

Income/Franchise:

Colorado DOR Proposes Rule Changes on Federal Conformity and QBI Deduction Addback

Proposed Repeal of Reg. section 39-22-103(5.3); Proposed New Reg. section 39-22-104(3)(r), Colo. Dept. of Rev. (6/14/23). The Colorado Department of Revenue (Department) is proposing changes to some administrative rules, one of which proposes to repeal an existing rule due to a 2022 Colorado Court of Appeals ruling [see *State Tax Matters*, Issue 2022-47, for more details on this case] that held Colorado's rolling conformity income tax code incorporates retrospective changes to federal tax law in the calculation of taxable income. As currently written, the rule provides that the term "internal revenue code" incorporates changes to federal statute only on a prospective basis. Regarding the Internal Revenue Code (IRC) section 199A qualified business income (QBI) deduction for pass-through entities, the Department is also proposing a new rule intended to clarify the requirement to add back, in the calculation of Colorado taxable income, the amount that an electing pass-through entity owner is allowed to deduct under IRC section 199A. A virtual public hearing on both proposals is scheduled for July 18, 2023, and any written comments are due on the same date. Please contact us with any questions.

URL: <https://www.coloradosos.gov/CCR/eDocketDetails.do?trackingNum=2023-00316>

URL: <https://www.coloradosos.gov/CCR/eDocketDetails.do?trackingNum=2023-00314>

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

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