

Colorado Department of Revenue



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

December 2004

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Refund Check Forgeries -- What To Do If It Happens To You

It is not common for taxpayers who are expecting a refund to discover someone has forged their name and cashed their income tax refund check, but it does occasionally occur.

There are several steps a taxpayer can take to help avoid this kind of problem.

- When filing your return use the correct address of where the refund should be sent on the form.
- Keep track of when you filed your return and keep copies of the filed documentation. How long it takes to receive a refund is contingent upon when you file. If the time seems longer than usual contact the department at (303) 238-3278 to check on the refund status. You may also check the refund status online at www.taxcolorado.com under "[My Income Tax Account](#)."
- Use the department's Direct Deposit system. By directly depositing your refund check into your bank account you will avoid any chance of someone forging your name. See Form [104 Individual Income Tax Forms and Instructions Booklet](#) for more information on how to use Direct Deposit.

What if your refund check has been forged and cashed?

If you discover that your refund check has been cashed as a result of a forgery there are several things you should do.

- Contact the Department of Revenue. You may either call the department at (303) 205-8211 extension 6845 or send in a letter inquiring about the refund stating that you have never received it or believe it may have been cashed because of a forgery. A copy of the check will be obtained and sent to you so that the signature can be verified. Sometimes taxpayers forget they received the check and cashed it themselves. The signature verification will most likely determine if that is what occurred.
- If it is a verified forgery you will need to fill out a Bank One Forgery Affidavit (for checks issued in 2003 or later) or file a "Forgery Affidavit" Form DR 6795 (for warrants issued in 2002 or earlier). Whichever affidavit form applies, they will not be sent to you until you have verified that the signature is in fact a forgery.
- You are not required to send in another copy of your income tax return. Once you receive the forgery affidavit you must have it notarized and signed. Five copies of the notarized affidavits (Form 6795) are required, only one copy of the Bank One affidavit is necessary. This information

along a copy of your driver's license and a copy of the check is sent to the Department of Revenue.

- Include in your correspondence to the department a current address and telephone number should a replacement refund check be issued.

Once the Department has received the necessary and confirmed information from you, all of the documentation is submitted to the Treasury Department. From there the information goes directly to the bank where the check was cashed. The bank will investigate the claim and determine whether a check is to be reissued. The bank will contact the Treasury who will then contact the Department of Revenue.

When the findings are complete the Department of Revenue will send a letter as to whether a reissued check has been approved or denied. The letter will state either the reason(s) for denial or will indicate that the check has been reissued and when and where it can be obtained. Normally, the check is not sent through the mail again, however, in some instances, reissued checks can be mailed with proper address verification. The check must be picked up at the Department of Revenue. Taxpayers picking up a reissued check must bring valid identification such as drivers license or state issued identification card.



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Correcting Withholding Payment Errors W-2s and W-2Cs

Excess withholding paid in error

If a withholding return with an erroneous excess payment is sent to the department, the taxpayer should reduce the amount of future payments during the calendar year to offset the error. The taxpayer should complete the back of [Form 1094](#) "Income Withholding Tax Return" explaining the correction. The actual amount of the adjustment must be entered on line 2 of Form DR 1094.

If the error is discovered by the taxpayer during the following calendar year, the correction procedure is the same except the amount is entered on line 3 of Form DR 1094.

If the amount of the error is larger than the future payments to be made during the calendar year, a claim for refund can be filed to claim the difference using [Form DR 0137 "Claim For Refund."](#)

Employees

If the corrected error was reported to an employee as excess tax withheld on a pay stub, or if the amount was withheld from an employee in error and refunded to the employee, then a supplemental schedule or letter must be attached to the DR 1094 stating:

- what the error is,

- the period in which the error occurred,
- the amount of each error,
- the date the error was discovered, and
- attach an employee affidavit consenting to the refund or credit for the employer and affirmation that the employee will not claim a refund or credit of such for personal income tax purposes.

W2 errors

If the excess withholding is reported on a W2 form and the error is discovered after the due date of the W2 transmittal form, the error cannot be corrected by either the taxpayer or the department. Therefore the excess payment cannot be refunded or credited. In this case, the employee must claim the credit on the Colorado income tax return for that specific year. Reconciliation between the amount withheld from the employee and the amount credited on the W2 form must be handled between the employer and employee.

Paying less than the amount due

If a withholding return is submitted that underreports the amount due, the balance of the tax plus penalty and interest can be paid with future returns filed during the calendar year. Complete the back of Form [DR 1094 "Withholding Tax Return,"](#) explaining the correction and enter the additional amount due on line 7 of Form DR 1094.

If the error is discovered in a future calendar year, the taxpayer must prepare a supplemental return, Form DR 1094, that reports the erroneous period, the amount of additional tax due, and any applicable penalty and interest and submit the return with a payment.

