

Colorado Department of Revenue



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

June 2004

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Income Tax

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PTC Installment Plan Effective April 1, 2004

The Colorado Property Tax/Rent/Heat rebates will now be issued in equal installments to qualified

applicants whose rebate applications were received by the Department of Revenue on or after April 1, 2004.

As a result of a new law, PTC rebates are to be issued in equal installments rather than a one lump sum payment. A PTC rebate claimed on an application that is received, processed, and approved by June 10 will be issued in three equal installments that applicants will receive by July 15, October 15, and January 15. A rebate that is claimed and received, processed and approved by September 10 will be issued in two equal installments by October 15 and January 15. A rebate application received, processed and approved by December 10 will be issued in one check no later than January 15.

Any 2003 rebate claims approved after December 10 will be issued in one check within 12 weeks after the application is filed.

PTC rebate installment payments are required by law. Exceptions to this law cannot be made.

Below is the installment plan for 2004 rebates:

Application received, processed and approved by:	Rebate Received by:	Number of Equal installments:
March 10, 2005	April 15, 2005	4
June 10, 2005	July 15, 2005	3
September 10, 2005	October 15, 2005	2
December 10, 2005	January 15, 2006	1
December 31, 2006	12 weeks after receipt	1

For more information regarding the PTC rebates see [FYI General 7 "Property Tax Rebates and Deferrals for the Elderly and Disabled,"](#) located on the Web under [FYI Publications](#) at: www.taxcolorado.com



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Child Care Contribution Credit Update

There have been various changes to Colorado's "Child Care Contribution Credit" which has also been extended until 2009. Some of the changes that became effective March 9, 2004 include:

- Qualifying child care organizations

- Child care defined as being for children 12 years of age and under
- Grandfathered organizations that qualify in 2003 and accepted donations for which a credit was utilized the donation for child care provided the children were originally 17 years of age or under

The Colorado Child Care Contribution Credit regulation 39-22-121 will be heard at a public hearing held by the Colorado Department of Revenue on July 7, 10:30 - 11 a.m. at 1375 Sherman St., 4th Floor Conference room.

The purpose of the hearing is to discuss the replacement of all previous text of this regulation. Once adopted the changes to the regulation regarding this credit will be available online at www.taxcolorado.com under Publication/Resources "[Final Regulations.](#)"



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Intercepted Refunds

If a taxpayer owes a past debt to an agency of the State of Colorado, the income tax refund could be intercepted by that agency to satisfy the debt. In 2003, 41,313 Colorado income tax refunds were intercepted for a total of \$7,011,245 to satisfy unpaid debts to Colorado agencies. Normally, the agency initiating the intercept will have made several other attempts to collect the debt.

When a taxpayer's refund is intercepted, the Department of Revenue sends a letter explaining which agency initiated the intercept, the amount of the refund intercepted, and whom to contact for further information about the debt. If the debt is smaller than the refund, the taxpayer will receive the difference.

If a taxpayer believes the refund has been intercepted in error, the taxpayer must contact the agency initiating the interception to resolve the problem. The Department of Revenue has no authority to judge the merits of interception orders, and has no authority to rescind them. However, if the refund for a joint return is intercepted, the spouse not owing the debt may request that the Department of Revenue send their portion of the joint refund to that spouse.

Instances in which a refund could be intercepted include:

- debts for child or spousal support;
- Aid to Families with Disabled Children (AFDC);
- food stamps or other public assistance programs;
- debts due to overpayment of unemployment benefits;
- past debts to Colorado higher education, such as unpaid student loans or other higher education financial obligations;

- any other unpaid debt to the state.



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Extension of Time to File

If a taxpayer cannot 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 15, 2004. 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 15 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 15 deadline if they choose to use the automatic extension.



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More than 700,000 file income tax returns electronically

The Colorado Department of Revenue continues to offer income tax filers the opportunity to file their taxes by Internet or by telephone. Almost 800,000 of Colorado taxpayers filed their income tax returns electronically through Federal State Electronic Filing (filing through a tax professional or tax filing software); NetFile (filing on the Internet); or through TeleFile (filing by touch-tone telephone).

As of mid-May 2004 the following number of taxpayers filed their 2003 state income tax returns electronically:

Federal State Electronic Filing:	689,650
NetFile:	77,378
TeleFile	30,288
Total:	797,316

To learn more about the NetFile and TeleFile programs visit the department's Web site to obtain the [2003 Individual Income Tax Booklet](#).

Also visit the department's Web site for electronic filing option information and additional income tax forms, tax information and publications at: www.taxcolorado.com



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Sales Tax

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RTD Expands to Acres Green

The Regional Transportation District (RTD) Board recently passed a resolution to include the Acres Green subdivision within the RTD boundaries. Located in unincorporated Douglas County, Acres Green is required to collect the .6 percent RTD sales and use tax beginning April 1, 2004.

Home-based businesses located in Acres Green have received notification and should have received revised pre-printed Colorado sales tax returns that reflect the RTD sales and use tax rate of 0.6 percent.



