

Income Tax Topics: Administrative Adjustment Requests



[House Bill 23-1277](#) imposes several state requirements relating to final federal adjustments resulting from an administrative adjustment request a partnership files with the Internal Revenue Service (“IRS”). Among other things, a partnership must file a Partnership Federal Adjustments Report with the Department and send notices to all direct partners. Partnerships may also need to file amended returns and make payments for additional tax due.

This publication is designed to provide general guidance regarding Colorado income tax requirements relating to federal adjustments resulting from administrative adjustment requests. Nothing in this publication modifies or is intended to modify the requirements of Colorado’s statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

This publication does not provide guidance regarding final federal adjustments that result from an IRS audit. Please see Department publication [Income Tax Topics: Partnership Audit Adjustments](#) for Colorado requirements relating to federal audit adjustments.

Administrative adjustment requests

A partnership may file with the IRS a request for an administrative adjustment in the amount of one or more items of income, gain, loss, deduction, or credit of the partnership for a partnership taxable year. Federal tax resulting from the adjustment may be determined and paid by the partnership as an imputed underpayment in the adjustment year. Alternatively, the partnership may “push out” the adjustments, which are then taken into account by the partners, who pay any additional tax upon receipt of statements showing the adjustments. In the case of an adjustment that would not result in an imputed underpayment, the adjustments are also “pushed out” to partners and taken into account on the partners’ returns. For additional information, please visit [IRS.gov/businesses/partnerships/file-an-administrative-adjustment-request-for-a-bba-partnership](https://irs.gov/businesses/partnerships/file-an-administrative-adjustment-request-for-a-bba-partnership).

Colorado requirements

Section 39-22-601.5(3), C.R.S., imposes several state requirements relating to final federal adjustments. These requirements apply to every partnership that files an administrative adjustment request, regardless of whether the partnership elects to pay any additional federal tax at the partnership level or “push out” the adjustments to partners. The reporting and payment requirements applicable to partnerships that file an administrative adjustment request also apply to tiered partners that are direct and indirect partners in that partnership. A tiered partner is any partner that is a partnership or S corporation.

Partnerships must report final federal adjustments to the Department and notify each direct partner of their distributive share of the final federal adjustments. If a partnership or tiered partner fails to make any required report or payment in a timely manner, the Department may assess direct partners and indirect partners for taxes they owe, using the best information available.

State partnership representative

With respect to any action required or permitted to be taken by a partnership under section 39-22-601.5, C.R.S., the state partnership representative for the reviewed year has the sole authority to act on behalf of the partnership. The state partnership representative's sole authority includes protests, hearings, and appeals under sections 39-21-103 and 39-21-105, C.R.S. The partnership's direct partners and indirect partners are bound by those actions.

Unless the partnership designates in writing another person as its state partnership representative, the state partnership representative for the reviewed year is the person the partnership designates for the taxable year as the partnership's representative, or the person the IRS has appointed to act as the federal partnership representative. Such designation may be made by the partnership in the [Partnership Federal Adjustments Report](#) it files. A partnership may designate as its state partnership representative only a person who is eligible to serve as its federal partnership representative.

For information about federal partnership representatives and the designation thereof, please visit [IRS.gov/businesses/partnerships/designate-a-partnership-representative](https://www.irs.gov/businesses/partnerships/designate-a-partnership-representative).

Notification, filing, and payment requirements

Within 90 days of filing an administrative adjustment request, a partnership must satisfy several notification, filing, and payment requirements. Tiered partners must satisfy these requirements no later than 90 days after the due date for the return for the adjustment year of the partnership that filed the administrative adjustment request. A tiered partner is any partner that is a partnership or S corporation.

The 90-day deadline for notification, filing, and payment may be extended by written agreement between the partnership or tiered partner and the Department. Partnerships may request a 60-day extension by sending an email to DOR_TaxApplications@state.co.us with "Extension Request for Partnership Adjustments" in the subject line. The email must state the partnership's

federal employer identification number (FEIN) or Colorado Account Number (CAN), the beginning and ending dates of the partnership taxable year to which the federal adjustments relate, and the final determination date under section 39-22-601.5(1)(i), C.R.S.

Partnership federal adjustments report

Partnerships must electronically file a completed [Partnership Federal Adjustments Report](#) to report any final federal adjustments arising from an administrative adjustment request. The report must be submitted as an [e-filer attachment](#) through [Revenue Online](#). The report must provide the required information for each direct partner of the partnership for the tax year to which the item(s) being adjusted relates.

Partner notification

A partnership must notify each of its direct partners of their distributive share of the final federal adjustments. Partnerships may use [form DR 0796, Partner Notification of Final Federal Adjustments](#) to provide direct partners the required notification or may provide all of the information required by form DR 0796 to each of their direct partners by some other means.

Each direct partner must file an amended return for the reviewed year, reporting their distributive share of the adjustments, unless either:

- they are included in an amended composite return properly filed by the partnership to report the partner's distributive share of the final federal adjustments; or
- they are included in an amended SALT Parity Act return properly filed by the partnership to report the partner's distributive share of the final federal adjustments and the resulting additional credit allowed to the partner equals or exceeds the additional tax the partner would owe as a result of the federal adjustments.

Positive adjustments must be reported as an "other addition" on the partner's amended return and negative adjustments must be reported as an "other subtraction."

Each partner must file their amended return within 180 days of the date the partnership filed the administrative adjustment request. Partners of tiered partners must file their amended return no later than 90 days after the due date for the federal return for the adjustment year of the partnership that filed the administrative adjustment request.

Each partner must also pay any additional amount of tax due as if the final federal adjustments had been properly reported, plus any penalty and interest due. In determining the additional tax due, each partner may claim credit for related amounts paid on their behalf with Department form DR 0108.

Amended partnership return

If, in its original return, the partnership filed a composite return on behalf of any of its nonresident partners or made an election under the SALT Parity Act, the partnership must file an amended return with Department form DR 0106 reflecting the final federal adjustments. The partnership must pay any additional amount due as a result of the final federal adjustments.

In the case of negative final federal adjustments for a partnership that made an election under the SALT Parity Act for the tax year to which the adjusted item relates, no refund is allowed to the partnership that made the SALT Parity Act election for those negative final federal adjustments. Instead, each partner must file an amended Colorado income tax return to claim a refund for any overpayment resulting from their distributive share of the final federal adjustments.

Remittance for nonresident partners

If the partnership previously made payment for a partner with Department form DR 0108, the partnership must remit with a new form DR 0108 any additional amount that would have been due had the final federal adjustments been reported properly as required.

Assessments

The Department may assess any additional tax, penalties, and interest resulting from final federal adjustments reported on an administrative adjustment request if it issues a notice of deficiency within the time provided in section 39-22-601.5(5), C.R.S. In the case of fraud, the tax may be assessed and collected at any time.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to Colorado income tax requirements relating to federal adjustments resulting from administrative adjustment requests. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-22-601.5, C.R.S. Reporting federal adjustments - definitions.
- Rule 39-22-601.5-1. Federal Partnership Adjustments.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Partnership Federal Adjustments Report](#)
- [Partner Notification of Final Federal Adjustments \(DR 0796\)](#)
- [Income Tax Topics: Administrative Adjustment Requests](#)