

Second Regular Session  
Seventy-fifth General Assembly  
STATE OF COLORADO

**ENGROSSED**

*This Version Includes All Amendments Adopted  
on Second Reading in the House of Introduction*

LLS NO. 26-0488.03 Pierce Lively x2059

**HOUSE BILL 26-1221**

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**HOUSE SPONSORSHIP**

**Zokaie and Sirota,**

**SENATE SPONSORSHIP**

**Amabile and Wallace,**

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**House Committees**

Finance  
Appropriations

**Senate Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING THE ADJUSTMENT OF CERTAIN TAX EXPENDITURES.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

The bill adjusts 3 existing tax expenditures.

- **Section 2** of the bill limits the alternative minimum tax credit to income tax years commencing prior to January 1, 2026;
- **Section 4** requires a corporation, for purposes of determining their state taxable income for state income tax years commencing on or after January 1, 2027, to add to their federal taxable income the amount, if any, that the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters or bold & italic numbers indicate new material to be added to existing law.*  
*Dashes through the words or numbers indicate deletions from existing law.*

HOUSE  
Amended 2nd Reading  
May 1, 2026

taxpayer claimed as a deduction on the taxpayer's federal tax return pursuant to the employee remuneration deduction allowed pursuant to section 162 (m) of the internal revenue code; and

- **Section 5** limits the period of time that net operating losses generated in income tax years commencing on or after January 1, 2027, can be carried forward from 20 years to 10 years and limits the amount of losses that may be claimed to 70% rather than 80%.

**Section 3** creates a new tax credit. The new tax credit allows taxpayers to claim a refundable tax credit, in addition to the child tax credit and the family affordability tax credit, in an amount determined by the amount and age of the taxpayer's children and the taxpayer's income. The total amount of the new tax credit is adjusted annually based on legislative council staff projections, such that the total amount of the new tax credit claimed in an income tax year is projected to be the same as the amount of revenue raised in **sections 2, 4, and 5**.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly  
3 finds and declares that:

4 (a) The general assembly has an ongoing responsibility to review,  
5 evaluate, and update the state tax code within constitutional limitations  
6 to ensure that the state tax code is effective, equitable, and aligned with  
7 Colorado's priorities;

8 (b) (I) (A) The Colorado executive compensation income tax  
9 deduction has changed frequently in recent years due to changes in the  
10 federal tax code;

11 (B) A taxpayer can claim the executive compensation income tax  
12 deduction regardless of whether the executives earning that compensation  
13 reside or work in Colorado; and


14 (C) To ensure that the state tax code is effective, equitable, and  
15 aligned with Colorado's priorities, and insulated from changes in the  
16 federal tax code, the executive compensation income tax deduction

1 should be limited to only an income tax deduction for a set amount of  
2 executive compensation.

3 (II) (A) The Colorado net operating loss income tax deduction,  
4 like the Colorado executive compensation income tax deduction, has  
5 changed frequently in recent years due to changes in the federal tax code;

6 (B) C corporations that have the majority of their activities and  
7 investment outside of Colorado may claim the Colorado net operating  
8 loss income tax deduction; and

9 (C) To ensure that the state tax code is effective, equitable, and  
10 aligned with Colorado's priorities, and insulated from changes in the  
11 federal tax code, the net operating loss income tax deduction should be  
12 limited.

13   
14 (c) (I) Colorado state income tax is determined based on the  
15 amount of a person's federal taxable income;

16 (II) Recent federal law modified the computation of federal  
17 taxable income and so impacted Colorado state income tax revenue;

18 (III) The net impact of the recent federal modification to the  
19 computation of federal taxable income was a reduction in state income  
20 tax revenue;

21 (IV) The amount and availability of the family affordability tax  
22 credit is determined in part by the amount of state income tax revenue;

23 (V) Therefore, by modifying the computation of federal taxable  
24 income, federal law impacted the amount and availability of the family  
25 affordability tax credit; and

26 (VI) At least in part due to the enactment of recent federal law, the  
27 family affordability tax credit will not be available for the 2026 state

1 income tax year and will be available in a reduced amount for income tax  
2 years 2027 and 2028;

3 (d) (I) In establishing the family affordability tax credit, the  
4 general assembly found and declared that:

5 (A) Colorado families struggle to afford many necessary goods  
6 and services, such as child care, housing, and health care. Eighty-three  
7 percent of Colorado parents worry that their children won't be able to  
8 afford to live in the state in the future;

9 (B) Targeted tax credits are a proven tool to lift families out of  
10 poverty. Research has shown that families that claim these types of tax  
11 credits, such as the state and federal child tax credit and the state and  
12 federal earned income tax credit, have better health, improved schooling  
13 outcomes, and increased adult earning potential. As the cost of raising  
14 children has increased, a family affordability tax credit is critical for the  
15 well-being of many children and families across Colorado.

16 (C) According to the Institute on Taxation and Economic Policy,  
17 "[t]o cut child poverty rates by half, the majority of states would require  
18 a base credit value of between three thousand dollars and four thousand  
19 five hundred dollars per child plus a twenty percent boost for young  
20 children." When coupled with the state and federal earned income tax  
21 credit and the state and federal child tax credit, the additional investment  
22 provided by the family affordability tax credit would establish Colorado  
23 as a national leader in equitable economic policy.

24 (D) Colorado is dealing with rising costs and funding shortfalls in  
25 many areas across our state, and it is necessary to provide tax credits to  
26 the people who need it most in a way that will do the most good.  
27 Establishing the family affordability tax credit is a proven way to do that;

1 and

2 (E) By prioritizing the state's lowest-income families, expanding  
3 the child age eligibility, and including more families, the state can provide  
4 research-backed investments for families. Through thoughtful and  
5 strategic investment, Colorado can cut child poverty nearly in half.

6 (II) Therefore, it is a priority of Colorado to provide a tax credit  
7 that targets the same taxpayers that the family affordability tax credit  
8 targeted, to offset the reduction in the family affordability tax credit.

9 (e)(I) This House Bill 26-1221 constitutes a single comprehensive  
10 tax policy change that better aligns the state tax code with Colorado's  
11 decision to prioritize low- and middle-income families with children by,  
12 at least partially, mitigating the effect of recent federal law on the family  
13 affordability tax credit by creating a tax credit that targets the same  
14 population targeted by the family affordability tax credit while also  
15 mitigating the reduction to wealthy taxpayers and corporations' tax  
16 burdens as a result of recent federal law;

17 (II) The income tax credit created in this House Bill 26-1221  
18 reduces state tax revenue in an amount equal to or greater than the  
19 amount of state revenue gain attributable to the changes made in this  
20 House Bill 26-1221;

21 (III) Any net district revenue gain resulting from the tax policy  
22 change in this House Bill 26-1221 is incidental and de minimis; and

23 (IV) Therefore, consistent with the Colorado Supreme Court's  
24 holding in *TABOR Found. v. Reg'l Transp. Dist.*, 2018 CO 29, that a tax  
25 policy change that causes either no net district tax revenue gain or a net  
26 district tax revenue gain that is only incidental and de minimis does not  
27 require voter approval under section 20 (4)(a) of article X of the state

1 constitution, this House Bill 26-1221 is not a tax policy change that  
2 requires voter approval.

3

4 **SECTION 2.** In Colorado Revised Statutes, add 39-22-131 as  
5 follows:

6 **39-22-131. Family affordability credit - tax preference**  
7 **performance statement - legislative declaration - definitions.**

8 (1) (a) IN ACCORDANCE WITH SECTION 39-21-304 (1), WHICH  
9 REQUIRES EACH BILL THAT CREATES A NEW TAX EXPENDITURE TO INCLUDE  
10 A TAX PREFERENCE PERFORMANCE STATEMENT AS PART OF A STATUTORY  
11 LEGISLATIVE DECLARATION, THE GENERAL ASSEMBLY HEREBY FINDS AND  
12 DECLARES THAT THE PURPOSES OF THE INCOME TAX CREDIT CREATED IN  
13 THIS SECTION ARE THE SAME AS THE FAMILY AFFORDABILITY TAX CREDIT:  
14 TO SUBSTANTIALLY REDUCE CHILD POVERTY, MAKE COLORADO MORE  
15 AFFORDABLE FOR FAMILIES, AND HELP FAMILIES AFFORD EXPENSES  
16 ASSOCIATED WITH HAVING CHILDREN BY PROVIDING TAX RELIEF FOR  
17 CERTAIN INDIVIDUALS.