W2 errors

If the reduced withholding is reported on a W2 form and the error is discovered after the due date of the W2 transmittal form, the error cannot be corrected and the additional payment cannot be submitted to the department on a withholding form. The employee can only claim the credit reported on the W2 form on their Colorado income tax return for that year. Reconciliation between the amount withheld from the employee and the amount credited on the W2 form must be handled between the employer and employee.

Correcting W2s

Informational errors

If a W2 is issued with an informational error such as an incorrect social security number or account number, the Department of Revenue will accept a W2C to correct the error. Submit the corrected W2C forms with a cover letter to 1375 Sherman St., Room 634, Denver CO 80261.

Withholding errors

If a W2 is issued with an error in the amount of Colorado tax withheld, a corrected W2C can be submitted on or before the due date (February 28) of the original W2 submittal Form [DR 1093](#)

"Transmittal of State W-2s and 1099s." The Department of Revenue will not honor any W2C filed after that due date.

If a W2C can no longer be filed and the W2 indicates that an excess amount was withheld and paid to the state of Colorado, the employer must pay the difference and include penalty and interest with a supplemental Form 1094 for the period the excess amount was withheld.

If a W2C can no longer be filed and the W2 indicates that less was withheld for Colorado than was actually withheld and paid to the state, the employer must claim a credit or refund for the difference and refund the balance to the employee.



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PTC Installment Plan for 2005

The Colorado Property Tax/Rent/Heat rebates are now issued in equal installments to qualified applicants rather than a one lump sum payment.

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

Below is the installment plan for 2005 rebates:

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

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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New Property Tax Rent/Heat or Fuel Assistance Regulation Takes Effect

On September 2, 2004 a public hearing was held at the Colorado Department of Revenue in regard to the new regulation [39-31-101](#) (New Article 31) "Property Tax, Rent, Heat or Fuel Assistance for the Elderly and Disabled."

The new regulation, which became effective November 1, 2004, address topics that include:

- Location of Residence
- Filing Status
- Gross Income
- Rent Expenses
- Unmarried Persons Living Together
- Hearings and Appeals
- Statute of Limitations
- Interception of Rebates
- Interest and Timing of Payments

You may view and print this new regulation by visiting the "Regulations" Web page at www.taxcolorado.com under "[Publications and Resources](#)" and "[Final Regulations](#)"



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Tax Surplus Possible in 2005

For income tax filing year 2004 there will be no tax surplus funds available because there were no excess funds available during calendar year 2004. However, it is anticipated that there may be a tax surplus available in 2005 which would allow the excess funds to be returned to qualified taxpayers when filing their 2005 income tax return.

At this time there is no final determination as to the exact dollar amount of surplus funds for the 2005 tax year filed in calendar year 2006. If there is a tax surplus it would most likely be distributed among filers who qualify for the Colorado Earned Income Credit and the state sales tax refund on the 2005 Colorado State income return.

Look for more information regarding the possible surplus in a future edition of *Tax Update*.



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FSEF and NetFile Offer New Feature for Surviving Spouse

Both the Federal State Electronic Filing (FSEF) program and the Department of Revenue's NetFile system now allows a surviving spouse to file a joint return electronically.

In previous years, when a married couple planned to file jointly but one spouse died during the year, these electronic filing options did not provide the opportunity for a surviving spouse to file a joint return on behalf of the deceased spouse for that specific filing year.

Keep in mind that only FSEF and NetFile allow for a surviving spouse to file a joint return on behalf of the deceased spouse. The department's TeleFile system *does not* offer this option.

FSEF is available through your tax professional or certain software that a taxpayer may purchase. NetFile is a Department of Revenue filing program found on the Web at www.taxcolorado.com

For more information on electronic filing see the [104 Individual Income Tax Booklet](#) also found on the Web at www.taxcolorado.com under "Forms."



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New Voluntary Contributions Added to Tax Form

Two new voluntary contributions (checkoffs) have been added to the 2004 Colorado 104 Individual Income Tax form.

Additions to the checkoff program are the "Colorado State Fair Authority Cash Fund" and the "Organ & Tissue Donation Awareness Fund."

- The Colorado State Fair promotes and supports Colorado agriculture and youth and education programs in conjunction with other Colorado organizations such as Farmers of America and the 4-H.
- The Organ & Tissue Donation Awareness Fund supports donor awareness education and outreach programs regarding organ and tissue transplants.

Other 2004 checkoffs include:

- Nongame and Endangered Wildlife Fund
- Pet Overpopulation Fund
- Domestic Abuse Program Fund
- Colorado Watershed Protection Fund
- Court Appointed Special Advocates (CASA) Fund
- Special Olympics Colorado Fund
- Western Colorado State Veterans Cemetery Fund
- Homeless Prevention Fund
- Family Resource Centers Fund

The only voluntary contribution that was removed from the form this year is the Olympic Committee Fund.

If a voluntary contribution is removed from the form it is because it either did not meet the minimum \$150,000 total amount needed to qualify for checkoff status for the year or it had met its three-year expiration date set forth by state law. However, an organization may be granted an additional three-years before being removed from the form if it continues to meet or exceed the \$150,000 threshold. New checkoffs are generally granted two years before they are required to meet the \$150,000 threshold.

