

COCPA NewsQuick

June 29, 2020



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

**SCHOLARSHIPS
AVAILABLE**
TO COLORADO ACCOUNTING STUDENTS

APPLY

EDUCATIONAL FOUNDATION
OF THE COLORADO SOCIETY OF CPAs

The banner features a photograph of three diverse students (two men and one woman) sitting at a table, smiling and engaged in conversation. The background is a mix of purple and white. The text is prominently displayed in purple and orange. A white button with the word 'APPLY' in orange is located at the bottom right of the banner.

DEADLINE TOMORROW: Scholarship opportunities for accounting students!

STUDENTS.COCPA.ORG

COCPA scholarships reduce the financial burdens of a college education, making sure that talented, young COCPA members are equipped to achieve their educational goals.

REGISTER NOW: PPP Loan Forgiveness Application – 24-Week Rule Webcast with Kurt Oestrieher, 9 am-Noon, MT

COCPA.ORG

This course will address the changes to the PPP Loan Forgiveness Application as a result of the PPP Flexibility Act. An excel spreadsheet will be provided to assist in all of the necessary calculations.

PPP Recipients Can Apply for Early Loan Forgiveness:

PPP guidance released, June 22, declares that PPP recipients can apply for loan forgiveness early but that doing so could cost them money.

Many small businesses have inquired about whether they can apply for PPP loan forgiveness before their covered period expires. The new interim final rule (IFR) says that if a borrower applies for loan forgiveness before the end of the covered period and has reduced any employees' salaries or wages by more than the 25% allowed for full forgiveness, the borrower must account for the excess salary reduction for the full eight-week or 24-week covered period, whichever one applies to its loan.

Under that guidance, PPP borrowers that apply early for loan forgiveness forfeit a safe-harbor provision allowing them to restore salaries or wages by Dec. 31 and avoid reductions in the loan forgiveness they receive. For example, if a borrower

has a 24-week period that ends in November but wants to apply in September, any wage reduction in excess of 25% as of September would be calculated for the entire 24-week period even if the borrower restores salaries by Dec. 31.

[Read the new IFR \(interim final rule\) here »](#)

[Read the *Journal of Accountancy* article, published, June 23, here »](#)

On June 17, the U.S. Small Business Administration (SBA), in consultation with the Treasury, released a **revised loan forgiveness application for the Paycheck Protection Program (PPP)** and unveiled a new EZ application for forgiveness of PPP loans. The applications reflect changes to the PPP made by the Paycheck Protection Flexibility Act of 2020, P.L. 116-142, which [became law June 5](#). The applications and instructions are available at:

- [Revised PPP Loan Forgiveness Application and instructions »](#)
- [EZ PPP Loan Forgiveness Application and instructions »](#)

Read the [Journal of Accountancy article here »](#)

The AICPA has published a **summary of the Paycheck Protection Program Flexibility Act of 2020**. [Read it here »](#)

AICPA PPP Loan Forgiveness Calculator Available

FUTURE.AICPA.ORG

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

Gallagher Amendment Repeal and Nicotine Tax Increase on 2020 Ballot

On November 3, Coloradans will vote on two tax measures referred by the General Assembly: to repeal the **Gallagher Amendment** and to increase the **Cigarette, Tobacco, and Nicotine Products Tax**.

The Gallagher Amendment, passed in 1982, was intended to keep residential property taxes affordable by limiting real property taxes. The assessment rate has decreased from 21% in 1982 to 7.15% for residential taxes paid in 2020 and 2021. In 2021, the legislature will set the residential assessment rate (RAR) for 2022 and 2023 tax collections - and it's anticipated the RAR will decrease to 5.88%. Businesses currently pay four times as much as homeowners per \$100,000 of value. The lower RAR increases the business share to almost five times the residential rate.

Voters also will be asked to increase taxes on cigarettes and other nicotine products three times over a seven-year time frame. Other fees currently collected would be reduced. Taxes received generally would be allocated to the general fund prior to the fiscal year 2023-2024. Local municipalities would receive some of the funds to make up for lost revenues, and some of the funds would be used to fund preschool needs.

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.

From the IRS

CAF Operations Update

The IRS is working diligently to return to normal CAF (Centralized Authorization File) processing operations, reduce the backlog, and quickly process authorization requests. While the Service continues to operate with limited staffing to protect employees, CAF units at Memphis and Ogden are operational. The IRS asks that you:

- **Fax a request only once.** Faxing multiple forms to the same or multiple IRS numbers delays processing as all requests must be researched and reviewed.
 - **Double check forms for accuracy.** Missing information delays requests.
-

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.

Weekly News and Updates

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, russell.leonard@state.co.us.

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 dora_accountancyboard@state.co.us.

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.

CDOR Rule-making on Severance Taxes and Electronic Filing

The Division of Taxation is considering amending several current rules as well as proposing new rules. Send comments/suggestions to dor_taxrules@state.co.us 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

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.

Sign up for the CDOR free email subscription service to receive notifications when new tax information is available. Your email address will be used only to deliver the information you've requested. [Click here to sign up for Sales & Use Tax Email Alerts.](#)

NASBA CPA Exam NTS Extension Information

NASBA.ORG

For jurisdiction by jurisdiction information on updated exam credit extension policies, go to <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.

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.



Colorado Society of CPAs
7887 E. Belleview Ave., Suite 200
Englewood, CO 80111-6076
303.773.2877 | 800.523.9082



[Click Here to Unsubscribe](#)