18 (b) THE GENERAL ASSEMBLY AND THE STATE AUDITOR, IN  
19 CONSULTATION WITH THE DEPARTMENT, SHALL MEASURE THE  
20 EFFECTIVENESS OF THE INCOME TAX CREDIT CREATED IN THIS SECTION IN  
21 COMBINATION WITH THE FAMILY AFFORDABILITY TAX CREDIT AND, IN THE  
22 SAME MANNER AS THE GENERAL ASSEMBLY AND THE STATE AUDITOR  
23 MEASURE THE EFFECTIVENESS OF THE FAMILY AFFORDABILITY TAX CREDIT  
24 BY DETERMINING THE NUMBER OF COLORADO FAMILIES THAT, AFTER  
25 CLAIMING A CREDIT PURSUANT TO THIS SECTION AND THE FAMILY  
26 AFFORDABILITY CREDIT, NO LONGER FALL BELOW THE FEDERAL POVERTY  
27 LEVEL IN THE TAX YEAR IN WHICH THEY CLAIMED THE CREDITS.

1 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
2 REQUIRES:

3 (a) "CREDIT" MEANS THE CREDIT AGAINST INCOME TAX CREATED  
4 IN THIS SECTION.

5 (b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

6 (c) "ELIGIBLE CHILD" MEANS A QUALIFYING CHILD, AS DEFINED IN  
7 SECTION 152 (c) OF THE "INTERNAL REVENUE CODE OF 1986"; EXCEPT  
8 THAT THE AGE REQUIREMENTS ARE AS SET FORTH IN SUBSECTIONS  
9 (3)(a)(I), (3)(a)(II), (3)(b)(I), AND (3)(b)(II) OF THIS SECTION.

10 (d) "FEDERAL POVERTY LEVEL" MEANS THE POVERTY LINE THAT  
11 IS REQUIRED TO BE UPDATED ANNUALLY WITHIN THE FEDERAL POVERTY  
12 GUIDELINES ADOPTED BY THE UNITED STATES DEPARTMENT OF HEALTH  
13 AND HUMAN SERVICES PURSUANT TO 42 U.S.C. SEC. 9902 (2).

14 (e) "INFLATION" MEANS THE ANNUAL PERCENTAGE CHANGE IN THE  
15 UNITED STATES DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS  
16 CONSUMER PRICE INDEX FOR DENVER-AURORA-LAKEWOOD FOR ALL  
17 ITEMS PAID BY ALL URBAN CONSUMERS, OR ITS APPLICABLE SUCCESSOR  
18 INDEX.

19 (f) "JOINT FILER ADJUSTED BASE INCOME" MEANS, FOR INCOME  
20 TAX YEARS COMMENCING BEFORE JANUARY 1, 2034, AN AMOUNT OF  
21 ADJUSTED GROSS INCOME EQUAL TO THE AMOUNT OF ADJUSTED GROSS  
22 INCOME DETERMINED BY THE DEPARTMENT PURSUANT TO SECTION  
23 39-22-130 (7) TO BE NECESSARY FOR TWO RESIDENT INDIVIDUALS WHO  
24 FILE A JOINT RETURN TO QUALIFY FOR THE FAMILY AFFORDABILITY TAX  
25 CREDIT PURSUANT TO SECTION 39-22-130 FOR THE INCOME TAX YEAR  
26 COMMENCING ON JANUARY 1, 2026.

27 (g) "SINGLE FILER ADJUSTED BASE INCOME" MEANS, FOR INCOME

1 TAX YEARS COMMENCING BEFORE JANUARY 1, 2034, AN AMOUNT OF  
2 ADJUSTED GROSS INCOME EQUAL TO THE AMOUNT OF ADJUSTED GROSS  
3 INCOME DETERMINED BY THE DEPARTMENT PURSUANT TO SECTION  
4 39-22-130 (7) TO BE NECESSARY FOR A SINGLE RESIDENT INDIVIDUAL WHO  
5 FILES A SINGLE RETURN TO QUALIFY FOR THE FAMILY AFFORDABILITY TAX  
6 CREDIT PURSUANT TO SECTION 39-22-130 FOR THE INCOME TAX YEAR  
7 COMMENCING ON JANUARY 1, 2026.

