

CHAPTER 309

TAXATION

HOUSE BILL 99-1125

BY REPRESENTATIVES Swenson, Clapp, Fairbank, Gottlieb, King, Lee, McKay, McPherson, Miller, Nunez, Paschall, Pfiffner, Scott, Spence, Stengel, Taylor, Tool, and T. Williams;
also SENATORS Teck, Evans, Hernandez, Lamborn, Owen, Powers, Reeves, Tebedo, and Weddig.

AN ACT

CONCERNING AN ADJUSTMENT IN THE COMPUTATION OF THE AMOUNT OF FOREIGN SOURCE INCOME TO BE APPORTIONED TO COLORADO FOR STATE CORPORATE INCOME TAX PURPOSES TO ALLOW A PERCENTAGE USED IN SUCH COMPUTATION TO REFLECT THE EFFECTIVE FEDERAL CORPORATE INCOME TAX RATE FOR THAT CORPORATION.

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

SECTION 1. 39-22-303 (10) (b), Colorado Revised Statutes, is amended to read:

39-22-303. Apportionment of income - domestic and foreign. (10) As used in this subsection (10), "foreign source income" means taxable income from sources without the United States, as used in section 862 of the internal revenue code. In apportioning income pursuant to article IV of section 24-60-1301, C.R.S., or this section, foreign source income shall be considered only to the extent provided in this subsection (10):

(b) (I) If, for federal income tax purposes, the taxpayer has elected to claim foreign taxes paid or accrued as a credit, then foreign source income shall be considered only to the extent that such income exceeds the exclusion provided by this paragraph (b).

(II) FOR INCOME TAX YEARS COMMENCING PRIOR TO JANUARY 1, 2000, the amount to be excluded shall be determined by multiplying the foreign source income by a fraction, the numerator of which is the total of taxes paid or accrued to foreign countries and United States possessions by or on behalf of the C corporation pursuant to section 901 or 902 of the internal revenue code, deemed paid pursuant to section 902 or 960 of the internal revenue code for the tax year, or carried over or carried back to such tax year pursuant to section 904 (c) of the internal revenue code. The denominator of said fraction shall be forty-six percent of the foreign source income.

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

(III) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY 1, 2000, THE AMOUNT TO BE EXCLUDED SHALL BE DETERMINED BY MULTIPLYING THE FOREIGN SOURCE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS THE TOTAL OF TAXES PAID OR ACCRUED TO FOREIGN COUNTRIES AND UNITED STATES POSSESSIONS BY OR ON BEHALF OF THE C CORPORATION PURSUANT TO SECTION 901 OR 902 OF THE INTERNAL REVENUE CODE, DEEMED PAID PURSUANT TO SECTION 902 OR 960 OF THE INTERNAL REVENUE CODE FOR THE TAX YEAR, OR CARRIED OVER OR CARRIED BACK TO SUCH TAX YEAR PURSUANT TO SECTION 904 (c) OF THE INTERNAL REVENUE CODE. THE DENOMINATOR OF SAID FRACTION SHALL BE THE SAME PERCENTAGE AS THE EFFECTIVE FEDERAL CORPORATE INCOME TAX RATE MULTIPLIED BY THE FOREIGN SOURCE INCOME. AS USED IN THIS SUBSECTION (10), "EFFECTIVE FEDERAL CORPORATE INCOME TAX RATE" MEANS THE TAXPAYER'S FEDERAL CORPORATE INCOME TAX CALCULATED IN ACCORDANCE WITH SECTION 11 (a) AND (b) OF THE INTERNAL REVENUE CODE FOR SUCH TAX YEAR DIVIDED BY THE TAXPAYER'S FEDERAL TAXABLE INCOME.

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution; except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

Approved: June 3, 1999