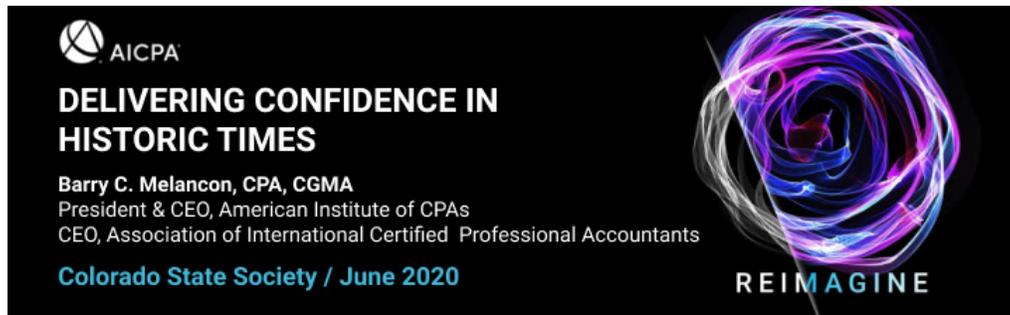


COCPA NewsQuick

June 15, 2020



News and updates for CPAs in Colorado, exclusively for COCPA members



NEW: Reimagine: Delivering Confidence in Historic Times, June 24

COCPA.ORG

Join AICPA President and CEO Barry Melancon for this special program, recommended for 1.5 hours of CPE credit and free of charge for COCPA members.

ALERT: Colorado Legislature Passes Tax Fairness Act

On June 15, the Colorado General Assembly passed, via **House Bill 20-1420**, the following temporary tax law changes to generate additional revenue for the state's Education Fund. As a result of the tax changes, \$113M will be added to the Education Fund in 2021, with an additional \$23M added to the Education Fund in 2022. Governor Jared Polis is expected to sign the bill.

For tax years ending after March 27, 2020, and before January 1, 2021, there will be an addition to federal taxable income of individuals, estates, and trusts for:

1. An amount equal to the difference between the taxpayer's net operating loss ("NOL") deduction before the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and the taxpayer's NOL deduction after applying Section 2303 of the CARES Act. **Note: Prior to enactment of the CARES Act, I.R.C. Section 172(a) limited the use of NOL's to 80% of the taxpayer's current taxable income, and Section 2303 of the CARES Act removed this limitation. As such, for purposes of Colorado NOL's, the 80% limitation continues to apply.**
2. An amount equal to the taxpayer's excess business loss deduction under I.R.C. Section 461(l) without regard to Section 2304 of the CARES Act.
3. An amount equal to the taxpayer's interest expense deduction under I.R.C. Section 163(j) without regard to Section 2306 of the CARES Act.

Additionally, for tax years beginning after January 1, 2021 and before January 1, 2023, there will be an addition to federal taxable income of individuals, estates, and trusts of the qualified business income deduction under I.R.C. Section 199A if federal adjusted gross income exceeds \$1,000,000 for joint filers, or \$500,000 for single filers. Farmers and ranchers are exempted from this addition to federal taxable income.

For tax years beginning after December 31, 2017, the NOL deductions of C corporations will continue to be subject to the 80% limitation contained in I.R.C. Section 172(a) regardless of Section 2303 of the CARES Act. **Note: The**

legislation originally proposed that corporate NOL's be limited to \$400,000 per year, however this limitation was removed (as well as a number of other problematic provisions) in the final bill, thanks to extensive input from the COCPA, Colorado Chamber of Commerce, and various other business organizations.

For tax years beginning on or after January 1, 2021 and before January 1, 2022, a Colorado resident who claims a federal earned income credit ("EIC") will be allowed a Colorado EIC equal to 10% of the federal EIC. For years beginning January 1, 2022, a Colorado EIC equal to 15% of the federal EIC is allowable. If a federal EIC is not allowable because a spouse or dependent does not have a social security number, a Colorado EIC is nonetheless allowable based on the federal EIC that would have been allowable if the spouse or dependent has a social security number.

