

Colorado Department of Revenue



*A Revenue Publication for Businesses, Tax Professionals, Local Governments and Individuals*

**March 2005**

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**NOTE:** All links to DOR forms referenced in this document require you to have the free [Adobe Acrobat Reader](#) software

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## Easy Filing . . . Faster Refund with Colorado e-File Options

The Colorado Department of Revenue offers several methods to make income tax filing easier and allowing you to receive your state income tax refund faster.

**Colorado e-filing** is a secure, convenient, and accurate method to filing taxes electronically rather than by paper filing – no documents need to be mailed when you use any of these *e-file* services. Information on electronic filing is available at [www.coloradoefile.state.co.us](http://www.coloradoefile.state.co.us) **NOTE:** Before you begin filing your Colorado income tax you must complete your federal tax form. The federal taxable income amount is the starting point for Colorado income tax filing.

**Colorado NetFile** is available online at [www.netfile.state.co.us](http://www.netfile.state.co.us) This Web-based, free service is easy to use and is offered to full-year, part-year and nonresidents. For best results, NetFile users should have Microsoft Internet Explorer 6.0+ or Netscape Navigator 7.0+ on their computers. NetFile guides you through the Colorado income tax filing step-by-step and calculates the math for you, preventing errors you might otherwise miss if you use a paper return. Be sure to print a copy of your filing prior to submitting the electronic filing and always print a copy of your confirmation page from NetFile before exiting NetFile.

**Colorado TeleFile** is filing by telephone. This Department of Revenue filing program is offered to Colorado residents. First-time Colorado filers, part-year and nonresidents and those with complex returns should use NetFile or other electronic filing methods such as Federal State Electronic Filing (FSEF) which is done through either a tax preparer or through software purchased by filers aimed at filing both state and federal income tax forms together. TeleFile offers a step-by-step filing method as well as detecting errors when filing.

A confirmation number is given after the filing is submitted. TeleFile phone numbers are:

- Denver Metro Area: (303) 238-FAST (3278)
- Colorado Springs: (719) 592-0225
- Fort Collins: (970) 282-7950
- Pueblo: (719) 542-2681
- Grand Junction: (970) 243-0664
- Within Colorado but outside the areas listed above: 1-877-835-3453

**IRS e-file** is a filing option that submits both Federal and State returns in one computer transmission. This service is available using a tax preparation service or online with appropriate computer software.

Some taxpayers may be eligible for the IRS *e*-file service at low-cost or no-cost. See the IRS Web site at [www.irs.gov](http://www.irs.gov) for more information regarding their filing options.



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## Extension of Time to File

If a taxpayer is unable to file their income tax return by the April 15 deadline, they may take advantage of Colorado's six-month automatic extension of time to file.

The extension means that taxpayers do not need to file an actual return either electronically or by paper until October 17, 2005. This extension applies only to filing the actual form. It does not apply to any money owed to the state.

If an individual uses the extension, 90 percent of the tax owed must be paid on or before the filing deadline of April 15 in order to avoid penalty charges. The form [DR 158-I "Extension of Time to File Voucher"](#) (included in the [104 Booklet](#)) must accompany the payment. Those who owe but pay less than the 90 percent due will be charged penalty and interest on the unpaid balance. If the payment is 90 percent or more of the amount owed, the department charges interest but no penalty as long as the return and balance owed are sent by the October 17 extension deadline. Payments must be postmarked by the filing deadline.

This year the interest rate is 7 percent of the tax owed. Penalty is 5 percent of the balance due for the first month past the April 15 deadline, then an additional 0.5 percent for each month thereafter, up to a maximum of 12 percent.

Taxpayers who do not owe tax or who are filing for a refund do not have to file until the October 17 deadline if they choose to use the automatic extension.

**Note:** Normally the extension deadline is October 15. However, the deadline is October 17 since the 15<sup>th</sup> falls on a weekend in 2005.



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## Unpaid Debts Can Result in Refund Interceptions

If a taxpayer owes a past debt to the Department of Revenue or to another state agency and is expecting a refund for tax year 2004, part or all of the refund could be intercepted to satisfy the debt depending on how much is owed. Property Tax Rent/Heat Fuel Assistance Rebates may also be intercepted to satisfy a debt.

In 2004, 33,599 Colorado income tax refunds were intercepted amounting to more than \$6 million dollars to satisfy unpaid debts to Colorado agencies.

Instances where a refund could be intercepted include child and spousal support debts, Aid to Families with Disabled Children (AFDC); food stamps or other public assistance programs; debts for overpayment of unemployment benefits; student loans and higher education financial obligations. This year the department may also intercept refunds and PTC rebates for Judicial or court ordered fines, court costs and court ordered restitution.