If taxpayers are expecting a refund, they may donate all or part of their refund to one or more of these organizations when filing their return in the designated "Voluntary Contribution" portion of the [104 Form](#).



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2D Barcode Begins Its Second Season

Many [Form 104](#) individual income tax returns will once again have a two dimensional (2D) barcode printed at the top of the form. A collaborative effort that began with last year's 2003 filing season between the Department of Revenue, tax preparers, and software developers, the 2D barcode is designed to improve the processing of a paper return. Last year more than 110,000 returns containing 2D barcodes were filed.

Information entered on the form including name, address, amount lines, 104 CR (Individual Credit Schedule), 104 PN (Part-Year Resident/Non Resident Tax Calculation Schedule) W2 and 1099 information is incorporated in the barcode on computer generated tax returns. This barcode looks like a pattern of dots in a rectangle printed above the name and address fields. When the department receives

the return, the 2D barcode is scanned, automatically capturing all the taxpayer's data without any manual data entry.

Because 2D barcoding will speed the processing of the return while reducing data entry errors, taxpayers should receive their income tax refunds faster with the added benefit of improving department efficiency.

The 2D barcode feature is only available through a few tax professionals using software that is designed to create a barcode and has been tested by the Colorado Department of Revenue. Companies offering 2D barcode generation for tax year 2004 include CCH, Creative Solutions, Drake, H&R Block, and Petz Enterprises. You should contact your software provider to determine their plans regarding the use of 2D barcode capable software.

Avoiding common 2D barcoding mistakes

It is very important that those using 2D barcode software be aware of common but avoidable mistakes. Last year the department did experience problems with 2D because of errors such as:

- Information was handwritten on many returns. The 2D barcode only contains the information that is part of the computer-generated form. If a preparer or taxpayer added or changed fields on the return after the form was printed, this data was not included in the 2D barcode.
- If a name, address, social security number or any of the amount fields was changed, the 2D barcode could not be scanned and the return had to be manually data entered. This delayed the Department's processing and the taxpayer's refund.
- Direct Deposit information was frequently handwritten on 2D barcoded returns. This meant the direct deposit information was not included in the barcode, and therefore the taxpayer received a paper check rather than an electronic refund. If a taxpayer wants to receive their refund by direct deposit on a 2D barcoded return, the depository account information must be entered *before* the return is printed.
- Preparers and taxpayers also made changes to the second page of the 104 return, but only reprinted that page. Since the 2D barcode is located on the first page, the entire form must be reprinted to reflect any changes. Otherwise, the 2D barcode will not match the data shown on the second page of the form.
- The Department received a large percentage of 2D barcoded returns where the taxpayer owed money, but either did not send a check with their return, or sent a check for a different amount than was owed. Therefore, we are requiring preparers to print a payment voucher with all 2D barcoded returns calculating an amount due. We are asking all 2D barcode preparers to instruct taxpayers to include the Form [DR 0900](#), Individual Income Tax Payment Voucher, with their payment, whether or not the payment accompanies the tax return. This will help the Department

to correctly apply all payments to taxpayers' accounts.



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2005 Income Tax Interest and Penalty Rates

The 2005 income tax interest rates for 2005 are the same as in 2004.

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 2005 income tax filing is 7 percent and a 4 percent discounted rate. The 4 percent discounted rate applies when a payment is sent with the return or within 30 days of the first billing notice sent by the Department of Revenue.

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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Individual Income Tax Form Undergoes Few Changes

The 2004 [104](#) Individual Income Tax Form consists of only minor changes this year. Taxpayers will find that the only significant changes to the form include:

- Removal of the Olympic Committee Voluntary Contribution (Checkoff)
- Addition of the "Colorado State Fair Authority Cash Fund" Voluntary Contribution (Line 41)
- Addition of the "Organ and Tissue Donation Awareness Fund" Voluntary Contribution (Line 42)
Also see 104 booklets' "Checkoff Colorado" page to find out more about other voluntary contributions.
- Addition of the Federal Adjusted Gross Income Line (Line 24)
- Taxpayers will find that the 2004 Income Tax Booklet also contains updated information concerning Colorado e-file options, E-Services for Businesses that includes online "sales tax account history," "sales tax zero filing" and the "sales tax information system" information.



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Direct Deposit Saves Time and Offers Security

The Colorado Department of Revenue continues to offer taxpayers the use of Direct Deposit as a method of receiving their state income tax refund. Last filing season more than 566,000 refunds were deposited electronically representing approximately 38.59 percent of all individual income tax refunds.

Direct Deposit is a fast and secure alternative to receiving a refund check in the mail since the check will go directly to the taxpayer's designated bank account. 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*. 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 rather than directly depositing the refund.

