

Income/Franchise:

Colorado Couple May File Amended Return to Claim Refunds on Retroactive CARES Act Provisions

Case No. 21CA1242, Colo. Ct. App. (11/17/22). In a published opinion on a case of first impression, the Colorado Court of Appeals (Court) reversed a lower district court ruling to hold that a Congressional amendment to federal income tax laws – in this case, changes enacted to Internal Revenue Code section 461(l) under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (*i.e.*, P.L. 116-136) relating to the modification of the limitation on losses allowed for noncorporate taxpayers in tax years 2018, 2019 and 2020 – that lowers a taxpayer’s federal taxable income for prior tax years entitles a Colorado taxpayer to file an otherwise timely amendment to his/her state individual income tax return for those prior years to claim a Colorado income tax refund. In this respect, the Court held that Colorado’s rolling conformity income tax code incorporates retrospective changes to federal tax law in the calculation of taxable income. As such, the couple in this case was permitted to file an amended 2018 state individual income tax return to take advantage of favorable retroactive federal income tax law changes involving excess business loss deductions. Please contact us with any questions.

URL: https://www.courts.state.co.us/Courts/Court_of_Appeals/Opinion/2022/21CA1242-PD.pdf

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