

Income/Franchise:

Colorado DOR Proposes New Rule on Partnerships Reporting Federal Tax Adjustments

Notice of Proposed Rulemaking – Income Tax Rule Regarding Partnerships, Colo. Dept. of Rev. (3/27/25); *Proposed New Rule 39-22-601.5 – 1*, Colo. Dept. of Rev. (3/27/25). The Colorado Department of Revenue (Department) proposed a new rule that would implement the partnership adjustment reporting requirements established by Colorado legislation enacted in 2023 [see H.B. 1277 (2023) and *State Tax Matters*, Issue 2023-23, for more details on this 2023 legislation], which addresses how and when some partnerships must report federal tax adjustments to the Department in response to changes in the federal partnership audit and adjustment process – many provisions of which are patterned after the Multistate Tax Commission’s model statute on the same. According to the Department, the proposed new rule:

URL: <https://tax.colorado.gov/news-article/notice-of-proposed-rulemaking-income-tax-rules-regarding-partnerships-certain-credits>

URL: <https://www.coloradosos.gov/CCR/eDocketDetails.do?trackingNum=2025-00130>

URL: <https://leg.colorado.gov/bills/hb23-1277>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/230609_3.html

- Defines relevant terms;
- Establishes reasonable qualifications and procedures for designating a person other than the federal partnership representative to be the state partnership representative;
- Identifies the required format for filing the “Partnership Federal Adjustments Report;”
- Clarifies and details requirements for reporting partners’ shares of federal adjustments, including the partner notification requirements a partnership must satisfy and the amended returns that partners must file;
- Articulates rules applicable to tiered partners and indirect partners;
- Provides guidance regarding partnership elections to pay an amount in lieu of tax on its partners;
- Prescribes the treatment of estimated tax payments remitted by partners and partnerships for additional tax resulting from federal adjustments; and
- Explains the timing, deadlines, and applicability of requests for alternative reporting and payment methods.

The Department has a scheduled a virtual public rulemaking hearing on this proposal on May 8, 2025, and any written comments on the proposed new rule are due on the same date. Please contact us with any questions.

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