Any of the above problems or mistakes can cause a delay in receiving a refund so be sure the information such as routing and account number are 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



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Best Process for Sending A Check With Your Return

Taxpayers who send in a check with their Colorado income tax return are asked to refrain from stapling the check to the front or any other part of the return. While W2 forms are still required to be stapled in the designated place on the return, the Department of Revenue requests filers sending in a check to place the payment on top of the first page of the return. The procedure is especially important with corporation and partnership documents since often these returns are filed with numerous attachments.

The department continues to experience problems with checks being stapled within documentation sent making the payment difficult to locate. This is a particular problem with the full-page voucher checks that resemble forms.

If an individual or corporation determines it is absolutely necessary to staple the check to the form it must be stapled to the first page of the return and nowhere else if other documents are attached.

Allowing the check to be easily spotted will reduce the chances of a payment being inadvertently overlooked and slowing down the processing of a return and payment possibly resulting in a bill being issued.



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Sales Tax:

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- [Pikes Peak Rural Transportation Authority Effective January 1, 2005](#)
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- [Sales Tax Account History Online](#)
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2005 Sales and Wage Withholding Interest Rates

Effective January 1, 2005, the interest rate for late filing of sales tax returns will be **4** percent annually. The rate preprinted on the sales tax and related returns will be **.0066** percent per month or **8** percent annually. This rate includes **4** percent interest, plus **4** percent penalty interest.

The rate printed on wage withholding returns is **.0033** percent per month or **4** percent per year.

If no payment or agreement to pay is made for either sales or wage withholding tax within 30 days from the actual return due date, the interest will increase to **7** percent.

State statutes provide that the interest rate for each year will be the prime rate, as reported by the Wall Street Journal, plus **3** percentage points rounded to the nearest full percent. The prime rate reported in **July 1, 2004** was **4.25** percent.



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Pikes Peak Rural Transportation Authority Effective January 1, 2005

On November 2, 2004 voters in El Paso County approved the creation of the Pikes Peak Rural Transportation Authority (PPRTA) to provide roadway capital improvements, additional highway maintenance, and increased transit services. The cost of these improvements and services will be funded by a new PPRTA 1% sales and use tax beginning January 1, 2005. The new tax includes the cities of Colorado Springs, Manitou Springs, and the Town of Green Mountain Falls and unincorporated areas of El Paso County. It does **not** include the towns of Calhan, Fountain, Monument and Palmer Lake.

The PPRTA sales and use taxes will be administered by the State of Colorado Department of Revenue. The sales tax will be reported on the State of Colorado Retail Sales Tax Return ([DR 0100](#)) in the Special District column. Sales tax coupon books you receive from the State of Colorado for your 2005 reporting should have the PPRTA tax column preprinted on the returns.

PPRTA use tax is reported on the State of Colorado Consumer Use Tax Return ([DR 0252](#)).

If you are located in El Paso County where the new tax applies you must begin collecting the additional

one percent as of January 1, 2005.



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January 2005 Local Tax Changes

| The state collected RTD Tax change is: (increased .4%) | <u>Tax Rate</u> | <u>Exempt*</u> | <u>Use Tax</u> | <u>Service Fee</u> |
|---|------------------------|-----------------------|-----------------------|---------------------------|
| | 1.0% | A-C-D-E-F | 1.0% | 3 1/3% |

| <u>State Collected</u> | <u>Tax Rate</u> | <u>Exempt*</u> | <u>Use Tax</u> | <u>Service Fee</u> |
|---|------------------------|-----------------------|-----------------------|---------------------------|
| Boulder County (increase of .1%) | .65% | A-B-C | .65% | None |
| Evans (increase sales/use of .5%) | 3.5% | None | 3.5% | 3.33% |
| Gypsum (increase sales of 1%) | 4% | C | 3% - Z | 3.33% |
| Jackson County (increased of 1%) | 4% | None | None | 3 1/3% |
| Las Animas County (eliminate sales/ use) | 0.0% | -- | 0.0% | -- |
| Steamboat Springs (new tax - Local Market Tax) | 2% | -- | -- | -- |
| Walsh (new tax/ vendor fee) | 3% | A-B-C-D-E-F-G | None | 3 1/3% |
| Pikes Peak RTA (new tax for Colo. Spgs; Green Mtn. Falls; Manitou Spgs; & unincorporated El Paso County) | 1.0% | A-B-C-D-E-F-G-H | 1.0% | No |

ROARING FORK

RTA:

| | | | | |
|---|-----|-----------------|-----|------|
| Basalt (increase .2%) | .4% | A-B-C-D-E-F-G-H | .4% | None |
| Carbondale (increase .2%) | .7% | A-B-C-D-E-F-G-H | .7% | None |
| Glenwood Springs (increase .2%) | .6% | A-B-C-D-E-F-G-H | .6% | None |
| New Castle (new tax) | .4% | A-B-C-D-E-F-G-H | .6% | None |

| <u>Self-Collected</u> | <u>Tax Rate</u> | <u>Service Fee</u> | <u>License Fee</u> |
|--|-----------------|--------------------|--------------------|
| Canon City (increase service fee) | 2.0% | 3 1/3% | \$10 |
| Greeley (increase tax .16%) | 3.46% | 0.0% | \$0.00 |
| Littleton (eliminate tax on "A" -- food for home consumption) | 0.0% | 2 1/2% | \$00.00 |
| Wheat Ridge (tax increase of 1%) | 3.0% | 0.0% | \$20.00 |
| Windsor (self-collect) | 3.2% | 2 1/3% | \$10.00 |

