

Income/Franchise:

Colorado: New Law Modifies Requirements for Corporations to File Combined Tax Returns

H.B. 1134, signed by gov. 5/14/24. Applicable for taxable years beginning on and after January 1, 2026, new law revises Colorado's requirements for C corporations with multiple affiliates to file a Colorado combined tax return to more closely follow the "unitary group" standards set forth by the Multistate Tax Commission; prior to this state law change, members of an affiliated group of C corporations had to meet at least three of Colorado's six-part intercompany business relationship test for the current year and the preceding two years to file a Colorado combined return. The legislation generally requires all members of an affiliated group of C corporations – "wherever incorporated or domiciled" – that are members of a unitary business to file a Colorado combined report as a combined group, as well as modifies the way in which the income or loss of affiliates is combined in the unitary business and apportioned to Colorado. Under the new law, a "unitary business" is defined as a single economic enterprise made up either of separate parts of a single C corporation or of an affiliated group of C corporations that are "sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts," and includes "that part of the business that is conducted by a taxpayer through the taxpayer's interest in a partnership, whether the interest in that partnership is held directly or indirectly through a series of partnerships or other pass-through entities." Please contact us with any questions.

URL: <https://leg.colorado.gov/bills/hb24-1134>

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