

Income/Franchise:

Colorado Taxpayer Must Include Accounts Receivables Subsidiary on State Combined Return

Case No. 21CA1232, Colo. Ct. App. (11/17/22). In an unpublished opinion, the Colorado Court of Appeals (Court) held that a Colorado-based parent company of a group of entities distributing electronic components, computer and storage products, and related services worldwide must include its wholly-owned accounts receivables securitization subsidiary on its Colorado combined corporate income tax return, agreeing with the lower district court's holding that the subsidiary qualified as an "includable C corporation" under state law because more than 20% of its property was located in the United States. In doing so, the Court rejected the taxpayer's argument that the subsidiary was *not* an "includable C corporation" under relevant Colorado statutes because it did not have at least 20% of its property *and* 20% of its payroll within the United States aggregately. The Court explained that when viewed in conjunction with other relevant and corresponding Colorado statutory provisions, the Colorado statute at issue "unambiguously applies its twenty percent figure to one number calculated by combining the results produced by property and payroll factoring." Under the facts, the subsidiary at issue outsourced its personnel services to third-party contractors and therefore had no payroll; its property consisted of a no-cost, assigned cubicle at the parent company's in-state headquarters. Please contact us with any questions.

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