- *A = Food for home consumption
- *B = Machinery and machine tools (as defined on form DR 1191)
- *C = Gas, electricity, etc., for residential use
- *D = Occasional sales by charitable organizations
- *E = Farm equipment
- *F = Pesticides
- *G = Food sold through vending machines
- *H = Low-emitting vehicles
- *W = Contact the city directly
- *Y = Motor vehicles
- *Z = Building materials
- 6 = Cap at a certain amount



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A new resource for retailers was made available December 1st and can be accessed on the Colorado Taxes page of the Department of Revenue's Web site under "Online Services." [Sales Tax Account History](#) is a secure Internet-based service that provides retailers with the Department of Revenue's sales tax filings on record for their business.

The information available through this service goes back to the December 2002 filings. Retailers can obtain reports for:

- Each type of state-collected sales tax (state, county, etc.)
- Multiple reporting periods
- Branch locations

To receive account history information you must obtain a pin number generated by the Department of Revenue. To obtain a PIN number enter into the "[Sales Tax Account History](#)" site and type the requested information. You will receive an email with a PIN number within a few minutes after you have entered and emailed the requested information to the Department.



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2005 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 2005 are:

| MONTH | DATE |
|-----------|------|
| January | 12 |
| February | 10 |
| March | 10 |
| April | 12 |
| May | 11 |
| June | 10 |
| July | 13 |
| August | 10 |
| September | 13 |

| | |
|----------|----|
| October | 13 |
| November | 10 |
| 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 Sandi Robben (303) 205-8211 extension 6862.



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Sales Tax System Made Easy For Zero Filers

Sales tax filers are reminded that January 20, 2005 is the due date for all sales tax returns to be filed with the Colorado Department of Revenue. Returns due are for quarterly, monthly, annual and seasonal filers.

For those who have no sales tax or "zero" tax to file, the Colorado Department of Revenue has both an online and telephone service aimed at sales tax filers who file a sales tax return when no tax is due.

The "[Sales Tax Zero Filing System](#)" is designed for zero sales tax filers to safely and easily file a Colorado Sales Tax Return ([Form DR 0100](#)) for state and state-collected local sales tax if they have zero net sales (Line 3) and no tax is due for that specific filing period. Sales tax filers should keep in mind that even if their business had no net sales and no sales tax is due they must still file a timely return indicating "zero" tax due on their state sales tax return. The zero filing system allows most businesses to file online or by telephone.

Filing Online:

Who can use this service?

- Retailers who have only one business location and
- File monthly, quarterly, annually or seasonally and
- Have net sales of zero and no payment due

What information does a qualifying business need to use this service?

- Their Colorado sales tax account number
- Gross sales and service amount for the filing period (line 1 of form DR 0100)

- Sales to other licensed dealers amount (line 2a)
- Other deductions amount (line 2b)

Other information businesses should know about the Sales Tax Zero Filing System:

- Users must have Netscape 4.0 or higher or Internet Explorer 3.02 9 or higher to use this online application
- There are no fees or registration requirements to use this system, however, businesses must have a valid Colorado sales tax account number -- if an account is closed the system will not work for that specific business.
- If a business owes tax they must file by paper return.
- Account numbers must be 7 or 11 digits. If the business account is closed or the proper number of digits was not entered the user will receive an error message indicating "No account with that number was found."
- The system is available for qualified users 24-hours a day for filing any current filing period or prior period going back to the previous two years.
- If no tax is due, a business should not file a paper return in addition to filing online as long as the online submission is confirmed.
- If a business enters incorrect information, online prompts will stop the completion of the return and return the user to the screen where the information was entered.
- If a mistake on the return was made and submitted the business must then file a paper "amended" sales tax return. Businesses cannot go back into the system to correct a return that was successfully submitted and confirmed. Only original returns can be filed online, amended returns cannot. Businesses must file "amended" returns by paper.
- The online system will not allow businesses to print a copy of the return. Attach a copy of the confirmation email to the return or coupon for the period filed and keep it as a record.
- If a business files zero sales tax using this system they will still continue to receive their paper returns or coupons.
- If a business successfully completed the online filing of a sales tax return they will receive an email confirmation stating the return was submitted. If no confirmation is received the return was not submitted successfully and a business must file online again for that return or file a paper return.
- Once the "confirm" button is clicked, the information becomes part of the electronic file that is transmitted the next business day to the Department of Revenue. The zero return should post to the account within five (5) business days.

