

Colorado Department of Revenue



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

March 2006

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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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Gross Conservation Easement Credits

With the April 15th due date fast approaching, many taxpayers are considering purchasing gross conservation easement credits to apply against their 2005 income tax liability. As part of this decision it is important to consider the tax matters representative law that was passed in 2005 regarding the gross conservation easement credit.

The tax matters representative is the taxpayer who donates the easement and transfers the credit. For any adjustment made to a gross conservation easement credit, all appeal and hearing rights regarding the adjustment reside with the tax matters representative. This includes, but is not limited to, the charitable contribution deduction, appraisal, credit valuation and validity, notification and correspondence from and with the Department of Revenue, audit examinations, assessments or refunds, settlement agreements, administrative and judicial decisions, and the statute of limitations related to the credit. Final resolution of disputes between the Department of Revenue and the tax matters representative shall be binding on transferees of the credit.

Regulations regarding the gross conservation easement credit and the tax matters representative issue will be promulgated later this year. Taxpayers may want to contact a tax advisor for advice if considering the purchase of a gross conservation easement credit.



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Filing Early Can Pay Off -- When to Expect Refunds

Filing state tax returns electronically or early in the filing season usually results in faster refunds. How soon can taxpayers receive their refund? It depends on how and when they filed their return. Electronic filers can expect their refunds in about 7-14 business days. Paper filers have a longer wait depending on when they file.

Each year almost half of state taxpayers wait until April to file. As the volume of mail to the Department of Revenue increases throughout the income tax filing season, processing time of income tax returns becomes longer. In fact, in February the department receives more than 24,700 pieces of mail each day. In April, the daily average of received mail increases to more than 49,000, with the highest volume day being the April 15th filing deadline date with more than 200,000 pieces received.

The table below shows the approximate time it takes to receive a refund based on the month an individual or joint paper filer filed their tax return.

Paper Returns Received in	Taxpayer Receives Refund Within
January	21 days
February	28 days
March	35 days
April	75 days

If the department does not send out a refund due within a specified period of time, interest will be paid on taxpayers' refund checks. However, these timelines apply only if a return is complete, correct and filed by the April 17 deadline. The interest rate to be applied to refunds issued late by the state is 9 percent.



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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 2005, 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 2005, 74,713 Colorado income tax refunds were intercepted amounting to more than \$11 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. The department may also intercept refunds and PTC rebates for Judicial or court ordered fines, court costs and court ordered restitution including unpaid parking tickets and any other unpaid debt to the state.

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

Note that the Department of Revenue has no authority to judge the merits of interception orders and has no authority to rescind them.



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Income Tax 112 Corporate Booklet Changes

The 2005 Colorado corporation income tax book and form ([Form 112](#)) have undergone significant changes from the 2004 version.

The instructions have been shortened to highlight the issues that are most likely to be of interest to corporate filers. In particular the instructions and examples explaining the apportionment and consolidated/combined filing, which have traditionally been problem areas for Colorado corporations, have been significantly improved.

The detailed information that was deleted from the 112 book is still available, but is now located in three [FYI publications](#) (FYI Income 58, 59 and 60) that are available from the [income tax index](#) at www.taxcolorado.com. In addition, there is additional information in these FYIs that was previously not published. This provides far better information for tax preparers and taxpayers when completing the Colorado corporation income tax return.

The corporation form 112 has also been redesigned to address problem areas. The check boxes to indicate whether the return being filed is a consolidated return, a combined return or a combined and consolidated return have been upgraded from last year. The 2005 form includes a more detailed description of the filing status of each corporation and adds a box to indicate that a corporation is a single corporation filing a separate return.

A line has been added for corporations filing a federal consolidated return to report the taxable income of corporations that are not included in a Colorado combined or consolidated income tax return. In previous years there was much confusion over the proper way to report this situation, which will be eliminated with the addition of this line.

Finally the 112 form has been expanded to two pages with the apportionment and affiliation schedules each located on a separate page. This expanded form will be easier to prepare and will reduce data entry problems at the Department of Revenue.



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Sales Tax:

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2006 EFT Dates for Sales Tax Payment to Cities and Counties

2006 EFT Dates for Sales Tax Payment to Cities and Counties

The due dates for the Department of Revenue to pay sales tax collections through Electronic Funds Transfer (EFT) to local governments in 2006 are:

MONTH	DATE
January	12
February	10
March	10
April	12
May	10
June	12
July	13
August	10
September	13
October	12
November	13
December	12

If your office is receiving payments by mail you may want to change to the EFT method for faster payment. For more information contact LouAnn Welbourn at (303) 205-8211 extension 6876 or Dan Osborne (303) 205-8211 extension 6882.



