

**Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO**

**INTRODUCED**

LLS NO. 22-0769.01 Ed DeCecco x4216

**SENATE BILL 22-124**

---

**SENATE SPONSORSHIP**

**Woodward and Kolker**, Hisey, Holbert, Kirkmeyer, Rankin

**HOUSE SPONSORSHIP**

**Ortiz and Van Winkle**, Lynch, Van Beber

---

**Senate Committees**

Finance

**House Committees**

---

**A BILL FOR AN ACT**

101 **CONCERNING THE AUTHORITY OF A PASS-THROUGH BUSINESS ENTITY**  
102 **TO ELECT TO PAY STATE INCOME TAXES AT THE ENTITY LEVEL.**

---

**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 "SALT Parity Act" (act) was enacted in 2021 and, for income tax years commencing on or after January 1, 2022, the act allows pass-through entities to elect to pay state income tax at the entity level, which allows the entity to claim an unlimited deduction at the federal level for state and local taxes paid. While this election reduces federal taxable income for the pass-through entity, it does not reduce Colorado

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

taxable income under current law.

The bill makes provisions of the act retroactive to January 1, 2018.

---

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

2           **SECTION 1.** In Colorado Revised Statutes, 39-22-343, **amend**  
3 (1) as follows:

4           **39-22-343. Election.** (1) Notwithstanding sections 39-22-201,  
5 39-22-302, and 39-22-322, and except as provided in subsection (2) of  
6 this section, for income tax years commencing on or after ~~January 1, 2022~~  
7 JANUARY 1, 2018, an S corporation or partnership may annually elect to  
8 be subject to tax at the entity level for the taxable period. The S  
9 corporation or partnership shall make the election on the return filed by  
10 such S corporation or partnership under section 39-22-601. The filing of  
11 such return is binding on all electing pass-through entity owners.

12           **SECTION 2.** In Colorado Revised Statutes, 39-22-104, **amend**  
13 (3)(r) and (4)(aa) as follows:

14           **39-22-104. Income tax imposed on individuals, estates, and**  
15 **trusts - single rate - report - legislative declaration - definitions -**  
16 **repeal.** (3) There shall be added to the federal taxable income:

17           (r) Notwithstanding subsection (3)(o) of this section, for income  
18 tax years commencing on or after ~~January 1, 2022~~ JANUARY 1, 2018, an  
19 amount equal to the deduction taken under section 199A of the internal  
20 revenue code, except to the extent the deduction is otherwise disallowed  
21 under section 265 of the internal revenue code, for an electing  
22 pass-through entity owner of an electing pass-through entity, as such  
23 terms are defined in section 39-21-342, that makes the election allowed  
24 in subpart 3 of part 3 of this article 22.

25           (4) There shall be subtracted from federal taxable income:

1           (aa) For income tax years commencing on or after ~~January 1, 2022~~  
2           JANUARY 1, 2018, an amount equal to the electing pass-through entity  
3           owner's distributive share of the electing pass-through entity's income  
4           attributable to the state that is taxed pursuant to the provisions of subpart  
5           3 of part 3 of this article 22 and income not attributable to the state that  
6           is taxed pursuant to the provisions of subpart 3 of part 3 of this article 22.

7           **SECTION 3.** In Colorado Revised Statutes, 39-22-304, **amend**  
8           (3)(r) as follows:

9           **39-22-304. Net income of corporation - legislative declaration**  
10          **- definitions - repeal.** (3) There shall be subtracted from federal taxable  
11          income:

12          (r) For income tax years commencing on or after ~~January 1, 2022~~  
13          JANUARY 1, 2018, an amount equal to the electing pass-through entity  
14          owner's distributive share of the electing pass-through entity's income  
15          attributable to the state that is taxed pursuant to the provisions of subpart  
16          3 of part 3 of this article 22 and income not attributable to the state that  
17          is taxed pursuant to the provisions of subpart 3 of part 3 of this article 22.

18          **SECTION 4. Safety clause.** The general assembly hereby finds,  
19          determines, and declares that this act is necessary for the immediate  
20          preservation of the public peace, health, or safety.