Taxpayers whose refunds have been intercepted will receive a notification letter that the refund has been applied to an outstanding debt. If a taxpayer believes the refund interception was in error, that person must contact the agency initiating the interception to resolve the dispute.



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## **Income Tax Penalty and Interest Rates For 2004 Filing Season**

If a taxpayer owes the Colorado Department of Revenue taxes, interest and penalty may apply when the taxpayer fails to pay timely.

The interest rate for 2004 income tax filing is 7 percent.

Penalty is 5 percent and 0.5 percent for each month thereafter, up to a maximum of 12 percent of the balance due.



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## **Refund Status Available Online or by Telephone**

The Colorado Department of Revenue's Taxpayer Service Division continues to offer improved access to information about income tax accounts - both on the phone and on the Web, 24 hours a day, year-

round.

Telephone services, call (303) 238-FAST (3278)

Web services, log on to [www.myincometax.state.co.us](http://www.myincometax.state.co.us)

Information available on automated systems:

- Status of the current year income tax refund
- Prior year income tax refund amount (1099-G information)
- Tax delinquency information
- Agreement to Pay information and records
- Estimated tax payments up to four years back

To access account information, taxpayers must have their social security number along with one of the following:

- A current or prior year refund amount
- Amount of estimated payment amount
- The last five digits of their billing notice
- Personal identification number (PIN), which you can order through these systems and receive by mail.



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## Using Direct Deposit to Ensure Speed and Security

In 2004, more than 546,000 individual income taxpayers received their refunds through the Colorado Department of Revenue's Direct Deposit Program.

Direct Deposit is a fast and secure alternative to receiving an income tax refund check in the mail.

Additionally, Direct Deposit allowed the state to save envelope, paper and postage resulting in thousands of dollars in savings while offering taxpayers a safer and convenient method of receiving their refunds.

Those who will be receiving a refund may take advantage of Direct Deposit whether they file on a paper return or by one of the electronic filing options, NetFile, TeleFile or *e-file* or paper return. Direct Deposit is also offered to those who file a Property Tax Heat/Rent Rebate application (PTC) or an

amended return.

Part-year and nonresidents who file a Colorado income tax return may also use Direct Deposit if their designated bank or financial institution is located in the United States. Corporations and other businesses are not eligible to use direct deposit this year.

Important steps to remember when filing for direct deposit:

- Use the correct routing and account number in which the refund is to be directly deposited. Invalid financial institution routing numbers or closed accounts cannot receive a direct deposit refund -- instead the refund will be mailed to the address the taxpayer designated on the return causing a delay in receiving the refund.
- If a direct deposit transaction is returned to the Department of Revenue by the individual's bank or financial institution for any reason such as closed account, invalid account number, etc., then the department will automatically mail a refund check to the taxpayer.

Any of the above problems or mistakes can cause a delay in receiving a refund so be sure the routing and account number information is correct.

To find out more about using Direct Deposit see the [2004 Individual Income Tax Forms and Instructions Booklet](#) You may obtain a booklet and other tax information on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)



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## **Numbers Reflect Taxpayer Move Toward Electronic Filing**

The 2004 income tax filing season provides another year of various electronic filing methods offered to Colorado taxpayers.

As of late February 2005 the total number of electronic filings for Colorado individual income tax returns was 380,355. This number includes Federal/State Electronic Filing (FSEF) 331,725; TeleFile (Filing by Telephone) 12,217; and NetFile (Filing Online) 36,413. The total number of paper returns filed as of late February were 105,503, which includes 8,515 2D barcode returns.

To file FSEF visit your tax professional or purchase electronic filing software and file your own return. To file your state return over the Internet you may use NetFile at [www.netfile.state.co.us](http://www.netfile.state.co.us) or you may TeleFile your return by from a touch-tone telephone by calling:

- Denver Metro Area: (303) 238-FAST (3278)

- Colorado Springs: (719) 592-0225
- Fort Collins: (970) 282-7950
- Pueblo: (719) 542-2681
- Grand Junction: (970) 243-0664

Within Colorado but outside the areas listed above: 1-877-835-3453



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## **New and Updated Income Tax FYI Publications Available**

There is now a new income tax FYI available online. [FYI Income 58 "C-Corporations"](#) offers information such as the definition of a C-Corporation, doing business in Colorado, taxable income, additions and subtractions to income, corporations exempt from Colorado income tax, gross tax receipts and more.

