

# COLORADO PARTNERSHIP OR S CORPORATION RETURN OF INCOME

## AND COMPOSITE NONRESIDENT INCOME TAX RETURN

# 2003

- First complete the federal return of income, Form 1065 or Form 1120S. You will need information from that form to complete your Colorado return.
- Return is due three and one-half months after the close of the tax year. **MAIL TO: Colorado Department of Revenue, Denver, Colorado 80261-0006.**

### CONTENTS:

Return of Income, Form 106  
Credit Schedule, Form 106-CR  
Nonresident Filing Agreement, Form 107  
Withholding Form 108  
Instructions



## 2003 COLORADO NONRESIDENT PARTNER OR SHAREHOLDER AGREEMENT

Taxable Year of Partnership or S Corporation: BEGINNING _____, 20 ____, ENDING _____, 20 ____		
Taxable Year of Partner or Shareholder: BEGINNING _____, 20 ____, ENDING _____, 20 ____		
NONRESIDENT PARTNER OR SHAREHOLDER'S NAME AND ADDRESS		PARTNERSHIP OR CORPORATION'S NAME AND ADDRESS
Name		Name
Street or Mailing Address		Street or Mailing Address
City, State, ZIP		City, State, ZIP
Social Security or Colorado Account Number		Colorado Account Number      Federal Number (FEIN)
<p>I agree to file Colorado income tax returns and make timely payment of all taxes imposed by the State of Colorado with respect to my share of the Colorado income of the partnership or corporation named above. I also agree to be subject to personal jurisdiction in the State of Colorado for purposes of the collection of unpaid income tax together with related penalties and interest.</p>		
Taxpayer's or authorized agent's signature		Date
<p>This agreement is valid until revoked in writing by the nonresident partner or shareholder.  <b>Attach this agreement to Colorado Form 106.</b></p>		

***Forms DR 0107 and DR 0108 are to be used with respect to nonresident partners or shareholders of an S corporation. See instructions for completing Form 106 for additional information. Photocopy additional copies of these forms as needed.***

(18) DR 0108 2003  
 COLORADO DEPARTMENT OF REVENUE  
 DENVER CO 80261-0008  
 www.taxcolorado.com

## STATEMENT OF COLORADO TAX REMITTANCE 70 FOR NONRESIDENT PARTNER OR SHAREHOLDER

**SUBMIT A SEPARATE CHECK FOR EACH DOCUMENT**

NONRESIDENT PARTNER'S OR SHAREHOLDER'S NAME (LAST NAME, FIRST NAME, M.I.)		SOCIAL SECURITY OR COLORADO I.D. NO.
ADDRESS		
CITY, STATE, ZIP		
1. Colorado source income for nonresident partner or shareholder \$ _____	.00	2. Colorado tax remitted, 4.63% of amount on line 1. (08) \$ _____
		.00
PARTNERSHIP OR CORPORATION'S NAME		COLORADO I.D. NUMBER
ADDRESS		FEDERAL EMPLOYER I.D. NUMBER
CITY, STATE, ZIP		TAX YEAR ENDING

DO NOT WRITE BELOW THIS LINE

## INSTRUCTIONS FOR COMPLETING FORM 106

### WHO MUST FILE FORM 106

Any partnership, joint venture, common trust fund, limited association, pool or working agreement, limited liability company or any other combination of persons or interests which is required to file a federal partnership return of income must file a Colorado Form 106 if any of the partnership income is from Colorado sources.

An S corporation must file Form 106 for any year it is doing business in Colorado. Doing business in a state is defined as having income arising from the activity of one or more employees located in the state; or arising from the fact that real or personal property is located in the state for business purposes. A corporation will be deemed to be doing business in Colorado if it is engaged in any activities in Colorado which are beyond the protection afforded by Public Law 86-272.

An S corporation is a corporation for which a valid election is in effect under section 1363(a) of the Internal Revenue Code. If a corporation is an S corporation for federal income tax purposes it is an S corporation for Colorado income tax purposes. S corporations are not subject to Colorado income tax.

A change or correction on your return must be reported on a corrected Form 106. Write "Amended Return" in large red letters across the top of the corrected Form 106. Include prior payments on line 14 of the corrected form.

When used in this instruction booklet or on the partnership forms, the term partnership includes limited liability companies filing as partnerships for federal income tax purposes, and the term partner includes members of such limited liability companies.

### DUE DATES FOR FILING RETURN

The return is due to be filed three and one-half months after the close of the tax year plus an automatic six-month extension. See the extension payment instructions below for further information.

### DECLARATION OF ESTIMATED TAX

Every individual included in a composite nonresident income tax return must pay estimated income tax if their portion of the tax

liability is expected to exceed \$1,000 plus estimated credits. Submit payments with estimated tax Form 106EP.

