



Please Support HB23-####

The Department of Revenue is pleased to bring you HB23-####. This bill will simplify the income tax return filing process for pass-through entities and C corporations and align Colorado with 14 other states through model legislation. The Department respectfully requests your support of HB23-####.

Pass-Through Return Simplification

Pass-through entities currently have three options for satisfying the obligations of nonresident owners. The pass-through may file a composite return on behalf of these owners, withhold an estimated tax payment, or collect and file an agreement that the owner will file a separate return. HB23-#### consolidates the composite return and withholding options and clarifies the calculation of the required payment. With one return and one payment, the pass-through entity will satisfy the filing and payment obligations of nonresident owners. The nonresident owners may still opt-out of the composite or file a separate return claiming their share of the composite payment, if necessary.

C Corporation Due Date Extension

Prior to 2017, the federal income tax return deadline for corporations was March 15. This meant that the state's April 15 due date (and October 15 extension deadline) was one month after the federal due date. This lag was helpful because Colorado's income tax calculation begins with federal taxable income. In 2017, Congress moved the federal due date for corporations to April 15. HB23-#### restores the one-month lag by changing the state due date to May 15 (with a November 15 extension deadline).

Model Federal Adjustment Reporting Statute

As mentioned above, Colorado's income tax calculation begins with federal taxable income. When federal taxable income is adjusted by the IRS, or by the taxpayer through an amended federal return, the taxpayer must also report that change to Colorado (and potentially other states). HB23-#### replaces the current statutes for reporting federal adjustments with a model statute developed by the Multistate Tax Commission. The model provides additional time for reporting adjustments and allows pass-through entities to handle adjustments at the entity level on behalf of their owners. To date, 14 states have adopted legislation compatible with the model. The model was also endorsed by the American Institute of CPAs, the American Bar Association, the Tax Executives Institute, and the Council on State Taxation.

For questions, please contact Cooper Reveley at cooper.reveley@state.co.us or (970) 988-5901