Also available is revised [FYI Income 9 "Alternative Fuel Tax Credits."](#) This FYI contains information in regard to credits available for those who purchase an alternative fuel vehicle. Additionally, this FYI give the computations for the credit, definition of alternative fuel, tax credit amounts for specific alternative fuel and hybrid vehicles and more. This FYI will be revised in the near future as additional information on specific vehicles become available.

These and other FYI publications are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "[FYI Tax Publications.](#)" **NOTE: Because the FYI revision dates have been removed from the Web site's FYI index pages you now must open the FYI to find out the revision date shown on the actual FYI. Revised FYIs will indicate "Updated" on the FYI index (list of FYIs) pages, but after 30 days that notation is removed, therefore, opening the FYI in either PDF or HTML format is the only way to determine whether or not you have the latest version. Be aware that many FYIs are revised regularly so it is important to open the FYI to ensure you have the current version.**



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**Sales Tax:**

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- [RTD Tax Increases](#)
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## Updates and Changes in Use Tax Reporting

### Consumer Use Tax Reporting

#### *What is Use Tax?*

Use Tax is a complement to sales tax. The state use tax rate is the same as the state sales tax rate – 2.9 percent.

#### *Who Must Pay Use Tax?*

Use tax must be paid by the purchaser of goods (businesses and individuals) in cases when the seller did not or could not collect sales tax (for example, purchases from an out-of-state retailer who does not collect Colorado sales tax). Colorado sales tax law requires state sales or use tax be paid on all non-exempt tangible personal property sold, leased or delivered in Colorado for use, storage, distribution or consumption in this state.

#### *What Taxes are Collected By the State?*

The Colorado Department of Revenue collects state and Regional Transportation District/Scientific and Cultural Facilities District/Metropolitan Football Stadium District (RTD/CD/FD) and Rural Transportation District (RTA) use tax, but does not administer or collect county or city use tax. Local use tax is paid directly to the taxing authority to which it is owed.

### Use Tax -- Rural Transportation Authority (RTA)

There are changes in how to remit use taxes that began in January 2005. State and RTD/CD/FD consumer use tax payments must be remitted to the Colorado Department of Revenue with a ["Consumer Use Tax Return" Form DR 0252](#).

RTA use tax payments must be remitted with a ["RTA Consumer Use Tax Return" Form DR 0251](#). There are currently two RTA districts in Colorado.

- The **Roaring Fork RTA** district includes Basalt, Glenwood Springs, Carbondale and New Castle. This district has various rates for the different areas. See the Roaring Fork RTA

schedule on the form to compute the total use tax due.

- The **Pikes Peak RTA** district includes Colorado Springs, Green Mountain Falls, Manitou Springs, and areas in unincorporated El Paso County. The use tax rate for this district is .0100.

Each RTA district use tax must be reported on a separate ["RTA Consumer Use Tax Return" Form DR0251](#). The name of the RTA district must be written in the line above the single column on the form.

### **Retailer's Use Tax Reporting**

Colorado sales tax law requires state sales or use tax be paid on all tangible personal property sold, leased or delivered in Colorado for use, storage, distribution or consumption in Colorado. Generally, the vendor is liable for collecting and remitting sales taxes.

For out-of-state vendors, the responsibility for collecting and remitting either Colorado state sales tax or retailer's use tax depends upon the extent to which they are "doing business in this state" as defined by Colorado law. Refer to [FYI Sales 5 "Sales Tax Information For Out-of-State Businesses."](#)

Out-of-state vendors, with no physical locations in Colorado, who have determined that they should collect and remit Colorado state retailer's use tax, would do so at the same 2.9 % state sales tax rate and it applies to the same types of transactions as state sales tax. They should also collect special district use taxes on items delivered for sale into that district.

The special districts with use tax obligations collected by the Colorado Department of Revenue are: Regional Transportation District (RTD), Cultural and Scientific Facilities District (CD), Metropolitan Football Stadium District (FD) and Rural Transportation District (RTA).

There are changes in how to remit retailers use taxes that began in January 2005. State and RTD/CD/FD retailer's use tax payments must be remitted to the Colorado Department of Revenue with a "Retailer's Use Tax Return" Form DR 0173. The RTD/CD/FD and state columns are to be completed and the RTA column is to be X out. This is pre-printed on returns mailed to those that have a Retailer's Use Tax account set up with the Department of Revenue.

**Each RTA district use tax and payment must be remitted on a separate "Retailer's Use Tax Return" (DR0173).**

There are two RTA districts in Colorado as of January 2005.

- The **Roaring Fork RTA** district includes Basalt, Glenwood Springs, Carbondale and New Castle. This district has various rates for the different areas. See the Roaring Fork RTA

schedule on the form to compute the total use tax due.