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Retailer's Use Tax versus Sales Tax - Which One For You?

New businesses or businesses beginning to sell products in Colorado need to set up an account to either collect and remit state sales tax or retailer's use tax.

Certain criteria need to be considered in order to make the correct decision regarding which type of account applies to your business. The type of tax to be collected, retailer's use tax or sales tax, will determine if a business must collect or remit any local jurisdiction taxes (i.e. City or County).

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

"Doing business in this state," means the selling, leasing, or delivering in this state, or any activity in this state in connection with the selling, leasing, or delivering in this state, of tangible personal property by a retail sale...for use, storage, distribution, or consumption within this state. This term includes, but shall not be limited to, the following acts or methods of transacting business:

"(a) The maintaining within this state, directly or indirectly or by a subsidiary, of an office, distributing house, salesroom or house, warehouse, or other place of business;

"(b) The soliciting, either by direct representatives, indirect representatives, manufacturers' agents, or by distribution of catalogues or other advertising, or by use of any communication media, or by use of the newspaper, radio, or television advertising media, or by any other means whatsoever, of business from persons residing in this state, and by reason thereof receiving orders from, or selling or leasing tangible personal property to, such persons residing in this state for use, consumption, distribution, and storage for use or consumption in this state." [C.R.S. 39-26-102(3) (a) and (b)]

If you are "doing business" as defined by paragraph (a) above, you must open a Colorado sales tax account. If you are "doing business" as defined by paragraph (b) above, you should open a retailer's use tax account.

If you are required to open a Colorado sales tax account, you will need to set up specific (branch) locations for each local jurisdiction in which you have a physical presence. This is necessary so that the Department of Revenue can allocate and post the local sales taxes you collect and remit. You would need to report those local taxes on separate Sales Tax returns with the specific Department of Revenue assigned branch numbers.

The exception to the rule of requiring a physical presence for branch locations are Telecommunication and Utilities companies which do need to have branch locations in service areas so that local taxes can be collected and remitted properly. Refer to [FYI Sales 80 "Telephone and Telecommunications"](#) for additional information and clarification.

If you have no physical location in the state, and meet the criteria to collect and remit Retailer's Use tax, you must collect the 2.9% Colorado state retailer's use tax and the special district use taxes (RTD/CD/FD) on the items delivered for sale into those districts. You should not collect and remit local city and county use taxes if you are filing a retailer's use tax return. You would **not** set up branch locations for each local jurisdiction you sell to.

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

- [Sales 5 "General Sales Tax Information for Out-of-State Businesses"](#)
- [Sales 62 "Guideline for Determining When to Collect State-Collected Local Sales Tax"](#)
- [Sales 80 " Telephone and Telecommunications"](#)
- [Form DRP 1002 "Sales/Use Tax Rates"](#)
- [Form DR 0173 "Retailer's Use Tax Return"](#)

FYIs and commonly used forms are available on the Web at www.revenue.state.co.us or www.taxcolorado.com



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Zero Sales Tax Doesn't Mean "No Filing Required"

When filing a Colorado Combined State Sales Tax return ([Form DR 0100](#)) you are required to properly fill-out each line and column applicable to your account.

If you do not have any sales tax to file for the specified time period on your return you must still file that return timely and indicated zero's (\$0) in each line that applies to your sales tax account. This also

applies to taxpayers filing the [Form DR 0173](#) "Retailer's Use Tax Return."

Failure to file a return even if no tax is due can result in a non-filer notice sent by the Colorado Department of Revenue.



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New House Bill Affects Certified Database Users

Effective May 17, 2004, [House Bill 1237](#) provides that Colorado vendors who rely upon a certified database to source its sales for the purpose of sales tax collection be held harmless or non-liaible from any tax penalty or interest as a result of errors from relying on that specific database.

To be a certified database, certain criteria must be met including an accuracy rate of 95 percent or higher in correctly sourcing addresses for sales tax purposes.

Although the Department of Revenue does not certify databases, the department will at a later date issue rules for database procedures in order for certified database companies to meet department criteria and standards. These databases will be certified by independent third parties.

The Department of Revenue will publish a list of certified databases on its Web site as soon as they become available.

For more information see [House Bill 1237](#) on the Colorado State Home Page under "Legislative Information" at: <http://www.colorado.gov/>



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Other Tax Information

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Department Approval Required for All Self-Created Forms

The Colorado Department of Revenue requires that all forms that are self-created or recreated for filing be pre-approved by the department before they can be properly processed. A self-created form is a form developed by the department but that is recreated usually on a computer printer, by an individual for filing with the department. The most common forms that are self-created by taxpayers or tax professionals are sales and wage withholding returns and the 104 Individual Income Tax return.

While any form can be self-created by individuals, self-creating forms can cause delays in the processing of the forms if recreated improperly. Self-created forms that do not meet all of the department's varying specifications will be returned delaying the form's normal processing.