8 (3) (a) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY  
9 SECTION 39-22-129 AND THE FAMILY AFFORDABILITY TAX CREDIT  
10 ALLOWED BY SECTION 39-22-130, FOR INCOME TAX YEARS COMMENCING  
11 ON OR AFTER JANUARY 1, 2027, A RESIDENT INDIVIDUAL WHO FILES A  
12 SINGLE RETURN IS ALLOWED A CREDIT AGAINST THE INCOME TAXES  
13 IMPOSED PURSUANT TO THIS ARTICLE 22 FOR:

14 (I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS  
15 FIVE YEARS OLD OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN  
16 AN AMOUNT DETERMINED BY STAFF OF THE LEGISLATIVE COUNCIL  
17 PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION; AND

18 (II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUAL WHO IS SIX  
19 YEARS OLD OR OLDER BUT LESS THAN SEVENTEEN YEARS OLD AT THE  
20 CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE  
21 PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(a)(I) OF THIS  
22 SECTION.

23 (b) IN ADDITION TO THE CHILD TAX CREDIT ALLOWED BY SECTION  
24 39-22-129 AND THE FAMILY AFFORDABILITY TAX CREDIT ALLOWED BY  
25 SECTION 39-22-130, FOR INCOME TAX YEARS COMMENCING ON OR AFTER  
26 JANUARY 1, 2027, TWO RESIDENT INDIVIDUALS WHO FILE A JOINT RETURN  
27 ARE ALLOWED A FAMILY AFFORDABILITY TAX CREDIT AGAINST THE

1 INCOME TAXES DUE IMPOSED PURSUANT TO THIS ARTICLE 22 FOR:

2 (I) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUALS WHO IS  
3 FIVE YEARS OLD OR YOUNGER AT THE CLOSE OF THE INCOME TAX YEAR IN  
4 AN AMOUNT DETERMINED BY STAFF OF THE LEGISLATIVE COUNCIL  
5 PURSUANT TO SUBSECTION (5)(b) OF THIS SECTION; AND

6 (II) EACH ELIGIBLE CHILD OF THE RESIDENT INDIVIDUALS WHO IS  
7 SIX YEARS OLD OR OLDER BUT LESS THAN SEVENTEEN YEARS OLD AT THE  
8 CLOSE OF THE INCOME TAX YEAR IN AN AMOUNT THAT IS SEVENTY-FIVE  
9 PERCENT OF THE AMOUNT ALLOWED IN SUBSECTION (3)(b)(I) OF THIS  
10 SECTION.

11 (4) (a) NOTWITHSTANDING SUBSECTION (3) OF THIS SECTION, FOR  
12 INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, THE  
13 CREDIT AMOUNTS IN:

14 (I) SUBSECTION (3)(a)(I) OF THIS SECTION ARE REDUCED, BUT NOT  
15 BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED  
16 SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND  
17 DOLLARS BY WHICH A RESIDENT INDIVIDUAL'S ADJUSTED GROSS INCOME  
18 EXCEEDS THE SINGLE FILER ADJUSTED BASE INCOME; AND

19 (II) SUBSECTION (3)(b)(I) OF THIS SECTION ARE REDUCED, BUT NOT  
20 BELOW ZERO, BY AN AMOUNT EQUAL TO SIX AND EIGHT HUNDRED  
21 SEVENTY-FIVE ONE-THOUSANDTHS PERCENT FOR EACH FIVE THOUSAND  
22 DOLLARS BY WHICH TWO RESIDENT INDIVIDUALS' ADJUSTED GROSS  
23 INCOME EXCEEDS THE JOINT FILER ADJUSTED BASE INCOME.