- The **Pikes Peak RTA** district includes Colorado Springs, Green Mountain Falls, Manitou Springs, and areas in unincorporated El Paso County. The use tax rate for this district is .0100.

If a business delivers taxable items in both RTA districts, two separate retailer's use tax returns [Form DR 0173](#) must be filed. The RTA column on each return is filled out and the other columns (RTD/CD/FD and state) are to be "X" out. This is pre-printed on returns mail to those that have a retailer's use account set up with the Department of Revenue.

For those business that have established retailer's use liabilities with the Colorado Department of Revenue, the monthly, quarterly, or annual ["Retailers Use Tax Return" Form DR 0173](#) will consist of three (3) pages instead of one:

- One page will have your account number ending with 0000. The RTA column will be marked out, so that you will not be able to report taxes in that column. Use taxes will be reported in the other columns labeled BD, FD, CD, RTD and STATE.
- The account number ending with 000X (X will be a pre-printed number) will be on the second page. The first column will be labeled Pikes Peak RTA. All other columns will be marked out. ONLY Pikes Peak RTA use tax is to be reported on this page. The Pikes Peak RTA tax rate is one rate of .0100.
- The account number ending with 000Y (Y will be a different pre-printed number) will be on the third page. The first column will be labeled Roaring Fork RTA. All other columns will be marked out. ONLY Roaring Fork RTA use tax is to be reported on this page. There are different rates by location in this RTA district. Therefore, use the table on the back of the page to calculate the total Roaring Fork RTA dollar amount.
- Complete and send in all three pages. One check can be remitted for all three returns. If you do not have any sales and deliveries of goods into one or both of the RTA districts, enter zero(s) on every line in the RTA column of the appropriate page to indicate no sales in these areas.
- You will continue to receive all three pages, which must be completed. If you have no tax obligation in the RTA special districts, enter zero(s) on the lines in the RTA column. If you do not anticipate having any sales in one or both of the RTA districts, you can notify the Department of Revenue that you are not liable for Colorado retailer's use tax in that specific RTA district.

For more detailed information on this and related topics, consult the following FYIs and Forms:

***FYIs:***

[General 10 "Consumer Use Tax"](#)

[Sales 5 "General Sales Tax Information for Out-of-State Businesses"](#)

[Sales 62 "Guideline for Determining When to Collect State-Collected Local Sales Tax"](#)

***Forms:***

[DR 0251 " RTA Consumer Use Tax Return"](#)

[DR 0252 "Consumer Use Tax Return"](#)

[DR 0173 " Retailer's Use Tax Return"](#)

[Publication DRP 1002 "Colorado Sales/Use Tax Rates"](#)

FYIs, publications and commonly used forms are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)



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## **RTD Tax Increases**

The state collected Regional Transportation District Tax (RTD) was increased from 0.6 percent to 1.0 percent (increased by .4%) effective January 1, 2005. The RTD use tax is also 1.0 percent.

The RTD service fee is 3 1/3 percent. The RTD tax does have certain exemptions that apply, such as food for home consumption, gas and electricity for residential use, occasional sales by charitable organizations, farm equipment and pesticides.

See also publication [DRP 1002 "Colorado Sales and Use Tax Rates"](#)



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## **Sales Tax Account History Provides Useful Data For Businesses**

Businesses with a sales tax account can now review and print information regarding their personal sales tax account history.

This free online program allows business owners to review their account filing status dating back to December 2002.

The sales tax account history service is a secured Internet service that provides reports for:

- Each type of state-collected sales tax applicable to the account(s)
- Multiple reporting periods
- Branch locations

Businesses can see what returns were filed, how much state and county tax has been paid, including filings for branch or multi-locations. Additionally, businesses may print an "Account History Report" that also includes source and tax type codes, penalty and interest paid, as well as debits and credits. The sales tax report summaries may be printed using any date range between December 2002 and the most current filing period. Note: The most current or latest filings may not appear for several weeks after the Department has received the return and payment.

Because this is a secured site, businesses or individuals must obtain a PIN number prior to viewing or printing the "Account History Report." To receive a PIN number go to the Department's Web site at [www.taxcolorado.com](http://www.taxcolorado.com) and click on the "Taxes" link. Under Online Services select "Sales Tax Information" and click on the "[Sales Tax Account History](#)" link followed by the "help" link. Authorized users will receive their PIN number online.



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### ***Other Tax Information:***

- [ACH Debit Service Provider Changes](#)
- [New Procedures On Short Checks](#)
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### **ACH Debit Service Provider Changes**

The Colorado Department of Revenue has changed its ACH Debit Service. The bank which now provides this service is JP Morgan Chase.

