

## Income/Franchise:

### Colorado: Proposed Rules Address Treatment of Foreign Source Income and Net Operating Losses

*Proposed Amended Rule section 39-22-303(10); Proposed Amended Rule section 39-22-504-2; Proposed New Rule section 39-22-304(3)(j)*, Colo. Dept. of Rev. (11/15/22). Following earlier stakeholder meetings addressing the state tax treatment of various forms of foreign source income, Internal Revenue Code (IRC) section 78 dividends, and the Colorado allocation and carryforward of net operating losses (NOLs) allowed to C corporations and applicable NOL limitations [see *State Tax Matters*, Issue 2022-40, for more details on these earlier meetings], the Colorado Department of Revenue (Department) is proposing various ensuing administrative rule changes. One proposed rule provides guidance regarding the definition of foreign source income, the foreign source income exclusion, and the requirement to report any changes to that amount. Another proposed new rule seeks to provide clarification regarding the subtraction from federal taxable income for amounts treated as dividends pursuant to IRC section 78. Other proposed rule changes involve the Colorado NOL deduction allowed to C corporations. A hybrid (in-person and virtual) public hearing on the rule proposals is scheduled for December 15, 2022, and written comments on them are due by the same date. Please contact us with any questions.

**URL:** <https://tax.colorado.gov/news-article/notice-of-proposed-rulemaking-colorado-net-operating-losses-and-foreign-source-income>

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/221007\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/221007_1.html)

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