24 (b) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY  
25 1, 2027, THE DEPARTMENT SHALL ADJUST THE JOINT FILER ADJUSTED  
26 BASED INCOME AND SINGLE FILER ADJUSTED BASE INCOME TO REFLECT  
27 INFLATION FOR EACH INCOME TAX YEAR IN WHICH THE CREDIT DESCRIBED

1 IN THIS SECTION IS ALLOWED IF CUMULATIVE INFLATION SINCE THE LAST  
2 ADJUSTMENT, WHEN APPLIED TO THE CURRENT LIMITS, RESULTS IN AN  
3 INCREASE OF AT LEAST ONE THOUSAND DOLLARS WHEN THE ADJUSTED  
4 LIMITS ARE ROUNDED TO THE NEAREST ONE THOUSAND DOLLARS.

5 (5) BEGINNING WITH THE QUARTERLY DECEMBER REVENUE  
6 FORECAST THAT LEGISLATIVE COUNCIL STAFF PRESENTS IN DECEMBER OF  
7 2027, AND FOR EACH QUARTERLY DECEMBER REVENUE FORECAST  
8 THEREAFTER, AS PART OF THE QUARTERLY DECEMBER REVENUE  
9 FORECAST, LEGISLATIVE COUNCIL STAFF SHALL DETERMINE:

10 (a) FOR THE CURRENT INCOME TAX YEAR, A PROJECTION OF THE  
11 AMOUNT OF REVENUE GAIN DIRECTLY ATTRIBUTABLE TO THE CHANGES  
12 MADE IN THIS HOUSE BILL 26-1221, NOTWITHSTANDING THE TAX CREDIT  
13 CREATED IN THIS SECTION;

14 (b) A DOLLAR AMOUNT OF THE CREDIT AVAILABLE PURSUANT TO  
15 SUBSECTIONS (3)(a)(I) AND (3)(b)(I) OF THIS SECTION, WHICH DOLLAR  
16 AMOUNT MUST BE THE SAME FOR BOTH SUBSECTIONS (3)(a)(I) AND  
17 (3)(b)(I) OF THIS SECTION, SUCH THAT THE STAFF OF THE LEGISLATIVE  
18 COUNCIL PROJECTS, FOR THE CURRENT STATE INCOME TAX YEAR, THAT  
19 THE TOTAL DOLLAR AMOUNT OF CREDITS CLAIMED PURSUANT TO  
20 SUBSECTION (3) WILL EQUAL THE DOLLAR AMOUNT OF REVENUE GAIN  
21 THAT STAFF OF THE LEGISLATIVE COUNCIL DETERMINES, PURSUANT TO  
22 SUBSECTION (5)(a) OF THIS SECTION, IS DIRECTLY ATTRIBUTABLE TO THE  
23 CHANGES MADE IN THIS HOUSE BILL 26-1221, NOTWITHSTANDING THE  
24 TAX CREDIT CREATED IN THIS SECTION.

25 (6) NO LATER THAN TWO WEEKS BEFORE THE QUARTERLY  
26 DECEMBER REVENUE FORECAST THAT LEGISLATIVE COUNCIL STAFF  
27 PRESENTS IN DECEMBER OF 2027, AND EACH DECEMBER REVENUE

1 FORECAST THEREAFTER, THE DEPARTMENT SHALL DELIVER A REPORT TO  
2 THE STAFF OF THE LEGISLATIVE COUNCIL THAT DESCRIBES THE REVENUE  
3 GAIN DIRECTLY ATTRIBUTABLE TO THE CHANGES MADE IN THIS HOUSE  
4 BILL 26-1221 FOR THE PREVIOUS INCOME TAX YEAR, NOTWITHSTANDING  
5 THE TAX CREDIT CREATED IN THIS SECTION.

6 (7) IN THE CASE OF A PART-YEAR RESIDENT, THE CREDIT ALLOWED  
7 UNDER THIS SECTION IS APPORTIONED IN THE RATIO DETERMINED UNDER  
8 SECTION 39-22-110 (1).

9 (8) THE CREDIT ALLOWED UNDER THIS SECTION IS NOT  
10 CONSIDERED TO BE INCOME OR RESOURCES FOR THE PURPOSE OF  
11 DETERMINING ELIGIBILITY FOR THE PAYMENT OF PUBLIC ASSISTANCE  
12 BENEFITS AND MEDICAL ASSISTANCE BENEFITS AUTHORIZED UNDER STATE  
13 LAW OR FOR A PAYMENT MADE UNDER ANY OTHER PUBLICLY FUNDED  
14 PROGRAM.

