACHICAGO:  
312.655.1500BILL.SCHENKELBERG@  
HUSCHBLACKWELL.COM

# Colorado Offers Discounted Tax Credits for Prepayment

On August 28, 2025, Colorado Governor Jared Polis signed HB 25B-1004 into law as part of a plan to close an expected budget shortfall resulting from the passing of federal tax changes. The legislation allows the Colorado Department of Revenue to sell up to \$125 million of insurance premium tax credits and \$125 million of corporate tax credits, allowing insurance companies and C corporations to reduce future Colorado tax liabilities through an upfront payment.

Insurance companies and C corporations can bid on purchasing these credits at a discount of up to 20% by making an application to the department of an irrevocable offer to purchase a minimum amount of tax credits (to be established by department procedures), the proposed purchase amount for each tax credit dollar requested, and any other information required by the department.

The proposed purchase amount for each tax credit dollar requested must be the greater of the percentage determined to be consistent with market conditions as of the offer date, or 80% of the requested dollar amount of tax credits. Priority for the \$125 million of insurance premium credits will be given to insurance companies that have a qualified home office or regional home office in Colorado.

The tax credits can be used to offset Colorado insurance premiums tax liability or Colorado income tax liability by submitting the tax credit certificate with the return. Unused credits can be carried over but must be utilized before any taxable year that begins after December 31, 2033. Credits not used within this period are not refundable.

Taxpayers who participate in this program must be prepared to make payment for its purchased tax credits within the time specified by the department.

## **What this means to you**

Insurance companies and C corporations with anticipated Colorado tax liabilities should consider their tax situation and determine whether making an application for tax credits is advantageous. It is currently unknown as to what the market rate will be for these credits, so interested parties should analyze their expected Colorado tax liability for future years and consider the time-value of money to determine an amount and discounted price that makes sense.

## **Contact us**

If you have questions regarding how HB 25B-1004 could impact your tax liabilities, contact Bill Schenkelberg or your Husch Blackwell attorney.