

## **Income Tax - Colorado Source Capital Gain Subtraction**

*What is the Colorado source capital gain subtraction?*

Qualified Colorado taxpayers may subtract certain net capital gain income earned from Colorado sources to the extent the gains are included in their federal taxable income.

Under the general rule, this subtraction is available to taxpayers who have net capital gains that meet the following qualifications:

- Colorado sources — gains must be earned from the sale of either:
- real or tangible personal property located in Colorado at the time of sale, or
- stocks or ownership interest in a Colorado company, limited liability company, or partnership,
- Acquisition date — taxpayer must have acquired the asset on or after May 9, 1994,
- Holding period — taxpayer must have owned the capital asset for at least five uninterrupted years prior to the sale,
- Included in the taxpayer's federal taxable income reported on taxpayer's Colorado income tax return.

In years where there is sufficient surplus in the Colorado budget (such as 2001), additional assets will also qualify for this subtraction if they were acquired before May 9, 1994 or if they were owned for at least one year.