The ACH Debit Service allows taxpayers who are registered with the Department of Revenue to call a toll free number to pay their taxes. The ACH Debit payment service is also provided on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "Electronic Service."

The new Web site option to ACH filing does not require any additional registration. Any taxpayer signed up for the ACH debit service is automatically signed up for the Web option. All taxpayers previously enrolled in the service were converted to the new service in December.

If you want to read more about using the free Electronic Funds Transfer service, refer to the Web at [www.taxcolorado.com](http://www.taxcolorado.com) Select "Electronic Payment" in the Online Services menu.

The form used to set up Electronic Funds Transfer ACH Debit/Credit Service is [DR 5785](#) "[Authorization for Electronic Funds \(EFT\) for Tax Payments.](#)" This form is located on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "Forms."

There are approximately 17,000 taxpayers who pay using the department's ACH debit process. Almost 40 percent of the department's Electronic Funds Transfer (EFT) payments are received through the debit process. All taxes administered and collected by the Department of Revenue can be paid by using EFT. Wage withholding and estimated income filers who use the electronic payment option eliminate the need for a paper return. Other types of tax such as sales tax require a paper return to support the processing of the electronic payment.

Colorado taxpayers with more than \$50,000 annually in wage withholding are required to file and pay by EFT. Sales tax filers who pay more than \$75,000 in state sales tax annually are also required to file by EFT.



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## **New Procedures On Short Checks**

Beginning February 2005 the Colorado Department of Revenue changed its bank processing procedures regarding insufficient fund payments sent by taxpayers.

In the past, when a taxpayer's check was returned to the Department of Revenue for insufficient funds, the bank automatically resubmits the check a second time for payment. If the same check was returned again for lack of funds the taxpayer's account was considered delinquent. The taxpayer would then receive a delinquency notice.

Now, the bank to which department deposits its checks will use an electronic transaction to resubmit the check for payment. Once the check is returned for insufficient funds, the bank will convert the check into an Electronic Funds Transfer (EFT) transaction and resubmit the check for payment. The bank may do this twice. However, if the payment is still not paid, the taxpayer is placed in the department's system as delinquent at which point a delinquency notice is sent with penalty and interest on the amount due.

This process only applies to consumer (individual) checks less than \$2,500.

Keep in mind that in any case of insufficient funds, taxpayers will owe an additional returned check charge of \$41.



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## **2004 Annual Report Available**

The 2004 edition of the Colorado Department of Revenue's Annual Report is now available online at [www.taxcolorado.com](http://www.taxcolorado.com) Simply go to this site and click on the link entitled "[Publications/Resources](#)" and then "[Tax Statistics](#)." There you will find this latest version as well as previous years' Annual Reports.

Published by the Department's Office of Research and Analysis, the Annual Report allows individuals the opportunity to review statistics and accomplishments made by the Department throughout the fiscal year.

The comprehensive report provides information that covers all divisions within the Department of Revenue such as Taxpayer Service, Tax Auditing and Compliance, Cash and Document Processing, Motor Vehicle, Hearings, Motor Carrier Services and Port of Entry, Information Technology, Enforcement, Racing Events, Limited Gaming, and Lottery.

Just some of the many information topics available in the report include:

- The year in perspective
- Tax collections and distribution of tax-collected funds
- Refunds processed
- Electronic filing statistics
- Revenue collections by source
- Gross and net Revenue collections
- Administrative costs by fund and tax sources
- Local revenue collections
- Driver licenses and permits issued

- Taxpayer audit and review activities
- Population by county
- Legislative Digest of Bills that affect the Department's operations
- Cigarette/Tobacco collections
- Registered vehicles by type and county
- Fuel tax data



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### ***Withholding Tax:***

#### **W-4 Withholding Allowance Certificate: Exempt Status or Excessive Allowances**

Colorado does not publish a form equivalent to the federal form W-4. Employees should complete the federal W-4, which can then be used for both federal and Colorado wage withholding tax purposes.

The W-4 form should only be submitted to the Colorado Department of Revenue when the employee has requested more than 10 withholding allowances, or has claimed an Exempt status for wages expected to exceed \$200 per week. When submitting these forms to the state be sure to include a cover letter that lists the employer name, address, EIN, and the number of Withholding Allowance Certificates attached. The Colorado Department of Revenue will contact you should it be determined that the requested exemptions must be modified. Withholding Allowance Certificates shall be mailed to:

Colorado Department of Revenue  
Fair Share Section  
1375 Sherman Street, 634  
Denver, CO 80261



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