If someone is filing on a self-created form, department standards and all specifications including the size or dimensions of the form must be met or it will be returned with notations specifying what is incorrect about the form and how it should be changed. Additionally forms must always be typed -- never send in a handwritten form. In some instances, taxpayers who send incorrect sales tax forms that are not approved may also forfeit that period's service or vendor's fee.

Recreated tax forms by professional software companies must be pre-approved by the department. Once a self-created form has gone through the general review process and has been approved by the department it will continue to be accepted for normal processing. However, the department does not encourage the practice of self-created forms apart from using special tax software or tax professionals with pre-approved forms.

For those who do not have the specialized software to recreate a form, it is suggested that forms be downloaded from our Web site at www.taxcolorado.com



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New Legislation Allows Tobacco Credit For Some

Effective August 4, 2004, wholesalers or distributors of cigarettes and tobacco products will be eligible for a bad debt deduction against their gross sales. This credit is a result of new legislation under House Bill 1071 "Concerning A Credit For Tobacco Taxes that are Bad Debts."

The credit is designed to offset taxes paid. However, the credit cannot be taken by wholesalers or distributors of tobacco unless the bad debt has been charged off or declared as uncollectible under IRC Section 166 on the books of the wholesaler or distributor. If the wholesaler or distributor of the cigarette or tobacco product receives the credit but later receives payment for the bad debt, then that wholesaler or

distributor is liable to remit the amount received from the bad debt in the next payment to the department offsetting the credit amount paid.

For more detailed information concerning House Bill 1071 regarding the bad debt credit visit the state home page legislative section at <http://www.colorado.gov/> under "[Legislative Information](#)"



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Tax Classes

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Wage Withholding Classes Held Monthly

The Colorado Department of Revenue Taxpayer Service Division in conjunction with the Internal Revenue Service is now offering monthly wage withholding classes for new and existing employers. Both a state and IRS representative will be available at the class to provide information and material. The withholding class once offered only on a quarterly basis will now be offered monthly to provide employers with information regarding withholding requirements, how to file, withholding regulations, forms instructions, labor requirements and unemployment insurance issues. The class and materials provided are free of charge. To find out more about the wage withholding classes, visit the State of Colorado Department of Revenue's Web site at www.taxcolorado.com and click under "Tax Classes."



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Free Sales Tax Class Held Regularly

The Colorado Department of Revenue Taxpayer Service Division offers sales tax classes for new and existing businesses. The sales tax class offered weekly provides business owners with information regarding sales tax licenses, trade names, sales tax collection and filing, electronic services and distinguishing sales tax from use tax. The classes and provided training materials are free of charge. To find out more about the sales tax class and monthly wage withholding classes for employers, visit the

State of Colorado Department of Revenue's Web site at www.taxcolorado.com and click under "Tax Classes" for other class and seminar topics, schedules and information.



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Training Web Page Provide Tax Class and Seminar Topics and Schedules

The Colorado Department of Revenue offers a variety of weekly, monthly and seasonal tax classes and seminars. To find out more about what classes and seminars are offered visit the Web site at www.taxseminars.state.co.us or visit the Web at www.taxcolorado.com and click on the "Tax Classes" link.



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Web Site Updates

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Online Tax Index In High Demand

The Colorado Department of Revenue's online "Tax Information Index" became available to taxpayers in January 2004 and has proven to be a useful one-stop tax information avenue with more than 7,000 users within the first two months of being launched. Since January the index has expanded from just income tax and electronic filing to also include wage withholding and estate tax topics.

This comprehensive site will continue to expand eventually including severance, excise, cigarette/tobacco and hundreds of sales and use tax topics. The index is also updated regularly as specific topics are added and revised to keep taxpayers informed with the most current information.

In this index users will find direct links to publications, FYIs, answers to many questions, forms, and links to Colorado Revised Statutes and regulations that relate directly to the topic they want in one easy search.

Visit the "Tax Information Index" on the Department of Revenue's Web site at www.taxcolorado.com



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Revenue Tax Web Site Enhancements Continue

The Department of Revenue continues to make improvements to its widely used Web site as an avenue to make navigating and finding information within the site easier and quicker for users.

As part of the recent redesign of the site improvements have been made to the various pages dedicated to locating tax forms. These pages have been improved so users have less difficulty finding and identifying the form they need in less time. Visit the department's various tax forms pages within the "Colorado Taxes" portion of the Web site at www.taxcolorado.com



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Sales Tax Information Site Provides Easier Navigation and New Feature

The Department of Revenue's business tax application Web page has been upgraded for easier navigation. By adding additional links to the site it will be quicker for users to go to the pages to find the sales tax information they're wanting. Additionally, the site's new feature includes the retailer's sales tax rates screen that now lists the service fee applicable to the various taxes a retailer must collect and report.

This business tax web application for sales tax provides users the ability to find city, county and special district sales tax rates; determine whether a Colorado sales tax license or sales tax exemption certification is valid; and find state, local and special district sales tax sales tax and service fee rates that apply to individual sales tax accounts and locations.

Visit the sales tax information site for local tax rates, sales tax license verification, and retailer's sales tax rates at: <https://www.taxview.state.co.us/>



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