

What is the marriage penalty subtraction?

For income tax years beginning on or after January 1, 2000 but prior to January 1, 2003, two individuals who file a joint income tax return receive, at a minimum, double the benefit of the basic federal standard deduction for a single taxpayer. [§39-22-104, C.R.S.]

For income tax years beginning on or after January 1, 2003, the Colorado marriage penalty subtraction is no longer available on the income tax return, Form 104. The federal standard deduction for a joint return was increased in 2003 to twice the amount of the standard deduction for a single return. This change eliminated the federal marriage penalty on the basic standard deduction and the need for the Colorado marriage penalty subtraction.

COMPUTATION OF THE SUBTRACTION AMOUNT

There are two situations where the penalty can be subtracted from Colorado taxable income:

1. A joint return where the federal standard deduction was claimed. [§39-22-104 (4) (j), C.R.S.]

If two individuals file a joint return and claim the basic standard deduction, they will be allowed to subtract from taxable income the difference between:

- the basic federal joint standard deduction, and
- double the amount of the basic federal single standard deduction.

Example 1: Jim and Nancy file their 2002 income tax return claiming a federal standard deduction of \$7,850. If they had been allowed to claim double the amount of the single standard deduction, they could have deducted \$9,400 (\$4,700 X 2). They will be allowed a subtraction on their Colorado income tax return of \$1,550.

Example 2: Homer and Marge are both over 65 and claim a standard deduction of \$9,650 (\$7,850 + \$900 + \$900) on their 2002 joint federal income tax return. If they had been allowed to claim double the amount of the single standard deduction they could have deducted \$11,200 (\$4,700 + \$4,700 + \$900 + \$900). They will be allowed a subtraction on their Colorado income tax return of \$1,550 (\$11,200 - \$9,650), the same as they would have been allowed had they been under age 65.

2. A joint return in which the deductions are itemized on the federal return, but the total itemized deductions claimed are less than double the amount of the single standard deduction. [§39-22-104 (4) (k), C.R.S.]

If two individuals file a joint return and claim itemized deductions that are:

- more than the basic joint standard deduction, but
 - less than double the basic single standard deduction,
- they will be allowed to subtract from taxable income the difference between the itemized deductions they claimed and double the amount of the basic federal single standard deduction.

In the case of taxpayers 65 or older and/or blind that claim the additional standard deduction, the marriage penalty subtraction will be available if their itemized deductions are:

- more than the total federal standard deduction they could have claimed, but
- less than the total of double the amount of the basic standard deduction for a single return plus the additional standard deduction.

Example 3: Jack and Jill file their 2002 income tax return claiming itemized deductions of \$8,500. They will be allowed a subtraction on their Colorado income tax return of \$900 ($\$9,400 - \$8,500$).

Example 4: Jim and Doris are both over 65 and claim itemized deductions on their 2002 joint federal income tax return of \$10,500. If they had been allowed to claim double the amount of the single standard deduction plus the additional standard deduction they could have deducted \$11,200 ($\$9,400 + \$900 + \900). They will be allowed a subtraction on their Colorado income tax return of \$700 ($\$11,200 - \$10,500$).