## Non-Colorado State/Local Bond Interest -- General Information

Do I add state or local bond interest into my taxable income on my Colorado income tax return?

State and local municipal bond interest is exempt from federal tax and therefore is not included in federal taxable income reported on line 1 of the Colorado income tax return. However, this income is taxable in Colorado if it is from sources outside of Colorado or from certain older Colorado municipal bonds. This interest must be added to taxable income on the Colorado return in the "Additions to Federal Taxable Income" section of Form 104.

Interest from bonds issued by the state of Colorado or any of its political subdivisions on or after May 1, 1980 is exempt from Colorado tax. This income is not taxable in Colorado and not added back to income. For a partial listing of the exempt Colorado bonds, see FYI Income 52.

The net amount of state and municipal bond interest to be added to taxable income is the gross amount of the interest reduced by any bond premium amortization applicable to that income and any expenses required to be allocated to that income by the Internal Revenue Code.