

**Second Regular Session  
Sixty-seventh General Assembly  
STATE OF COLORADO**

**ENGROSSED**

*This Version Includes All Amendments Adopted  
on Second Reading in the House of Introduction*

LLS NO. 10-0745.02 Ed DeCecco

**HOUSE BILL 10-1199**

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**HOUSE SPONSORSHIP**

**Ferrandino,**

**SENATE SPONSORSHIP**

**Heath,**

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**House Committees**

Finance  
Appropriations

**Senate Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING A TEMPORARY LIMIT ON THE STATE INCOME TAX**  
102 **DEDUCTION FOR A NET OPERATING LOSS.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

Under current law, a corporation may reduce its Colorado taxable income by carrying forward a net operating loss (NOL). There is no annual limit on the amount of NOL that may be carried forward.

For each of the next 3 income tax years, the bill limits the amount of NOL that may be carried forward to \$250,000. A NOL may be carried

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.*

HOUSE  
Amended 2nd Reading  
January 29, 2010

forward one additional year for each year that a corporation is prohibited from carrying forward a portion of its NOL because of this limit.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** Article 21 of title 39, Colorado Revised Statutes, is  
3 amended BY THE ADDITION OF A NEW SECTION to read:

4 **39-21-122. Revenue impact of 2010 tax legislation - tracking**  
5 **by department.** THE DEPARTMENT OF REVENUE SHALL ACCOUNT FOR ALL  
6 REVENUE ATTRIBUTABLE TO THE ENACTMENT OF HOUSE BILL 10-1199,  
7 ENACTED IN 2010, AND SHALL, TO THE EXTENT SUCH INFORMATION IS  
8 AVAILABLE, MAKE QUARTERLY REPORTS TO THE GENERAL ASSEMBLY  
9 REGARDING THE QUARTERLY AND CUMULATIVE NET REVENUE GAIN TO THE  
10 STATE RESULTING FROM THE ENACTMENT OF SAID BILL.

11 **SECTION 2.** 39-22-504, Colorado Revised Statutes, is amended  
12 BY THE ADDITION OF A NEW SUBSECTION to read:

13 **39-22-504. Net operating losses.** (6) (a) NOTWITHSTANDING  
14 ANY OTHER PROVISION OF THIS SECTION, THE MAXIMUM AMOUNT OF NET  
15 OPERATING LOSS THAT A CORPORATION MAY SUBTRACT FROM FEDERAL  
16 TAXABLE INCOME PURSUANT TO SECTION 39-22-304 (3) (g) FOR A TAX  
17 YEAR COMMENCING ON OR AFTER JANUARY 1, 2011, BUT PRIOR TO  
18 JANUARY 1, 2014, IS TWO HUNDRED FIFTY THOUSAND DOLLARS.

19 (b) ALL NET OPERATING LOSSES MAY BE CARRIED FORWARD ONE  
20 ADDITIONAL YEAR FOR EACH TAX YEAR THAT A CORPORATION IS  
21 PROHIBITED PURSUANT TO PARAGRAPH (a) OF THIS SUBSECTION (6) FROM  
22 SUBTRACTING A PORTION OF SUCH NET OPERATING LOSSES FROM THE  
23 CORPORATION'S FEDERAL TAXABLE INCOME.

24 (c) (I) AN AMOUNT EQUAL TO THE AMOUNT OF ALL NET OPERATING  
25 LOSSES THAT A CORPORATION IS PROHIBITED PURSUANT TO PARAGRAPH (a)

1 OF THIS SUBSECTION (6) FROM SUBTRACTING FROM FEDERAL TAXABLE  
2 INCOME MULTIPLIED BY THE RATE OF INTEREST SET FORTH IN  
3 SUBPARAGRAPH (II) OF THIS PARAGRAPH (c) FOR THE PERIOD DURING  
4 WHICH SUCH NET OPERATING LOSSES ARE PROHIBITED SHALL BE ADDED TO  
5 THE ALLOWABLE NET OPERATING LOSS THAT IS CARRIED FORWARD BY THE  
6 CORPORATION, AND, FOR THE PURPOSE OF SECTION 39-22-304 (3) (g),  
7 SHALL BE CONSIDERED NET OPERATING LOSS.

8 (II) THE RATE OF INTEREST TO BE APPLIED PURSUANT TO  
9 SUBPARAGRAPH (I) OF THIS PARAGRAPH (c) SHALL BE THE PRIME RATE, AS  
10 REPORTED BY THE "WALL STREET JOURNAL", PLUS ONE POINT, ROUNDED  
11 TO THE NEAREST FULL PERCENT. IN THE EVENT THAT MORE THAN ONE  
12 RATE IS SO REPORTED, THE HIGHEST RATE SHALL BE UTILIZED.

13 **SECTION 3. Act subject to petition - effective date.** This act  
14 shall take effect at 12:01 a.m. on the day following the expiration of the  
15 ninety-day period after final adjournment of the general assembly (August  
16 11, 2010, if adjournment sine die is on May 12, 2010); except that, if a  
17 referendum petition is filed pursuant to section 1 (3) of article V of the  
18 state constitution against this act or an item, section, or part of this act  
19 within such period, then the act, item, section, or part shall not take effect  
20 unless approved by the people at the general election to be held in  
21 November 2010 and shall take effect on the date of the official  
22 declaration of the vote thereon by the governor.