To file a zero return on line visit the Web site address at: www.taxview.state.co.us/zero

Filing by Telephone:

Zero sales tax filers may also file by telephone. Excluding the online information, the basic requirements listed above apply for telephone filing as well. The system will give a confirmation number for returns

submitted successfully. To file a zero return by telephone call: (303) 205-8290.



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Other Tax Information:

- [New Department Section Includes Fuel Tax and IFTA](#)
- [Updated Income Tax FYI Publications Available for 2004 Filing Season](#)
- [Correct Zip Code Makes Big Difference for Taxpayers and Department](#)
- [Online Income Tax Index in Process of Updates for 2004](#)
- [2004 Legislative Digest](#) (includes taxes, gaming, lottery, liquor/tobacco enforcement, motor vehicle and more).



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New Department Section Includes Fuel Tax and IFTA

In July 2004 the Fuel Tax Section formerly part of the Motor Carrier Services Division became part of the Taxpayer Service Division's newest unit -- the Special Tax Accounting Section.

As part of the Special Tax Accounting Section, which also includes Cigarette, Tobacco and Liquor taxes, the Fuel Tax Unit continues to move forward with a steady stream of services that include the collection and administration of fuel tax; licensing of gasoline and special fuel distributors; oversight of the exempt fuel tax refund program; issuance of LPG/NG fuel tax decals as well as administering the Colorado Fuel Tracking System (COFTS).

As of October 2004, the Fuel Tax Unit also includes the International Fuel Tax Agreement (IFTA) program. The IFTA program is the base state reporting of fuel use taxes and provides the exchange of information within 58 jurisdictions that include 8 Canadian Provinces as well as with Colorado based carriers who operate within those jurisdictions.

Overseen by a 5 member staff, the Fuel and IFTA programs handle hundreds of fuel distributor accounts, approximately 4,500 fuel tax refund accounts, and 1,500 LPG Decal accounts.

Additionally, the group issues more than 25,000 annual IFTA decals, maintains 2,700 IFTA accounts and processes hundreds of initial IFTA applications.

The Passenger Mile Tax Program that includes maintaining all Colorado Passenger Tax Mile accounts is also a part of the service that is provided by the Fuel and IFTA group.

For more information regarding the Fuel Tax and IFTA programs visit the Web at www.taxcolorado.com or for specific fuel tax or IFTA questions call (303) 205-8205. You can also obtain IFTA credentials using the Colorado Vehicle Electronic Credentialing System (CVEC). A link for CVEC can be found on the Web as a link under "Online Services" at www.taxcolorado.com or at <http://cvec.state.co.us>

Fuel and IFTA correspondence may be directed to the:
Colorado Department of Revenue
Special Tax Accounting Section
1375 Sherman St., Room 200
Denver, CO 80261



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Updated Income Tax FYI Publications Available for 2004 Filing Season

More than 50 "[For Your Information](#)" (FYI) income tax publications have been revised and are now available online to provide you with updated tax information that may pertain to your 2004 income tax filing.

These and other FYIs are available on the Web at www.taxcolorado.com under "[FYI Tax Publications](#)." Below is a listing of the revised FYIs and their revision dates. **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.**

Visit the department's Web site regularly for updated FYIs covering sales, withholding, income, excise, and general tax information at www.taxcolorado.com

Updated FYIs available addressing specific income tax topics include the following:

- [FYI General 4](#) (09/04) "Severance Tax Information For Owners of Any Interest in any Oil and Gas Produced in Colorado"
- [FYI General 5](#) (10/04) "General Information About Colorado State Taxes"
- [FYI General 6](#) (09/94) "General Information About Colorado Enterprise Zones"
- [FYI General 7](#) (11/04) "Property Tax Rebates/Deferrals for Elderly & Disabled"
- [FYI Income 1](#) (09/04) "Historic Property Preservation Credit"
- [FYI Income 2](#) (10/04) "Year-End 1099 Income Statements"
- [FYI Income 3](#) (11/04) "State Income Tax Deduction Addback for High Income Taxpayers"
- [FYI Income 4](#) (11/04) "State Income Tax Deduction Addback"
- [FYI Income 5](#) (09/04) "Real Estate Transactions Involving Non-Colorado Residents"
- [FYI Income 6](#) (10/04) "Part-Year and Nonresidents"
- [FYI Income 7](#) (09/04) "Investment Credits for Child Care, Family Care Homes . . ."
- [FYI Income 9](#) (10/04) "Alternative Fuel Income Tax Credits -- Subject to revision again in December)
- [FYI Income 11](#) (11/04) " Investment Tax Credit" *formerly titled* "Enterprise Zone Investment Tax Credit"
- [FYI Income 12](#) (10/04) "State Income Tax Refund Subtraction"
- [FYI Income 13](#) (10/04) "Resident Married to a Nonresident/Part-Year Resident Filing Jointly"
- [FYI Income 14](#) (10/04) "Alternative Minimum Tax"
- [FYI Income 15](#) (11/04) "Colorado Source Capital Gain Subtraction"
- [FYI Income 16](#) (10/04) "PERA or DPS Retirement Benefit Subtraction"
- [FYI Income 17](#) (10/04) "Credit For Income Paid To Another States"
- [FYI Income 18](#) (09/04) "Pension Subtraction for Married Couples Receiving Social Security"
- [FYI Income 19](#) (10/04) "Net Operating Losses"
- [FYI Income 20](#) (09/04) "United States Government Interest"
- [FYI Income 21](#) (09/04) "Military Servicepersons"
- [FYI Income 23](#) (09/04) "Credit Contributions to Enterprise Zone Administrators, Programs . . ."
- [FYI Income 24](#) (12/04) "Vacant Commercial Building Rehabilitation Credit for Enterprise Zones"
- [FYI Income 25](#) (09/04) "Pension/Annuity Subtraction"
- [FYI Income 26](#) (10/04) "Filing on Unearned Income for a Minor Child"
- [FYI Income 27](#) (11/04) "Earned Income Credit"
- [FYI Income 28](#) (09/04) "Resident/Nonresident Aliens & Residents Living Abroad"
- [FYI Income 29](#) (09/04) "Medical Savings Accounts"
- [FYI Income 30](#) (09/04) "Catastrophic Health Insurance"
- [FYI Income 31](#) (09/04) "Enterprise Zone Qualified Job Training Program Investment Credit"
- [FYI Income 32](#) (09/04) "School-to-Career Investment Credit"
- [FYI Income 33](#) (11/04) "Child Care/Child Tax Credit"

