

Income Tax (Payroll Factor) Colo. Source Capital Gain Documentation

I sold stock in a Colorado corporation. However, the corporation is unable to provide the property and payroll-factor information that is required on the DR 1316. Can I claim the Colorado source capital gain subtraction?

No, this information must be available and documented in order to claim the Colorado source capital gain subtraction.

A company must have 50% or more of its property and 50% or more of its payroll assigned to Colorado under the Multistate Tax Compact (§24-60-1301, C.R.S.) for the required holding period (e.g., one or five years) to qualify as a Colorado company. Taxpayers must report the property and payroll percentages on form [DR 1316](#) (any such information the department may have is confidential and cannot be disclosed) and must keep appropriate records that demonstrate that the company meets the requirements of this subtraction.

If a corporation files in Colorado using the two-factor apportionment method, the property and payroll factors that are required may not be readily available. The corporation will have to compute the property and payroll factors even though they were not included in the actual income tax return.