### COMPLETING FORM 106

Enter on line 1 the ordinary income or (loss) from line 1 of federal schedule K.

Enter on line 2, the total of all other income listed on federal schedule K. For partnerships, this would be the total of the amounts entered on lines 2, 3c, 4a, 4b, 4c, 4d(2), 4e(2), 4f, 5, 6b, and 7 of federal schedule K. For S corporations, this would be the total of the amounts entered on lines 2, 3c, 4a, 4b(2), 4c, 4d(2), 4e(2), 4f, 5(b), and 6 of federal schedule K.

Enter on line 3, the Colorado modifications that increase federal income. Enter on line 3 any interest income (net of premium amortization) from state or municipal obligations subject to tax by Colorado. Do not include interest from obligations issued by the State of Colorado or a subdivision thereof.

Enter on line 5, the allowable deductions from federal schedule K. For partnerships, this would be the total of lines 9, 10, 11, and 18b of federal schedule K; and for S corporations, this would be the total of lines 8, 9, 10, and 16b of federal schedule K.

Charitable contributions (line 8, schedule K, Form 1065, or line 7, schedule K, Form 1120S) and investment interest expense (line 14a, schedule K, Form 1065, or line 11a, schedule K, Form 1120-S) may be included on line 5 of Form 106, but only if a composite return is being filed for the nonresident partners or shareholders; and the tax on the composite return is 4.63% of the Colorado source income of the partnership or S corporation as computed on Form 106. Do not include any charitable deductions for the donation of a conservation easement that qualified for the gross conservation easement credit.

Enter on line 6, to the extent included in federal income on line 4, any interest income earned on obligations of the United States government and any interest income earned on obligations of any authority, commission, or instrumentality of the United States to the extent such obligations are exempt from state tax under federal law.

### ADDITIONAL INFORMATION AVAILABLE

All forms, FYIs and other information are available at: [www.taxcolorado.com](http://www.taxcolorado.com) or you can call for information at (303) 238-SERV(7378).

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## INSTRUCTIONS FOR EXTENSION PAYMENT VOUCHER FOR COMPOSITE FILING

Colorado income tax returns are due to be filed three and one-half months after the close of the tax year.

An automatic six-month extension of time for filing the Colorado composite income tax return is allowed for all taxpayers. However, an extension of time to file is not an extension of time to pay the tax. If at least 90% of the net tax liability (line 13, Form 106) is not paid by the original due date of the return, penalty and interest will be assessed. If 90% or more of the net tax liability is paid by the original

due date of the return and the balance of the tax is paid when the return is filed by the last day of the extension period, only interest will be assessed.

Form DR 158-N is to be used to make whatever payment must be made by the original due date of the return to meet the 90% requirement.

If after the original due date of the return it is found that the amount that has been paid is insufficient to meet the 90% requirement, additional payment should be submitted as soon as possible to reduce further accumulation of penalty and interest. Make such payment on form DR 158-N.

A federal extension of time for filing will not be accepted for Colorado purposes.

### DO NOT SUBMIT FORM DR 158-N WITHOUT A PAYMENT.

Submit form DR 158-N with payment to: Colorado Department of Revenue  
Denver, CO 80261-0008

The modification for foreign source income of an export taxpayer may be claimed on line 6. If a partnership qualifies as an export taxpayer, it may exclude for Colorado income tax purposes any income or gain which constitutes foreign source income for federal income tax purposes. For purposes of this modification, an "export taxpayer" means any partnership which sells fifty percent of its products which are produced in Colorado in states other than Colorado or in foreign countries, or if the gross receipts of such partnership are derived from the performance of services, such services are performed in Colorado by a partner or employee of the partnership and fifty percent or more of such services provided by the partnership are sold or provided to persons outside of Colorado.

Enter on line 6, to the extent included in federal taxable income, the excludible Colorado capital gain income for property acquired on or after May 9, 1994 and held for five or more years. See FYI Income 15 for information on what capital gains qualify for this subtraction.

Neither the C corporation foreign income exclusion or the partnership export taxpayer foreign source income modification may be claimed by an S corporation or passed through to its shareholders.

Colorado modifications and credits from Form 106CR, if any, are to be distributed to the shareholders on their stock ownership percentage. Advise each Colorado resident partner or shareholder of his share of the partnership or corporation modifications and credits. Advise each resident shareholder of his share of any income tax paid to other states by the corporation so they can compute the credit for tax paid other states.

Enter the Colorado source income on line 9. If part of the income is not Colorado source income, see the instructions for determining Colorado source income. The Colorado income tax statute provides that in determining the source of a nonresident partner's income, no effect shall be given to a provision in the partnership agreement which characterizes payments to the partner as being for services or for the use of capital. Thus payments to partners, whether salaries or interest, shall be construed to be from Colorado sources and taxable by Colorado in the same ratio as is the ordinary income of the partnership.