Read the bill at <https://leg.colorado.gov/bills/hb20-1420>.

In addition, the Colorado General Assembly passed **House Bill 20-1024** concerning modification to the state's net operating loss deduction. Read the bill at <https://leg.colorado.gov/bills/hb20-1024>.

On June 2, 2020, the **Colorado Department of Revenue (CDOR) adopted temporary emergency rules** to clarify that the term "internal revenue code" incorporates changes to federal statutes only on a prospective basis. Read the rules at <https://www.colorado.gov/pacific/tax/changes-federal-statutes-apply-prospectively>.

We await details on implementation of these changes and the impact of the emergency rule. Thank you to all who reached out to House and Senate legislators to address the issues and problems created by House Bill 20-1420 as originally written. Your efforts and those of many business groups and organizations made significant improvements to the bill as passed.

Mary E. Medley, CEO

IRS ALERT: Balance Due Notice Mailings

Due to the COVID-19 pandemic, the IRS was unable to mail some previously printed balance due notices as a result of office closures. As IRS operations continue to reopen, these notices will be delivered to taxpayers in the next few weeks. Given the time it would take to reprogram IRS systems, and generate updated notices, some of the notices taxpayers will receive have due dates that have already passed. However, each notice will include an insert confirming that the due dates printed on the notices have been extended.

Extended Payment Due Dates:

The payment due dates printed on the notices have been extended, as described in the insert. The new payment due date will be either July 10, 2020, or July 15, 2020, depending on the type of tax return and original due date. Taxpayers should be sure to read the insert included with the notice that explains the delay and provides the correct payment due dates.

Taxpayers who have questions about their balance due should visit the website listed or call the number provided on the notice. Keep in mind that phone lines remain extremely busy as the IRS resumes operations.

Paycheck Protection Flexibility Act Signed into Law, June 5, 2020

CONGRESS.GOV

Read the legislation at <https://www.congress.gov/bill/116th-congress/house-bill/7010/text>

Download and read the AICPA Summary of the Act at <https://future.aicpa.org/resources/download/summary-of-paycheck-protection-program-flexibility-act>

KEY FEATURES:

- Current borrowers have the option to extend the 8-week period to 24 weeks.
- The 75% payroll expenditure requirement is reduced to 60%.
- PPP borrowers may avoid FTE Reduction penalties if headcount is restored by December 31 instead of June 30.
- PPP borrowers can qualify for deferral of the employer's share of payroll taxes available under the CARES Act.
- The repayment period for new loans is extended to five years.

Partial PPP Loan Forgiveness Remains if 60% Threshold Not Met

JOURNALOFACCOUNTANCY.COM

Read the story at https://www.journalofaccountancy.com/news/2020/jun/partial-ppp-loan-forgiveness-remains-60-percent-threshold.html?utm_source=mnl:alerts&utm_medium=email&utm_campaign=08Jun2020&utm_content=button

#IRS Reminder:

EIPCARD.COM

Nearly four million people are receiving their Economic Impact Payment by prepaid debit card, instead of paper check, through the mail. These cards will be delivered in a plain envelope from Money Network Cardholder Services. Know what to expect www.eipcard.com #COVIDreliefIRS

Weekly News and Updates

CDOR HEARING TOMORROW: Virtual Rule-making Hearing on Sales Tax Rules, June 16, 10:00 a.m., MDT.

Call-in or video conference information: Phone Number: +1 669 900 6833; Meeting ID: 919 1988 4440.

Proposed Rules:

- [Rule 39-26-102\(3\). Doing Business in this State](#)
- [Rule 39-26-103. Sales Tax Licensing](#)
- [Rule 39-26-104–2. Sourcing Retail Sales](#)
- [Special Rule 44. Marketplaces Owned, Operated, or Controlled by Marketplace Facilitators](#)
- [Special Rule 3.1. Automobile Dealers and Special Event Vehicles](#)
- [Multiple Sales Tax Rules](#)
- [Multiple Special Sales Tax Rules](#)

Details on Testimony or Written Comments:

If attending by video conference, send an email with your name and organization to [\[email protected\]](mailto:) to receive instructions in advance of the hearing. DOR will also accept comments by video and telephone conference at the hearing or via

written comments. Written comments may be submitted to [\[email protected\]](#) in advance of the hearing and will be accepted through June 16, 2020.