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Attention Businesses with Colorado Sales Tax Accounts

In September, some businesses received a letter from the Colorado Department of Revenue notifying them that their sales tax filing frequency will change in 2006 based on how much tax they remitted during 2004-2005.

However, coupon booklets and individual sales tax returns received in January contained coupons for the same filing frequency as during 2005 (annual, monthly or quarterly). The department's accounting systems were not updated to reflect the new filing frequencies. Therefore, please disregard the letter you received in September and file your 2006 taxes with the coupons or the 2006 sales tax returns you received in January.



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Withholding Tax:

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2006 Wage Withholding Tables

The Colorado Department of Revenue has updated the DRP 1098 "Colorado Income Tax Withholding Tables for Employers" for 2006. While the tax rate of 4.63 percent has not changed, the withholding tables have been updated to accommodate changes to the federal standard deduction and exemption amounts.

Employers should use the updated tables and may obtain a copy of the Wage Withholding tables on the Web at www.taxcolorado.com under "[Forms](#)."



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Automatic Severance Tax Extensions

On February 1, 2006, a regulation hearing was held regarding severance tax extension procedures. Regulations 39-29-112 and 39-29-115 were proposed to improve the severance tax extension process and bring it in line with the income tax extension process. As a result, beginning with the 2005 severance tax extension, a paper extension form will no longer be required unless the taxpayer is submitting a payment. The automatic extension will reduce the filing burden on Colorado taxpayers and reduce paper handling by the Department of Revenue.

For tax year 2005, penalties will be waived if 80% of the tax is paid by the due date of the return and the balance of the tax is paid with the return by the extended due date. For tax years 2006 and beyond, penalty waiver provisions will require 90% of the tax to be paid by the due date of the return, which is the same provision currently used in the income tax process.

The complete text of the regulation can be viewed at www.taxcolorado.com under Final Regulations.



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Trade Name Registration Moves to Secretary of State in May 2006

Effective May 30, 2006 the Colorado Department of Revenue will no longer process the registration of trade names for individuals, partnerships or associations.

Under new state law the Colorado Secretary of State's office will handle all trade name registrations including trade name renewals. The Secretary of State's office will continue to process the trade name information for corporations, LLCs and limited partnerships.

Additionally, in the near future [Form CR 0100](#) "Colorado Business Registration" will be revised to no longer reflect registration of trade names through the Department of Revenue.

The Department of Revenue will provide more details regarding the change in the June 2006 edition of Tax Update and within the sales tax portion of the [Tax Information Index](#) under "Trade Names" in May.



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Tax Phone Steps to Simplify the Call

If you call the Colorado Department of Revenue for tax information you have several options to obtain information.

Knowing the Department's phone tree helps skip through certain messages you don't want and gets you directly to what you desire. Here are a few basic steps for the more commonly used telephone requests:

Dial 303-238-3278 (Main Number)

Income tax forms:

104 Book Press 1, 1

104 Form only Press 1, 2

104 AMT Press 1, 3

PTC Form Press 1, 4

104X Press 1, 5

TeleFile: Press 2, #

Income tax personal information:

Press 3, #, enter your Social Security number

Verify your identity in one of the following ways:

Enter a refund or payment amount Press 1

Enter part of your tax billing number Press 2

Enter your PIN (personal ID number) Press 3

Sales tax information:

Verify a license or exemption certificate Press 4, 1, #

City sales tax rates Press 4, 2, #, 1

County sales tax rates Press 4, 2, #, 2

Rates for a particular retailer Press 4, 3, #



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Rent/Heat Rebate Installment Dates

Property Tax Rent/Heat Rebates are issued in equal installments throughout the year. The date the rebate is approved will determine when the first payment is issued (see chart below). Payments are required by law to be made through installments. Exceptions to this process cannot be made. [§39-31-102 C.R.S.]

FOR 2005 REBATES, CHECKS WILL BE ISSUED IN EQUAL INSTALLMENTS AS FOLLOWS:

Application received processed and approved by:	Rebate received by:	Number of equal installments
March 10, 2006	April 15, 2006	4
June 10, 2006	July 15, 2006	3
Sept. 10, 2006	Oct. 15, 2006	2
Dec. 10, 2006	Jan. 15, 2007	1
Dec. 31, 2007	12 weeks after receipt	1



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Unclaimed Property Subject to Seizure for Unpaid Debts

The Colorado Department of Revenue has developed a program that allows the interception of unclaimed property to pay debts owed to the state.

The unclaimed property program also known as the Great Colorado Payback is provided by the state of Colorado Treasurer's Office as a method to locate unclaimed property owners.

If an individual requests a payment from unclaimed property but owes money for unpaid taxes to the state, the money can be intercepted and remitted to the department to satisfy a debt either in full or in part depending upon the amount claimed and amount owed.

The amount of the pay back to the state has to be greater than \$600. The intercept program includes both individuals and sole proprietorships with any outstanding liabilities. The program began in August 2005.



