

Income Tax - State Tuition Program Subtraction

What is the distribution subtraction?

Interest and other income distributed from a qualified state tuition program was, under certain circumstances, included in federal taxable income in the year of distribution. For tax years beginning on or after January 1, 1998 but prior to January 1, 2004, you can subtract this income on your Colorado income tax return if the interest and other income is included in your federal taxable income **and** you use the distribution to pay qualified higher educational expenses of the designated beneficiary. [§39-22-104 (4) (i), C.R.S.] This subtraction is reported on the "Other subtractions" line of the Colorado income tax return Form 104.

For tax years beginning on or after January 1, 2002, distributions from qualified State tuition programs will no longer qualify for this subtraction. For tax years beginning on or after January 1, 2004, distributions from qualified tuition programs established and maintained by an entity other than a State (or agency or instrumentality thereof) will no longer qualify for this subtraction. This is because the distributions will no longer be included in federal taxable income in those years.