- [FYI Income 34](#) (09/04) "Colorado Works Program Credit"
- [FYI Income 35](#) (09/04) "Child Care Contribution Credit"
- [FYI Income 36](#) (09/04) "Rural Technology Enterprise Zone Credit"
- [FYI Income 37](#) (09/04) "Long Term Care Insurance Credit"
- [FYI Income 38](#) (09/04) "Marriage Penalty Subtraction"
- [FYI Income 39](#) (12/04) "Gross Conservation Easement Credit"
- [FYI Income 40](#) (11/04) "Interest, Dividend and Capital Gain Subtraction"
- [FYI Income 41](#) (11/04) "Health Care Professional Credit"
- [FYI Income 42](#) (09/04) "Contaminated Land Redevelopment Credit"
- [FYI Income 43](#) (11/04) "Health Benefit Plan Credit"
- [FYI Income 44](#) (09/04) "State Tuition Program Subtractions"
- [FYI Income 45](#) (11/04) "Individual Development Account Contribution Credit"
- [FYI Income 46](#) (09/04) "Low-Income Housing Income Tax Credit"
- [FYI Income 47](#) (11/04) "High Technology Scholarship Contribution Credit"
- [FYI Income 48](#) (11/04) "Charitable Contributions Subtraction"
- [FYI Income 49](#) (11/04) "Agricultural Value-Added Cash Fund Credits"
- [FYI Income 50](#) (11/04) "Foster Care Credit"
- [FYI Income 51](#) (10/04) "Estimated Income Tax"
- [FYI Income 53](#) (11/04) "Colorado Institute of Technology Contribution Credit"
- [FYI Income 54](#) (10/04) "Nonresident Partners/Shareholders of Partnerships & S Corporations"
- [FYI Income 55](#) (09/04) "Weather Related Livestock Sales Income Tax Credit"
- [FYI Income 56](#) (09/04) "Plastic Recycling Investment Tax Credit"
- [FYI Income 57](#) (09/04) "Crop and Livestock Contribution Credit"

Again, be sure to check this site regularly to see what new or revised FYIs are available.



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Correct Zip Code Makes Big Difference for Taxpayers and Department

Each year the Colorado Department of Revenue receives more than 4 million pieces of mail. Because of the influx of mail, the department uses a specific Zip Plus (+) four zip code system for each of type of tax it processes.

The Department of Revenue's main zip code is 80261, however properly using the department's zip + four (9-digit) zip codes can reduce the amount of time it takes to process refunds, applications, returns and payments. It is also very important when using a Department of Revenue envelope that the proper

form and/or payment be used. For example, never send a sales tax application, payment or return in an envelope designated for income tax. This can cause serious delays in processing since each zip + four code is designated for delivery to a specific section within the department.