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Public Tax Hearings Open Avenue for New and Revised Regulations

Throughout the year the Colorado Department of Revenue's Taxpayer Service Division conducts public tax hearings to adopt new and revised Colorado tax regulations.

The regulation hearings reflect a variety of taxes including sales and use tax, special sales tax regulations, income tax, excise, estate, cigarette/tobacco, gas and special fuel taxes as well as tax related department procedures and administration.

Tax hearings are open to the public and are published online with a draft of the proposed regulation at least one month prior to the date of the hearing.

Anyone interested in reviewing regulations scheduled to be heard should regularly visit the Department's Web site at www.taxcolorado.com and click under "Taxes" then "Publications/Resources" and go directly to "[Regulations](#)."

The proposed regulation portion of the Web page will list the schedule and documentation. The final regulation page provides links to all adopted regulations.

Many of the final regulations may also be found under their respective tax topic located within the Tax Information Index. The Tax Information Index includes a variety of tax information including publications, regulations, state statute references, forms, questions and answers and more. The Index is located on the Web at www.taxcolorado.com under "Main Categories".

The most recent tax regulations that have been adopted and are available online under Final Regulations include:

- [Regulation 39-22-120 TABOR Credits and Subtractions](#) (Income Tax)
- [Regulation 39-22-516.2.5 Alternative Fuel Vehicle Credit](#) (Income Tax)

- [Regulation 39-22-604.3 Requirements to Withhold](#) (Income Tax)
- [Regulation 39-35-104 Aircraft Manufacturers New Employee Credit](#) (Income Tax related)
- [Regulation 39-27-103 Gasoline and Special Fuel Tax](#)
- [Regulation 39-28-305.1 Quarterly Escrow Installments for Non-Participating Manufacturers”](#) and [39-28-305.2 Deadlines](#) (Cigarette/Tobacco)
- [Special Regulation 3 Auto Dealers, Vehicles Used in a Manner that Continues the Right to the Resale Exemption](#) (Sales Tax)



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When Colorado Estate Tax Does Not Apply

The Colorado estate tax does not apply to decedents whose date of death is on or after January 1, 2005. The Colorado estate tax is based on the state death tax credit allowable on the federal return. The credit was eliminated effective December 31, 2004 as a result of federal estate tax law changes. Future changes to the federal laws will determine whether Colorado estate tax is due in future years.

The Colorado estate tax replaced the Colorado inheritance and gift tax for decedents with a date of death on or after January 1, 1980. The Colorado inheritance or gift tax does not apply to transfers made on or after January 1, 1980.

For more information see [FYI Estate 1 “Colorado Estate Tax”](#) located on the department’s Web site at www.taxcolorado.com under FYIs.



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Web Site Information:

Automated Services, Obtaining Tax Information, and Office Locations

- Access Automated Income Tax Account Information by Phone or on the Web

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, all year. Telephone services, call (303) 238-FAST (3278)

Web services: www.myincometax.state.co.us

- Information Available through Automated Services
- Status of the current year income tax refund
- Prior year income tax refund amount (1099-G information)
- Tax delinquency information
- Agreement to Pay information, set-up request 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.

• Colorado Income Tax Forms

Colorado taxpayers may get tax forms and instructions on the Internet or order them by telephone.

Internet:

Taxpayers may obtain Colorado income tax instructions and forms using the department's Web site at www.taxcolorado.com by clicking "Forms." The Web site also offers tax information for 2005 income tax season.

Telephone:

Filers may call (303) 238-FAST (3278) to place a request to have current year individual income tax forms mailed to them.

Helpful Web Sites:

Colorado Taxes Web site: www.taxcolorado.com

Colorado e-file Information Web site: www.coloradoefile.state.co.us

Internal Revenue Service Web site: www.irs.gov

Tax Forms for Other States: www.taxadmin.org/fta/link/forms.html

Call Center and Offices throughout Colorado:

Call Center for Colorado Taxes: (303) 238-SERV (7378), representatives available Monday through Friday, 8 a.m. to 4:30 p.m.

2005 TeleFile and Income Tax Forms: (303) 238-FAST (3278), available 24-hours a day.

Taxpayer Service Center Offices Locations: Offices are open to walk-in service Monday through Friday, 8 a.m. to 4:30 p.m. Services include assistance with tax forms, registration or a new business, tax publications and sales tax classes and/or outreach to communities where no service center is available.

Denver: 1375 Sherman St. (across the street from the state capitol, southwest corner of 14th and Sherman)

Colorado Springs: 4420 Austin Bluffs Pkwy.

Fort Collins: 1121 W. Prospect Road, Bldg. D

Grand Junction: 222 South 6th St., Room 208

Pueblo: 310 E. Abriendo Ave., Suite A4