CPA Candidates Alert: NASBA CPA Exam NTS Extension Information

NASBA.ORG

NASBA, working with the Boards of Accountancy, has compiled the latest information on Notice to Schedule (NTS) extension information for each jurisdiction. For each jurisdiction where additional NTS extensions have been granted, nothing is required to obtain the extension. The NASBA CPA Candidate Account will be automatically updated with the extended NTS date. Candidates should allow up to two weeks for processing extensions and for records to be updated. The Colorado State Board of Accountancy has approved the extension of NTS's with expiration dates of April 1, 2020 to December 30, 2020 to December 31, 2020.

In addition, NASBA is in the process of creating a chart to provide jurisdiction by jurisdiction information on updated exam credit extension policies at <https://nasba.org/ntsextensions>.

Prometric Resource Center for CPA Candidates

- [COVID-19 Strategies](#) provides the most current information on Prometric's operation status and safety measures.
 - [Essential Client Programs List](#) provides the current list of essential test programs that are currently eligible to test.
 - [Site Openings List](#) provides a running list of current open/scheduled-to-open sites and their resumption test date. This list is updated daily to reflect any changes in status and will be evaluated for further additions on a rolling basis.
 - [Social Distancing Policies](#) provides a detailed look at the standard and social distancing policies and test center procedure modifications that candidates are expected to follow while at the test center.
 - [Test-Taker FAQ](#) provides answers to candidates' frequently asked questions.
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FASB Approves Lease & Revenue Delay for Private Companies & NFPs

BKD.COM

On May 20, 2020, FASB reviewed feedback on its April 21, 2020, proposal to delay the effective date of Accounting Standards Codification (ASC) 842, Leases, for private companies and all not-for-profits (NFP). Thanks to BKD LLP and author Anne Coughlan, [CLICK HERE](#) for details on FASB's vote to expand the scope of the delay of ASC 606, Revenue from Contracts with Customers, to all entities for financial statements that have not yet been issued or made available for issuance.

AICPA PPP Loan Forgiveness Calculator Now Available

AICPA.ORG

The AICPA has created a **loan forgiveness calculator** based on PPP guidance from the U.S. Treasury and SBA (*as of May 15, 2020, 11 a.m., EDT*) and additional AICPA recommendations. This loan forgiveness calculator is divided into three sub-categories:

1. **Non-payroll expense tracking**, such as mortgage payments, rent and utilities;
2. **FTE (full-time job equivalent) reduction**, which tracks whether businesses shed any employees over the 8-week period;

3. **Payroll accumulator**, which helps small businesses capture the amount of eligible payroll costs and whether wages on a per employee basis declined in the 8-week covered period. These subfields are then used to make a loan forgiveness calculation.

The calculator relies on several assumptions contained in the AICPA's recommendations, such as how to calculate FTEs and aligning the 8-week covered period with the beginning of a pay period, rather than the date the PPP loan proceeds were disbursed. These assumptions are noted in the calculator template, as is a disclaimer that, in instances where SBA guidance is unclear, judgment and interpretation of the CARES Act may be necessary. ***The calculator does not handle self-employed individuals yet, due to the lack of guidance.***

Access the calculator [here](#). Scroll down to "Calculators" and select the link.

NEW DORA Protocol for Colorado State Board of Accountancy Meeting Agendas

The Colorado Department of Regulatory Agencies has adopted new requirements to protect confidential information of applicants and licensees for all the boards and commissions under its umbrella, including the Colorado State Board of Accountancy. Therefore, meeting agendas no longer list the names of CPA candidates, individuals, or firms which are up for consideration.