The partnership will not normally determine income from Colorado sources for any corporate partner as the corporation will include partnership income as part of the total income subject to the corporation allocation and apportionment provisions.

### NONRESIDENT PARTNERS/SHAREHOLDERS

A partnership or an S corporation is required to ensure that its nonresident partners and shareholders file a Colorado income tax return to report their share of Colorado source income earned by the pass through entity. This is accomplished in one of three ways:

- File a composite return on behalf of the nonresident members. The tax due on the composite filing shall be 4.63% of the Colorado-source income of the partners or shareholders included in the composite return. (This represents a reduction from the 5% tax rate in effect in 1998 and the 4.75% tax rate in effect in 1999.)
- Provide a completed Form 0107 for each nonresident partner/shareholder establishing that he/she will file a Colorado income tax return, or
- Withhold 4.63% of each nonresident partner/shareholder's Colorado source income and submit the payment with Form 0108.

Refer to FYI Income 54 for additional information on composite filing, the agreement to file Form 0107, and the withholding Form 0108.

In the case of a composite return, if 90% of the tax is not paid by the due date, you must add a delinquent payment penalty on line 15. The penalty is 5% of the additional tax due for the first month of delinquency and 1/2% for each additional month up to a maximum of 12%. Interest, Line 16, is due on any balance of tax due from the due date at the rate of 4% (7% if we bill you and you do not pay within 30 days). The estimated tax penalty is computed for each partner or shareholder on Form 204. This penalty applies only when the tax due for an individual included in the composite filing is more than \$1,000. If this penalty is due, attach Form 204 for each individual who owes the penalty and enter the total penalty on line 17. Enter the balance due, including any penalty or interest due from lines 15, 16 and 17, on line 18.

▼ RETURN ONLY THE LOWER PORTION OF THIS FORM WITH YOUR PAYMENT ▼



(29) **PAYMENT VOUCHER FOR EXTENSION OF TIME FOR FILING A COLORADO COMPOSITE NONRESIDENT INCOME TAX RETURN**

Form DR 158-N  
www.taxcolorado.com

**70**

For tax period beginning \_\_\_\_\_, ending \_\_\_\_\_.

Name	Colorado Account Number
Address	Federal Employer Identification Number
City, State, ZIP	

**IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM.**

Amount of Payment

DO NOT WRITE IN SPACE BELOW

(08)

Amount of Payment:  . 00

# INSTRUCTIONS FOR DETERMINING COLORADO SOURCE INCOME

## PARTNERSHIPS

Partnerships must elect on behalf of their nonresident partners whether to determine Colorado-source income by use of Section 39-22-109, CRS, relating to Colorado-source income of non-resident individuals; by use of section 39-22-303, CRS relating to the Colorado Income Tax Act corporation two-factor apportionment formula; (part IV, Form 106) or by use of the Multistate Tax Compact UDITPA three-factor apportionment formula (part V, Form 106). A new election may be made each tax year but it may not be changed after the due date or the filing date of the partnership return, whichever is later.

Section 39-22-109, CRS provides that income is considered derived from sources within Colorado when such income is attributable to:

1. The ownership of any interest in real or tangible personal property in Colorado;
2. A business, trade, profession, or occupation carried on in Colorado;
3. The distributive share of partnership income, gain, loss, and deduction determined under section 39-22-203 C.R.S.;
4. The share of estate or trust income, gain, loss, and deduction determined under section 39-22-404 C.R.S.;
5. Income from intangible personal property, including annuities, dividends, interest, and gains from the disposition of intangible personal property to the extent that such income is from property employed in a business, trade, profession, or occupation carried on in Colorado. A nonresident, other than a dealer holding property primarily for sale to customers in the ordinary course of his trade or business, shall not be deemed to carry on a business, trade, profession, or occupation in Colorado solely by reason of the purchase and sale of property for his own account.
6. The share of S corporation income, gain, loss, credit, and deduction allocable or apportionable to Colorado.

If Colorado source income is determined under the provisions of 39-22-109, CRS, attach a schedule to Form 106 explaining how Colorado source income was determined. Modifications may be sourced to Colorado only to the extent that the income to which they relate is sourced to Colorado.

## S CORPORATIONS

S corporations must determine Colorado source income by either the Colorado Income Tax two-factor formula (part IV, Form 106) or the Multistate Tax Compact three factor formula (part V, Form 106) unless written permission from the Department of Revenue has been received to use some other method. The S Corporation return must include QSub information if the QSub is included for federal purposes.

