

## Income/Franchise:

### Colorado: New Law Revises Pass-Through Entity Tax and Includes Retroactive Application

*S.B. 124*, signed by gov. 5/16/22. New law revises Colorado's recently enacted elective pass-through entity tax [see previously issued Multistate Tax Alert for more details about this tax, as originally enacted], including amending the tax election to be effective for tax years beginning on or after January 1, 2018 in which there is a limitation on individual income tax deductions under Internal Revenue Code section 164. Previously, a pass-through entity was not able to make this election until tax years beginning on or after January 1, 2022. Some other revisions to Colorado's pass-through entity tax include amending the tax rate to equal the state corporate tax rate for the applicable tax year; removing the requirement to make estimated tax payments for tax years beginning prior to January 1, 2023; replacing the electing pass-through entity owner income deduction with a refundable tax credit; and removing the provision allowing an electing pass-through entity to carry forward any excess income tax credit, net operating loss, or other modification.

**URL:** <https://leg.colorado.gov/bills/sb22-124>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-colorado-enacts-pass-through-entity-tax-election.pdf>

See recently issued Multistate Tax Alert for more details on these new pass-through entity tax changes, and please contact us with any questions.

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