

# State and Federal Return Comparison

## Frequently Asked Questions

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### **Who is subject to the state income tax deduction add-back?**

Individuals who itemize deductions, state and local taxes, on their federal income tax returns.

### **Why doesn't the Department of Revenue's 1099G include the amount of your state sales tax refund credit?**

Because sales tax paid is not income.

### **Who is a Colorado residence?**

A person who has made a home in Colorado, or a person whose intention is to be a Colorado resident.

### **Must an individual residing in Colorado part of the year file a state income tax return?**

Yes.

### **If my spouse was a nonresident of Colorado and I was a resident of Colorado can we file married filing separate state returns?**

Married couples who file a joint federal income tax return must file a joint Colorado income tax return even if one spouse is a full-year Colorado resident and the other is not. Check the part-year resident/nonresident box on Form 104 and apportion the tax on the 104PN schedule; see FYI income 13.

### **When do you know if you owe Colorado alternative minimum tax (AMT)?**

If you owe federal AMT, you may owe Colorado AMT; see FYI Income14,"Alternative Minimum Tax."

### **Why is the amount of pension benefits on which federal income tax is owed different from the amount on which state income tax is owed?**

Before July 1, 1984, employee contributions to Public Employees Retirement Association (PERA) and the Denver Public Schools (DPS) pensions plans were subject to both state and federal income tax. From July 1, 1984 through December 31, 1986, employee contributions to PERA were tax-deferred for federal income tax purposes but not for Colorado income tax purposes. From Jan. 1, 1986 through Dec. 31, 1986, employee contributions to the DPS pension plan were treated in the same manner. Employees' contributions to both plans after Dec. 31, 1986, are tax-deferred for both state and federal income tax purposes.

### **Is there any relief for Colorado residents who are required to file and pay income tax in two or more states?**

Yes. See FYI Income17,"Colorado Tax Credit for Income Tax Paid to Another Tax."

### **Does Colorado have a separate Net Operating Loss (NOL) computation than the IRS?**

For taxable years beginning on or after Jan. 1, 1997, there is no separate computation of Colorado NOL. The federal NOL deduction will be allowed for Colorado income tax purposes.

For part-year residents and nonresidents, the federal NOL will be allowed to the extent it arose from Colorado sources or to the extent apportionable to the resident portion of the year.

For tax years beginning prior to Jan. 1, 1987, the federal and state NOL computation were separate. See FYI Income 19,"Colorado Net Operating Losses".

**How many years can Colorado NOL of individuals, estates and trusts could be carried back or forward?**

Prior to January 1, 1987: Three years back and 15 years forward.

On January 1, 1984 but prior to January 1, 1987: 15 years forward but could not carry back the NOL.

**Why does the Fair Share Section at times disallow some credits which were previously accepted when the original return was filed?**

The adjustment depends on the credit claimed. For example, when a credit is claimed for tax paid to another state, the other state income tax return filed must be attached to the Form 104CR. If supporting documentation is not attached to the original return, the credit is denied.