15 (9) THE AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION  
16 THAT EXCEEDS THE RESIDENT INDIVIDUAL'S INCOME TAXES DUE IS  
17 REFUNDED TO THE INDIVIDUAL.

18 (10) THE DEPARTMENT IS AUTHORIZED AND ENCOURAGED TO  
19 DEVELOP A MEANS OF REFUNDING THE CREDITS ALLOWED BY THIS SECTION  
20 TO RESIDENT INDIVIDUALS WHO QUALIFY FOR THE CREDITS IN TWELVE  
21 EQUAL MONTHLY REFUNDS RATHER THAN ANNUALLY.

22 (11) NOTWITHSTANDING SECTION 39-21-304(4), THE CREDIT DOES  
23 NOT REPEAL AFTER A SPECIFIED PERIOD OF TAX YEARS.

24 **SECTION 3.** In Colorado Revised Statutes, 39-22-304, **add**  
25 (2)(m) as follows:

26 **39-22-304. Net income of corporation - legislative declaration**  
27 **- definitions - repeal.**

1 (2) There shall be added to federal taxable income:

2 (m) FOR STATE INCOME TAX YEARS COMMENCING ON OR AFTER  
3 JANUARY 1, 2027, THE AMOUNT, IF ANY, IN EXCESS OF TWO HUNDRED AND  
4 FIFTY THOUSAND DOLLARS THAT THE TAXPAYER CLAIMED AS A  
5 DEDUCTION ON THE TAXPAYER'S FEDERAL TAX RETURN PURSUANT TO THE  
6 EMPLOYEE REMUNERATION DEDUCTION ALLOWED PURSUANT TO SECTION  
7 162 (m) OF THE INTERNAL REVENUE CODE.

8 **SECTION 4.** In Colorado Revised Statutes, 39-22-504, **amend**  
9 (1)(b) and (3)(b); and **add** (1)(c) and (3)(c) as follows:

10 **39-22-504. Net operating losses.**

11 (1) (b) For losses incurred after December 31, 2017, AND ON OR  
12 BEFORE DECEMBER 31, 2026, the eighty percent limitation set forth in  
13 section 172 (a)(2) of the internal revenue code shall apply without regard  
14 to the amendments made in section 2303 of the March 2020 "Coronavirus  
15 Aid, Relief, and Economic Security Act", Pub.L. 116-136.

16 (c) FOR LOSSES INCURRED AFTER DECEMBER 31, 2026, THE EIGHTY  
17 PERCENT LIMITATION SET FORTH IN SECTION 172 (a)(2) OF THE INTERNAL  
18 REVENUE CODE SHALL BE APPLIED AS A SEVENTY PERCENT LIMITATION  
19 BUT SHALL OTHERWISE APPLY WITHOUT REGARD TO THE AMENDMENTS  
20 MADE IN SECTION 2303 OF THE MARCH 2020 "CORONAVIRUS AID, RELIEF,  
21 AND ECONOMIC SECURITY ACT", PUB.L. 116-136.

22 (3) (b) Net operating losses of corporations generated in income  
23 tax years commencing on or after January 1, 2021, AND BEFORE JANUARY  
24 1, 2027, may be carried forward for twenty years. Net operating losses of  
25 corporations may not be carried back to an earlier tax year.

26 (c) NET OPERATING LOSSES OF CORPORATIONS GENERATED IN  
27 INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2027, MAY BE

1 CARRIED FORWARD FOR TEN YEARS. NET OPERATING LOSSES OF  
2 CORPORATIONS MAY NOT BE CARRIED BACK TO AN EARLIER TAX YEAR.

3 **SECTION 5. Act subject to petition - effective date.** This act  
4 takes effect at 12:01 a.m. on the day following the expiration of the  
5 ninety-day period after final adjournment of the general assembly (August  
6 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a  
7 referendum petition is filed pursuant to section 1 (3) of article V of the  
8 state constitution against this act or an item, section, or part of this act  
9 within such period, then the act, item, section, or part will not take effect  
10 unless approved by the people at the general election to be held in  
11 November 2026 and, in such case, will take effect on the date of the  
12 official declaration of the vote thereon by the governor.