

Income/Franchise:

Colorado DOR Updates Guidance on State Impact and Treatment of Federal Law Changes

CARES Act Tax Law Changes & Colorado Impact, Colo. Dept. of Rev. (rev. 4/23). The Colorado Department of Revenue (Department) released an updated publication addressing how some federal tax provisions under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (*i.e.*, P.L. 116-136) interact with Colorado corporate and individual income taxation and reflecting a 2022 Colorado Court of Appeals decision [see *State Tax Matters*, Issue 2022-47, for more details on this Colorado decision], which determined that Colorado Rule 39-22-103(5.3) was “incorrect and that retroactive changes in federal law can affect a taxpayer’s Colorado taxable income.” In that 2022 decision, a Colorado Court of Appeal held that federal law changes (in this case, changes to Internal Revenue Code (IRC) section 461(l) under the CARES Act) that lower 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. The publication explains changes resulting from this court decision invalidating Rule 39-22-103(5.3), as well as additions and subtractions related to the CARES Act which remain in effect. The Department also states that in light of this court decision, it “expects to repeal Rule 39-22-103(5.3).” Other topics covered in this publication include IRC sections 172, 163(j), 461(l) and 168(e) involving provisions for net operating loss (NOL) deductions, business interest expense limitations, excess loss limitations for taxpayers other than corporations, and cost recovery for qualified improvement property (QIP), respectively. Please contact us with any questions.

URL:
https://tax.colorado.gov/sites/tax/files/documents/CARES_Act_Tax_Law_Changes_and_Colorado_Impact_April_2023.pdf

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/221202_6.html

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