

Income/Franchise:

Colorado DOR Issues Updated Implementation Guidance on Elective Pass-Through Entity Tax

Income Tax Topics: SALT Parity Act, Colo. Dept. of Rev. (rev. 6/23). The Colorado Department of Revenue issued updated administrative guidance addressing Colorado's elective pass-through entity tax (PTET), which pursuant to legislation enacted in 2022 and 2021, applies to tax years commencing on or after January 1, 2018, but prior to January 1, 2026 [see previously issued Multistate Tax Alert for more details on the legislation]. The guidance summarizes how to make election, underlying filing requirements and tax calculations, estimated payment requirements and other tax compliance-related matters. Regarding the Internal Revenue Code (IRC) section 199A qualified business income (QBI) deduction for pass-through entities, the guidance explains that if a partnership or S corporation makes the Colorado PTET election, all of its partners or shareholders must add back to federal taxable income on their Colorado return any qualified business deduction claimed under IRC section 199A on their federal return; this addback is required for the full amount of the qualified business deduction claimed by the electing pass-through entity owner on their federal return. Please contact us with any questions.

URL: https://tax.colorado.gov/sites/tax/files/documents/ITT_SALT_Parity_Act_Jun_2023-FINAL.pdf

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

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