



CACI COLORADO ASSOCIATION
OF COMMERCE & INDUSTRY

HB 1199 - Limits Income Tax Deduction for Net Operating Losses

Sponsors: Sen. Heath; Rep. Ferrandino

1/23/10

“If this legislation is enacted, these changes will increase our company’s taxes by millions of dollars. This loss of operating cash flow will place additional pressure on our jobs and investments in Colorado.”

A large employer, Denver

Description of Bill: Effective tax years beginning January 1, 2011 through January 1, 2014, this bill creates a 3-year cap of \$250,000 on Net Operating Loss carry forward credit that could be used to offset income. The NOL carry forward would be extended by an additional year for each year that a corporation is limited by the rule.

Background:

Currently, corporations that incur a loss in a tax year may carry that loss forward to offset income in a future year. This allows corporations to “get back to zero” net income over time before they have to start paying income tax.

- HB 1199 will require corporations that have net operating losses higher than \$250,000 to pay tax on the remaining income;
- This legislation would shift the payment of income tax on losses into the current year which normally could have been shifted into a future year. This will cost companies that are making a profit in a bad economy but have been fortunate enough to hire and maintain their employees on payroll;
- If this legislation is adopted, these companies will now have to reduce those jobs and cut wages based on the losses that they cannot carry forward.

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