



COLORADO

Department of Revenue

Taxation Division

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GIL 25-006

October 21, 2025

XXXXXXXXXX
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Via Electronic Mail: XXXXXXXXXX

Re: Admittance of a Partner to a Partnership When Claiming the Affordable Housing Tax Credit

Dear XXXXXXXXXX:

You submitted a request for a general information letter on behalf of your client, XXXXXXXXXX, regarding the admittance of a partner to a partnership when claiming the affordable housing tax credit. 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

Whether partners in a partnership may claim an affordable housing tax credit when the partner is admitted to the partnership prior to the filing of the partner's tax return claiming the credit.

Discussion

Colorado allows an income tax credit to qualified taxpayers who own an interest, direct or indirect, in a qualified development.¹ If an owner of a qualified development receiving an allocation of a credit is a partnership, limited liability company, S corporation, or similar pass-through entity, the owner may allocate the credit among its partners, shareholders, members, or other qualified taxpayers. Each partner, shareholder, member, or other qualified taxpayer admitted as a partner, shareholder, member, or other qualified taxpayer of the owner prior to the filing of a tax credit claiming the credit is allowed to claim such allocated amount.²

¹ Sections 39-22-2101(11), and 39-22-2102, C.R.S.

² Section 39-22-2102(3), C.R.S.

In interpreting a statute, we must ascertain and give effect to the legislature's intent.³ To do so, “we look to the entire statutory scheme in order to give consistent, harmonious, and sensible effect to all of its parts, and we apply words and phrases in accordance with their plain and ordinary meanings.”⁴ However, we “must not follow statutory construction that leads to an absurd result” and “consider whether the resulting interpretation is inconsistent with the purposes of the legislation.”⁵

When we give the words used in the phrase “prior to the filing of a credit claiming the credit” in the last sentence of section 39-22-2102(3), C.R.S., their plain and ordinary meaning, we can see that reading does not make sense in the context of tax administration because a taxpayer may not file a credit to claim a credit. Instead, a taxpayer may file a return to claim a credit. Such a reading “is inconsistent with the purposes of the legislation” since it would impose a requirement that literally cannot be followed, denying the use of the credit altogether.⁶ Instead, a taxpayer may file a return to claim a credit. Specifically for the credit set forth in section 39-22-2102(3), C.R.S., the statute sets forth that a taxpayer that has been allocated an amount of the credit must file a state income tax return in order to claim the corresponding credit.⁷ As a result, in order to give consistent, harmonious, and sensible effect to all of parts of the statute, the phrase “prior to the filing of a credit claiming the credit” cannot be read by its plain and ordinary meaning, but should be read to mean “prior to the filing of a return claiming the credit.” This is further supported in subsection (5) of section 39-22-5503, C.R.S., which is another affordable housing income tax credit. That subsection contains identical language as set forth in section 39-22-2102(3), C.R.S., except the phrase in question states, “prior to the filing of a tax return claiming the credit.”

Therefore, if the owner of a qualified development receiving an allocation of this credit is a pass-through entity, then each partner, shareholder, member, or other qualified taxpayer that is admitted as such prior to the filing of the partner's, shareholder's, member's, or other qualified taxpayer's tax return claiming the credit is allowed to claim an allocation of the credit.⁸

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.

Thank you for your request.

Sincerely,

Office of Tax Policy
Colorado Department of Revenue

³ *Colo. Dep't of Revenue v. Creager Mercantile Co.*, 395 P.3d 741 (Colo. 2017).

⁴ *UMB Bank, N.A. v. Landmark Towers Ass'n*, 408 P.3d 836 (Colo. 2017).

⁵ *Town of Erie v. Eason*, 18 P.3d 1271, 1276 (Colo. 2001).

⁶ *Id.*

⁷ Section 39-22-2104, C.R.S.

⁸ Section 39-22-2102(3), C.R.S.