Below is a list of the 80261 Colorado Department of Revenue Zip Code with the plus four-digits. Taxpayers are encouraged to print and save this list for future mailings to the Department. Also included are the plus four-digits for Motor Vehicle correspondence and driver's license renewal by mail.

| <u>9 Digit Zip Code</u> | <u>Type of Mail</u> |
|-------------------------|---|
| 80261-0003 | Fuel Distributors and Cigarette Tax |
| 80261-0004 | Delinquent Payments |
| 80261-0005 | Individual Income Tax, Property Tax Rent/Heat or Fuel Rebate Applications, Amended Income Tax, and Real Estate Conveyance Returns |
| 80261-0006 | Corporate, Partnership, Fiduciary Income Tax Returns |
| 80261-0007 | Severance Tax |
| 80261-0008 | Income Tax Coupons (includes: estimated, extension and electronic filer payments) |
| 80261-0009 | Wage Withholding, Annual Withholding Reconciliation, and various business tax coupons |
| 80261-0013 | Sales, Use, Local Marketing, County Lodging Taxes |
| 80261-0016 | Motor Vehicle |
| 80261-0017 | Driver's License Renew-by-Mail Applications |



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Online Income Tax Index in Process of Updates for 2004

The [Tax Information Income Tax Index](#) is currently in the process of being updated for the 2004 income tax filing season. The index is a one-stop program that links directly to forms, publications, FYIs, commonly asked questions, Colorado Revised Statutes and regulations regarding a variety specific tax topics. Eventually the index will also include sales, excise and cigarette and tobacco tax categories.

Income tax index updates should be completed in December and January. However, users are encouraged to check the site regularly since updating information is a continual process



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Cigarette/Tobacco Tax

- [Cigarette and Tobacco Products Tax Increases January 1, 2005](#)
- [2005 Cigarette Tax Electronic Funds Transfer Due Dates](#)
- [Tobacco Tax Regulations](#) -- **newest tobacco regulations:**
 - [Regulation 39-28-305.1 Applicability](#)
 - [Regulation 39-28-305.2 Deadlines](#)
 - [Regulation 39-28-306.1 \(Decertification\)](#)



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Cigarette and Tobacco Products Tax Increases January 1, 2005

Effective January 1, 2005, the tax on cigarettes will increase to \$0.042 per cigarette sold in Colorado or \$0.84 per twenty (20) count pack and \$1.05 per twenty five (25) count pack. Sales of tobacco products will also be taxed at the new rate of forty percent (40%) of the manufacturer's list price as invoiced. The increases come as a result of Colorado's Amendment 35, which passed during the November 2004 election

Cigarette tax stamps will be changed to reflect the new tax rate effective January 1, 2005. The color of the new stamps has not yet been determined. The new stamps will be available in mid-December 2004.

Any cigarette tax stamps purchased in December 2004 that reflect the old tax rate that have not been affixed to packages of cigarettes can be returned to the Department for a refund by filing a Form [DR 0137 "Claim for Refund."](#) The Department may limit the number of stamps purchased at the \$.20 or \$.25 rate.

Under Colorado law, a sale is not deemed to have occurred until title to the product passes from the seller (wholesaler/distributor) to the purchaser (retailer). Title usually passes at the time of delivery to the purchaser (retailer). Therefore, wholesalers who have cigarettes stamped with the \$.20 and \$.25 stamps that are not delivered as of December 31, 2004 will be presumed subject to the new tax rate.

However, the wholesaler will not be required to re-stamp such cigarette packages with the new stamp. The additional tax due on any unsold, stamped cigarette packages must be reported on the Colorado Cigarette Tax Return, due January 10, 2005.

Because the cigarette and tobacco product tax is levied at the time the wholesaler sells to the retailer, the retailer does not owe any additional tax for purchases from a wholesaler or distributor prior to January 1, 2005, even though the retailer may not sell the cigarettes or tobacco products to a consumer until after December 31, 2004.

The Department of Revenue anticipates contacting wholesalers and distributors to arrange site visits in late December 2004 or early January 2005 to assist with any questions and review inventories to ensure the new tax rate is properly implemented.

As a voter approved amendment to the Colorado constitution, the amendment specifies that the new tax revenue be used for health care services, tobacco education and cessation programs; require the state's legislature to maintain the funding of existing health-related programs and to use the new tax revenue to expand these programs; exclude the new tax revenue from state revenue and spending limits and local government revenue limits; and allow the legislature, by two-thirds vote, to declare a state fiscal emergency and to use all new tax revenue only for health-related purposes for up to one budget year at a time.

For additional information visit the department's Web site at www.taxcolorado.com or call (303) 205-8211 extension 6860.

Click here to go to the [Cigarette/Tobacco Web Site Forms and Information](#) Page



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2005 Cigarette Tax Electronic Funds Transfer Due Dates

The Colorado Department of Revenue's Electronic Funds Transfer (EFT) program, allows cigarette taxes collected by the state for local governments to automatically be deposited into specific accounts. 2005 due dates for cigarette tax EFT transmissions are:

| MONTH | DATE |
|----------|------|
| January | 11 |
| February | 8 |

| | |
|-----------|----|
| March | 8 |
| April | 8 |
| May | 9 |
| June | 8 |
| July | 11 |
| August | 9 |
| September | 12 |
| October | 12 |
| November | 8 |
| December | 9 |

To receive monthly cigarette tax distribution through EFT, you must complete Form DR 1011, "Authorization Agreement For Automatic Deposits (ACH credits)."

Send the completed form to:
Colorado Department of Revenue
Business Tax Accounting Section
1375 Sherman St., Room 208
Attention: Donna Reyman
Denver, CO 80261-0003



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