

FYI – For Your Information

Net Operating Losses

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

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. If the federal net operating loss is carried back to a prior year, the loss *must* be carried back for Colorado as well on an amended return, Form 104X. The carryback period *must* be the same as used for federal 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

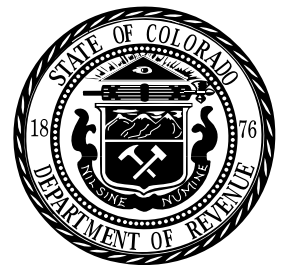
only to 1985 and 1986. A 1989 Colorado loss may be carried back only to 1986. If a taxpayer had a 1987, 1988 or 1989 federal loss and elected to forgo the carryback provisions for federal income tax purposes, the taxpayer could not carry back a corresponding Colorado loss, as this could lead to a double deduction of the loss for Colorado income tax purposes.

NET OPERATING LOSSES OF CORPORATIONS

The Colorado net operating loss of a corporation is computed in the same manner as the federal net operating loss deduction except that in the case of a corporation apportioning income, it is that part of the federal net operating loss, as modified, that is from Colorado sources. Federal limitations on carryover losses between predecessor and successor corporations apply for Colorado income tax purposes.

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.



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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

FYIs, commonly used forms and additional tax information are available on the Web at www.taxcolorado.com

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue nor does it replace, alter or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.