

## Income/Franchise:

### Colorado DOR Adopts Rule Changes on Federal Conformity and QBI Deduction Addback

*Repeal of Reg. section 39-22-103(5.3); New Reg. section 39-22-104(3)(r)*, Colo. Dept. of Rev. (11/8/23). The Colorado Department of Revenue (Department) adopted changes to some administrative rules, one of which repeals a previously 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 previously written, the rule had provided that the term "internal revenue code" incorporates changes to federal statutes only on a prospective basis. Regarding the Internal Revenue Code (IRC) section 199A qualified business income (QBI) deduction for pass-through entities, the Department adopted 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. 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.deloitte.com/Newsletters/Tax/2023/STM/221202\\_6.html](https://dhub.deloitte.com/Newsletters/Tax/2023/STM/221202_6.html)

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