



COLORADO

Department of Revenue

Taxation Division

Office of Tax Policy Analysis
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GIL 21-004

July 30, 2021

XXXXXXXXXX
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Re: Colorado Nexus for Out-of-State Pass-Through Entity

Dear XXXXXXXXXXXX:

You submitted a request for a general information letter regarding nexus for an out-of-state, pass-through entity. The Colorado Department of Revenue (“Department”) issues general information letters and private letter rulings. A general information letter provides a general overview of the relevant tax issues, but is not binding on the Department. A private letter ruling provides a specific determination for a specific set of facts, is binding on the Department, and requires payment of a fee. For more information about general information letters and private letter rulings, please see 1 CCR 201-1, Rule 24-35-103.5.

Issue

How is Colorado nexus determined for a partnership¹ that derives its revenue from investment advisory services provided to regulated investment companies?

Discussion

Colorado applies the same standards for determining if a corporation has substantial nexus to partnerships and other pass-through entities.² Under the nexus rules, a partnership must determine if it exceeds any of the threshold amounts or percentages for sales, property, or payroll at the entity level.³ Partnerships that exceed any one of these thresholds have substantial nexus with Colorado and must make returns and comply with the requirements for nonresident partners.⁴

¹ § 39-22-103(5.6), C.R.S. (“Partnership” means any group or organization that is a partnership, as defined by section 761(a) of the internal revenue code, and is required to file a return under section 6031 (a) of the internal revenue code.”)

² See § 39-22-601(5)(a), C.R.S.; see also 1 CCR 201-1, Rule 39-22-301 (establishing nexus standards for corporations and pass-through entities, including partnerships).

³ 1 CCR 201-1, Rule 39-22-301(1) (2)(c)(v).

⁴ § 39-22-601(5)(a), C.R.S.

When determining nexus for a partnership rendering management, distribution, or administration services to a registered investment company,⁵ the sales threshold amounts of \$500,000 or 25% of total sales is computed and sourced in accordance with section 39-22-303.7(2), C.R.S., and 1 CCR 201-1, Rule 39-22-303.7-2.⁶

Miscellaneous

This letter represents the good-faith opinion of Department personnel who are knowledgeable on state taxes issues. However, the Department does not make a specific determination on any of the issues raised, and the Department is not bound by this general information letter.

Sincerely,

Office of Tax Policy Analysis
Colorado Department of Revenue

⁵ Also referred to as "mutual fund sales" in section 39-22-303.7(1)(e), C.R.S. and in 1 CCR 201-1, Rule 39-22-303.7-1(4).

⁶ 1 CCR 201-1, Rule 39-22-303.6-10(4)(c)(iv).