To determine if you are on a particular agenda, you may email [\[email protected\]](#). Note that the agenda is posted two weeks before scheduled meetings. The 2020 meeting dates are: June 24, August 5, September 23, November 4, and December 16.

FEEDBACK REQUEST: State Auditor Seeks Volunteers for Review Initiative

The Colorado State Auditor's staff is continuing to perform the review process on existing tax credits and exemptions provided in current Colorado statutes. They are **seeking CPAs who are familiar with the New & Old investment tax credits** contained in sections 39-22-507.5 & 507.6 C.R.S. If you are willing to provide feedback, please contact Russell Leonard, Tax Policy Analyst, Colorado Office of the State Auditor, [\[email protected\]](#).

CDOR Schedules Rule-making on Severance Taxes and Electronic Filing

The Division of Taxation is considering amending several current rules as well as proposing new rules. The Division staff seeks feedback on whether these proposed changes are necessary. **Send comments/suggestions to [\[email protected\]](#) by June 30, 2020, 5:00 p.m., MDT.** If the Department decides to move forward with any of these proposed changes or new proposed rules, additional comments will be accepted in addition to pursuing a formal rulemaking process.

Rule 39-21-119.5, 1 CCR 201-1, Mandatory Electronic Filing of Returns and Mandatory Electronic Payment

Of General Interest: The new rule would clarify electronic filing and payment requirements and clarify the penalties imposed for failure to comply. Although the draft rule will initially supply electronic filing requirements only for oil and gas severance tax withholding, the rule includes some general provisions that may be of interest for other types of taxpayers as additional tax types are added to the rule.

For Severance Tax Stakeholders: The rule prescribes the phase-in of electronic filing requirements for the annual report of oil and gas severance tax withholding pursuant to section 39-21-119.5(2)(d) and (3), C.R.S. The Department has inserted thresholds for the electronic filing phase-in; however, these thresholds are merely a starting point for discussion with stakeholders. As such, the Department would appreciate input regarding the appropriate phase-in thresholds.

Special Rule 1, 1 CCR 201-1, Electronic Funds Transfer - The amendment would repeal Special Rule 1, the pertinent parts of which have been codified in section 39-21-119.5, C.R.S., or promulgated in Rules 39-21-119 and 39-21-119.5.

Rule 39-29-105-1, 1 CCR 201-10, Liability for Severance Tax on Oil and Gas - The new rule would clarify the imposition of, and liability for, Colorado severance tax on oil and gas.

Rule 39-29-105-2, 1 CCR 201-10, Ad Valorem Tax Credit - The amendment would renumber the rule to accommodate an additional rule promulgated pursuant to the same statutory section.

Rule 39-29-111, 1 CCR 201-10, Oil and Gas Severance Tax Withholding - The amendment would clarify the reporting requirements for severance tax withheld from gross income from oil and gas and make other minor changes to improve readability and clarify the rule.

AICPA PRB Grants 6-Month Extension for Peer Reviews

JOURNALOFACCOUNTANCY.COM

CPA firms will be granted six-month extensions for peer reviews, corrective actions, and implementation plans with original due dates between Jan. 1 and Sept. 30, 2020. [Read the story HERE »](#)

Opportunities & Resources

DEADLINE EXTENDED to July 6th, 2020! Know an outstanding executive? We want to honor him or her.

BIZJOURNALS.COM

Nominations are open for the Denver Business Journal C-Suite Awards. Winners will be selected for outstanding contributions to the Denver region based on ***leadership, contributions to his or her company, and community involvement.*** [Click here to nominate someone online.](#)

Your COCPA is Here for You Remotely

COCPA.ORG

Contact your COCPA member service colleagues via online chat at cocpa.org, 303-773-2877, or 800-523-9082. Go to cocpa.org/COVID-19 for the extensive list of resources. Check out the AICPA resources page, as well, at aicpa.org. Ask questions, find answers, and share knowledge with your colleagues at COCPA CONNECT, www.cocpa.org/connect, your COCPA members-only, online community.



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