

# FYI – For Your Information

## Unauthorized Alien Labor Services Addition

### GENERAL INFORMATION

For income tax years beginning on or after January 1, 2008, any taxpayer who claims a business expense for labor services (pursuant to §162(a)(I) of the Internal Revenue Code) for an unauthorized alien must include such business expense as an addition to income on the Colorado income tax return. [§§39-22-104(3)(i), 39-22-304(2)(h), C.R.S.]

### EXCEPTIONS

The addition will not apply to:

- Any individual who is paid less than \$600 during the tax year,
- Any individual hired by the taxpayer prior to December 31, 2006,
- Any individual who is not directly compensated or employed by the taxpayer,
- Any individual who holds and presents to the taxpayer a valid license or identification card issued by the Colorado Department of Revenue, or
- Any business domiciled in Colorado that is exempt from compliance with federal employment verification procedures under federal law that makes the employment of unauthorized aliens unlawful.

[§39-22-529, C.R.S.]

### DEFINITIONS

“Labor Services” means the physical performance of services in Colorado. §162(a)(I) of the Internal Revenue Code refers to a reasonable allowance for salaries or other compensation for personal services actually rendered.

“Unauthorized Alien” means, with respect to the employment of an alien at a particular time, that the alien is not at that time either (A) an alien lawfully admitted for permanent residence, or (B) authorized to be so employed by Title 8, Chapter 12, U.S.C. or by the U.S. Attorney General.

### FURTHER INFORMATION

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

For additional Colorado income tax information visit the “Tax Information Index” which covers a variety of topics including links to forms, publications, regulations, statutes and general questions and answers. The “Tax Information Index” is located at [www.taxcolorado.com](http://www.taxcolorado.com)

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.



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