June 11, 2020

VIA E-MAIL

State Senate
Colorado General Assembly

Re: COST Opposes H.B. 1420 – Inappropriate and Harmful Tax Increases During an Economic Downturn

Dear Senators,

I am writing on behalf of the Council On State Taxation (COST) in opposition to H.B. 1420, which if enacted would inappropriately impose massive tax increases on business during a historic economic downturn from the COVID-19 pandemic.

About COST

COST is a nonprofit trade association consisting of approximately 550 multistate corporations engaged in interstate and international business. COST’s objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

H.B. 1420 Would Hinder the Restart of Colorado’s Economy

H.B. 1420 would decouple Colorado from several tax provisions enacted by Congress as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help businesses and the overall economy recover from the COVID-19 crisis. H.B. 1420, however, would negatively impact businesses in Colorado, employers that are needed to restart Colorado’s economy, by capping the net operating loss a business can deduct from its Colorado taxes at $400,000. This provision not only rejects the business-friendly removal of the 80 percent cap previously imposed by the Tax Cuts and Jobs Act (TCJA) in the CARES Act, it also imposes a cap significantly lower than the TCJA 80 percent cap, which will hurt businesses during these difficult economic times and could also have a discriminatory impact. In addition, H.B. 1420 would significantly limit the ability of businesses to use net operating losses going forward.

The bill also proposes to eliminate the sales tax exemption for industrial energy use, providing a limited refund of $1,000 to such purchasers, and would eliminate the extra interest expense deduction provided in the CARES Act, among other provisions. And finally, the bill’s increase to the State’s premium tax rate for insurers will likely increase the cost of insurance products for Colorado residents.

Massive tax increases during a period of economic hardship for businesses and Colorado residents are likely to have negative consequences by driving more businesses to bankruptcy, leading to further revenue decreases. Accordingly, COST strongly urges you to reject the harmful tax increases in H.B. 1420.

Respectfully,

Nikki E. Dobby

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

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