Enter on line 6, to the extent included in federal income on line 4, any interest income earned on obligations of the United States government and any interest income earned on obligations of any authority, commission, or instrumentality of the United States to the extent such obligations are exempt from state tax under federal law.

The modification for foreign source income of an export taxpayer may be claimed on line 6. If a partnership qualifies as an export taxpayer, it may exclude for Colorado income tax purposes any income or gain which constitutes foreign source income for federal income tax purposes. For purposes of this modification, an "export taxpayer" means any partnership which sells fifty percent of its products which are produced in Colorado in states other than Colorado or in foreign countries, or if the gross receipts of such partnership are derived from the performance of services, such services are performed in Colorado by a partner or employee of the partnership and fifty percent or more of such services provided by the partnership are sold or provided to persons outside of Colorado.

Enter on line 6, to the extent included in federal taxable income, the excludible Colorado capital gain income for property acquired on or after May 9, 1994 and held for five or more years. See FYI Income 15 for information on what capital gains qualify for this subtraction.

Neither the C corporation foreign income exclusion or the partnership export taxpayer foreign source income modification may be claimed by an S corporation or passed through to its shareholders.

Colorado modifications and credits from Form 106CR, if any, are to be distributed to the shareholders on their stock ownership percentage. Advise each Colorado resident partner or shareholder of his share of the partnership or corporation modifications and credits. Advise each resident shareholder of his share of any income tax paid to other states by the corporation so they can compute the credit for tax paid other states.

Enter the Colorado source income on line 9. If part of the income is not Colorado source income, see the instructions for determining Colorado source income. The Colorado income tax statute provides that in determining the source of a nonresident partner's income, no effect shall be given to a provision in the partnership agreement which characterizes payments to the partner as being for services or for the use of capital. Thus payments to partners, whether salaries or interest, shall be construed to be from Colorado sources and taxable by Colorado in the same ratio as is the ordinary income of the partnership.

The partnership will not normally determine income from Colorado sources for any corporate partner as the corporation will include partnership income as part of the total income subject to the corporation allocation and apportionment provisions.

COMPOSITE FILING

A partnership or an S corporation may file a composite return on Form 106 for its nonresident partners or shareholders. Each nonresident partner or shareholder may elect to be included or excluded from the composite filing. The tax due on the composite filing shall be 4.63% of the Colorado-source income of the partners or shareholders electing to be included in the composite return. (This represents a reduction from the 5% tax rate in effect in 1998 and the 4.75% tax rate in effect in 1999.)

If 90% of the tax is not paid by the due date, you must add a delinquent payment penalty on line 15. The penalty is 5% of the additional tax due for the first month of delinquency and 1/2% for each additional month up to a maximum of 12%. Interest, Line 16, is due on any balance of tax due from the due date at the rate of 5% (8% if we bill you and you do not pay within 30 days). The estimated tax penalty is computed for each partner or shareholder on Form 204. This penalty applies only when the tax due for an individual included in the composite filing is more than $1,000. If this penalty is due, attach Form 204 for each individual who owes the penalty and enter the total penalty on line 17. Enter the balance due, including any penalty or interest due from lines 15, 16 and 17, on line 18.

AGREEMENT TO FILE RETURN AND PAY TAX (FORM 0107) AND PAYMENT ON BEHALF OF NONRESIDENT PARTNER OR SHAREHOLDER (FORM 0108)

In lieu of including nonresident partners or shareholders in a composite return, a partnership or S corporation may:

- Provide a completed Form 0107 for each nonresident partner/shareholder establishing that he/she will file a Colorado income tax return, or
- Withhold 4.63% of each nonresident partner/shareholder's Colorado source income and submit the payment with Form 0108.

Refer to FYI Income 54 for additional information on composite filing, the agreement to file Form 0107, and the withholding Form 0108.

▼ **RETURN ONLY THE LOWER PORTION OF THIS FORM WITH YOUR PAYMENT** ▼ DETACH FORM ON THIS LINE

(29)

Form DR 158-N
(303) 238-SERV (7378)

PAYMENT VOUCHER FOR EXTENSION OF TIME FOR FILING A COLORADO COMPOSITE NONRESIDENT INCOME TAX RETURN

70

For tax period beginning _____ , ending _____ .

Name	Colorado Account Number
Address	Federal Employer Identification Number
City, State, ZIP	

IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM.

Amount of Payment

DO NOT WRITE IN SPACE BELOW

(08) _____ . 00