



COLORADO

Department of Revenue

Taxation Division

Office of Tax Policy Individual Income Tax Newsletter June 2023

Greetings from Tax Policy!

This newsletter provides information about our recently completed and ongoing individual income tax projects. We've also prepared separate newsletters with information about our projects involving other tax types. You can access these other newsletters through the [Tax Reference Library](#). If you have any questions about any of our rules, publications, or other projects, please feel free to contact us as dor_taxpolicy@state.co.us.

Guidance publications

We recently published the following new and revised guidance publications:

- [Income Tax Topics: Part-Year Residents & Nonresidents](#) – This publication has been updated to include guidance regarding the allocation of new additions, subtractions, and federal adjustments and to refer part-year resident and nonresident partners and shareholders to the new publication [Individual Partner and Shareholder Instructions For 2022 Colorado K-1 \(DR 0106K\)](#).
- [Individual Partner and Shareholder Instructions For 2022 Colorado K-1 \(DR 0106K\)](#) – This new publication provides guidance and reporting instructions for partners and shareholders who receive a Colorado K-1 (DR 0106K) from a partnership or S corporation.
- [Income Tax Topics: SALT Parity Act](#) – This new publication provides information about partnerships and S corporations that make an election under the SALT Parity Act to be subject to Colorado income tax at the entity level.

Redline versions of recently revised publications can be found in the [Tax Reference Library](#).

We expect to publish the following guidance publications in the next few months:

- *Income Tax Topics: Innovative Motor Vehicle Credit and Income Tax Topics: Innovative Truck Credit* – These two new publications will replace *FYI Income 69* and will reflect changes [House Bill 23-1272](#) made to both credits, some of which take effect July 1, 2023. In particular, allowable credits increase for qualifying motor vehicles sold or leased on or after July 1, 2023. Additionally, no innovative motor vehicle credit is allowed for any vehicle purchased or leased on or after July 1, 2023, that has a manufacturer's suggested retail price exceeding \$85,000 (this limitation does not apply to the innovative truck credit). House Bill 23-1272 makes additional changes that will take effect January 1, 2024, and January 1, 2025.

Forms

Colorado Simplified Individual Income Tax Return – We [recently announced](#) a workgroup meeting to discuss a draft of a new simplified individual income tax return. The draft return could be used by Colorado resident individuals who do not have any Colorado additions, subtraction, or credits other than withholding from W-2s and/or 1099s and the state sales tax refund credit.

Rulemaking

We are currently working on the following rules for individual income tax:

- *529 and ABLE Contributions* – We [recently announced](#) a hearing scheduled for July 18th to consider proposed rules to address the employer credit for contributions to an employee's 529 college savings account and the income tax subtractions for 529 and ABLE contributions. Among other things, the rules provide guidance regarding rollovers and the required addition for nonqualifying distributions.
- *Credit for Taxes Paid to Another State* – We [recently announced](#) a hearing scheduled for July 18th to consider proposed amendments to the existing rule regarding the credit for taxes paid to another state. The amendments reorganize and revise the content of the existing rule and provides additional guidance regarding the limitation on the credit and the credit allowed to a partner or shareholder for their share of the taxes paid to another state by a partnership or S corporation.
- *Qualified Business Income Deduction Addback* – We [recently announced](#) a hearing scheduled for July 18th to consider a new draft rule to coordinate the two addbacks required by section 39-22-104(3)(o) and (r), C.R.S., for qualified business income deducted pursuant to section 199A of the Internal Revenue Code.
- *Internal Revenue Code Definition* – We [recently announced](#) a hearing scheduled for July 18th to consider the repeal of Rule 39-22-103(5.3) because in *Anschutz v. Department of Revenue*, 2022 COA 132, 524 P.3d 1203 (Colo. App. 2022) the court determined that the rule was incorrect and that retroactive changes in federal law can affect a taxpayer's Colorado taxable income.
- *Credit Assignment Report for New Credits for Allowed by Senate Bill 22-051* – [Senate Bill 22-051](#) created new income tax credits for the purchase of heat pump systems, heat pump water heaters, or residential energy storage systems. The bill also allows for the assignment of these credits to the seller. We [adopted an emergency rule](#) that provides an extension of time for sellers to electronically file the credit assignment report with the Department. As the emergency rule was set to expire, [we adopted the](#)

[emergency rule again](#). Additional information is available online at <https://tax.colorado.gov/climate-focused-tax-incentives> and <https://tax.colorado.gov/climate-focused-tax-incentives-faqs>

- *Alternative Transportation Options Income Tax Credit* – We [recently conducted](#) a stakeholder workgroup meeting to discuss the development of a new income tax rule on the alternative transportation options income tax credit enacted by [House Bill 22-1026](#). Both the meeting [agenda](#) and a [recording](#) of the meeting are available online.
- *Miscellaneous Income Tax Rules* – We [recently conducted a hearing](#) for the amendment, repeal, or adoption of a variety of income tax rules. We proposed amendments for, and the adoption of, rules relating to credits and subtractions for healthcare preceptors and wildfire mitigation measures. We also proposed the repeal of several existing income tax rules that are obsolete or duplicative of the statute.
- *State Income Tax Addback* – We [recently requested public input](#) on a new draft rule regarding the state income tax addback for individuals, estates, and trusts. The draft rule clarifies certain limitations on the amount of the addback and explains the requirement for partners and shareholders to add back their share of state income taxes paid and deducted by the partnership or S corporation.
- *Itemized Deduction Addback and Federal Deduction Addback* – We [recently requested public input](#) on new draft rules to coordinate the new itemized deduction addback (enacted by [House Bill 21-1311](#) for tax years 2022 and later) and the new federal deduction addback (enacted by [House Bill 22-1414](#) and [Proposition FF](#) for tax years 2023 and later) with each other and other required addbacks for state income tax and charitable deductions for conservation easement credits. We expect to issue a notice of proposed rulemaking soon for these rules.

If you wish to receive notifications regarding rulemaking activities, you may sign up to receive those notifications [here](#).

Private Letter Rulings (PLR) and General Information Letters (GIL)

We are currently working on GIL requests relating to:

- Foreign source income recognized by an individual; and
- Contributions eligible for the child care contribution credit

Contact Us

Please feel free to contact our office at dor_taxpolicy@state.co.us with any questions about any of the items listed above, rulemaking, our publications, PLRs and GILs, or decisions made by the Tax Policy Committee.