

FYI – For Your Information

Colorado Net Operating Losses

NET OPERATING LOSSES OF INDIVIDUALS, ESTATES AND TRUSTS [§39-22-504 C.R.S.]

Losses Incurred in Taxable Years Beginning On or After Jan. 1, 1987

For taxable years beginning on or after Jan. 1, 1987, there is no separate computation of Colorado net operating losses. The federal net operating loss deduction will be allowed for Colorado income tax purposes. For part-year residents and nonresidents, the federal net operating loss will be allowed to the extent it arose from Colorado sources or to the extent apportionable to the resident portion of the year.

One exception exists to the above rule. If a federal net operating loss is incurred in a tax year beginning on or after Jan. 1, 1987 and carried back to a pre-1987 tax year, a Colorado net operating loss incurred in the same year may be computed and carried back to pre-1987 years. This is a transitional rule only. Under this rule, a 1987 Colorado loss may be carried back to 1984, 1985 and 1986. A 1988 Colorado loss may be carried back only to 1985 and 1986. A 1989 Colorado loss may be carried back only to 1986. If a taxpayer had a 1987, 1988 or 1989 federal loss and elected to forgo the carryback provisions for federal income tax purposes, the taxpayer could not carry back a

corresponding Colorado loss, as this could lead to a double deduction of the loss for Colorado income tax purposes.

Losses Incurred in Taxable Years Beginning Prior to Jan. 1, 1987

For tax years beginning prior to Jan. 1, 1987, the federal net operating loss and the Colorado net operating loss for individuals, estates and trusts were two separate computations. In computing Colorado taxable income for any tax year, any pre-1987 federal net operating loss deduction must be added back to federal taxable income and any remaining pre-1987 Colorado net operating loss may be subtracted from federal taxable income.

Colorado net operating losses of individuals, estates and trusts incurred in taxable years beginning prior to Jan. 1, 1984 had to be carried back for three years and then could be carried forward for up to 15 years. Colorado net operating losses incurred in taxable years beginning on or after Jan. 1, 1984 but before Jan. 1, 1987 could not be carried back but they can be carried forward for up to 15 years. For example, an unused 1986 Colorado net operating loss may be claimed as a negative modification to federal taxable income on the Colorado income tax return for the year 2001.



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NET OPERATING LOSSES OF CORPORATIONS

For tax years beginning on or after August 6, 1997, Colorado corporation net operating losses may be carried forward for up to 20 years. They may not be carried back to earlier years.

For tax years beginning on or after Jan. 1, 1984, but prior to August 6, 1997, Colorado corporation net operating losses may be carried forward for up to 15 years. They may not be carried back to earlier years.

For tax years prior to Jan. 1, 1984, the Colorado corporation net operating losses could be carried back and/or forward to the same years to match the federal net operating losses.

FURTHER INFORMATION

For more information on related topics, consult the following DOR publications:

- FYI General 1 “Department of Revenue Publications”;
- FYI General 8 “The FYI Program - Index and General Information”;
- FYI Income 14 “Alternative Minimum Tax”;
- FYI Income 17 “Colorado Tax Credit for Income Tax Paid to Another State”;
- FYI Income 20 “United States Government Interest”;
- FYI Income 23 “Tax Credit for Private Contributions to Enterprise Zone Programs.”

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide Taxpayer Service Center; or by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (General 1, Sales 9, etc.,) when ordering FYI publications. FYIs and commonly used forms are available on the Web at www.revenue.state.co.us

For a complete set of FYIs (approximately 130, on sales, income, excise and withholding taxes), you may purchase **The Complete Book of FYIs** at low cost from the State Forms Center, Division of Correctional Industries, 4200 Garfield St., Denver, CO 80216. An order form is contained in FYI General 1, or call the State Forms Center, (303) 321-4164, for ordering information.