## INSTRUCTIONS FOR APPORTIONING INCOME UNDER THE COLORADO INCOME TAX ACT (PART IV, PAGE 3, FORM 106.)

Under the Colorado income tax act, all income is to be apportioned by the application of the average of a property factor and a revenue factor. No income is directly allocated to its source.

The revenue factor is a fraction, the numerator of which is the gross receipts assignable to Colorado and the denominator of

which is the entire gross receipts of the organization from all sources during the tax period.

Gross receipts assignable to Colorado means:

- (a) Sales, where the goods, merchandise, or property is delivered or shipped to a purchaser within Colorado, regardless of the f.o.b. point, other condition of sale, or the taxability of the organization in the state or foreign country in which the goods are shipped or delivered.
- (b) Revenue from services rendered in Colorado.
- (c) Rents and royalties from real and tangible personal property located in Colorado exclusive of the sub-rentals used to compute the property factor.
- (d) Gross proceeds from the sale of real and tangible personal property located in Colorado other than those sales included in (a) above,
- (e) Gain from the sale of intangible personal property if the organization's commercial domicile is in Colorado. Note-the gross receipts regarding the sale of intangible assets is the gain from the sale and not the selling price.
- (f) Interest and dividend income to the extent included in total modified federal taxable income if the organization's domicile is in Colorado, and
- (g) Patent and copyright royalties if, and to the extent that, the patent or copyright is utilized by the payer in Colorado. A patent is utilized in a state to the extent that a patented product is produced in the state. If the basis of the receipts from the patent royalties cannot be reasonably assigned to states or if the accounting procedures do not reflect the states of utilization, the patent is utilized in the state in which the organization's commercial domicile is located. A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties cannot reasonably be assigned to states or if the accounting procedures do not reflect the state of utilization, the copyright is utilized in the state in which the organizations commercial domicile is located.

Commercial domicile means the principal place from which the trade or business of the organization is directed or managed.

The property factor is a fraction, the numerator of which is the average value of the organization's real and tangible personal property, whether owned or rented, in Colorado during the tax period and the denominator of which is the average value of all the organization's real and tangible personal property, whether owned or rented, during the tax period.

Property owned by the organization may be valued at its original cost or at its adjusted basis for federal income tax purposes, but written permission must be secured from the Department of Revenue to change from one method to the other. Real property rented by the organization is valued at eight times the net annual rental rate. Tangible personal property rented by the organization is valued at three times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the organization less any annual rental rate received by the organization from sub-rentals.



# INSTRUCTIONS FOR ALLOCATING AND APPORTIONING INCOME UNDER THE MULTISTATE TAX COMPACT (PART V, PAGE 4, FORM 106)

The three-factor apportionment schedule is provided for the apportionment of partnership or S corporation income under the provisions of the Multistate Tax Compact. Colorado has officially adopted the Multistate Tax Compact regulations.

A non-Colorado corporation or partnership will be deemed to be doing business in Colorado if it has income arising from the activity of one or more of its employees located in this state; or arising from the fact that real or tangible personal property is located in this state for business purposes; or both. The nonresident partners or shareholders will be subject to tax by Colorado if the partnership or S corporation engages in any activities in Colorado which are beyond the protection afforded by Public Law 86-272. The provisions of the multistate compact do not apply to financial organizations or public utilities except that if an organization has income from business activity as a public utility but derives the greater percentage of its income from activities subject to apportionment under the compact, it may elect to allocate and apportion the entire net income under the provisions of the compact.

The Multistate Tax Compact divides all corporate income into two parts; business income and nonbusiness income. Business income is defined as income arising from transactions and activities in the regular course of the organization's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the organization's regular trade or business operations. Nonbusiness income is defined as all income other than business income.

The following items of income, to the extent they constitute non-business income, are to be directly allocated:

1. Net rents and royalties from real property located in this state shall be allocated to this state. Net rents and royalties from tangible personal property are allocable to this state if and to the extent that the property is utilized in this state, or in their entirety if the organization's commercial domicile is in this state and the organization is not organized under the laws of or taxable in the state in which the property is utilized.

Commercial domicile means the principal place from which the trade or business of the organization is directed or managed.

The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the organization, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

2. Capital gains and losses from sales of real property located in this state are allocable to this state.

Capital gains and losses from sales of tangible personal property are allocable to this state if the property had a situs in this state at the time of the sale, or the organization's commercial domicile is in this state and the organization is not taxable in the state in which the property had a situs.

Capital gains and losses from sales of intangible personal property are allocable to this state if the organization's commercial domicile is in this state.

Colorado capital gains reported on line 6 of Form 106 are subtracted from income before apportionment and should not be entered on lines 7(b) or 10(b) of Part V.

3. Interest and dividends are allocable to this state if the organization's commercial domicile is in this state.

4. Patent and copyright royalties are allocable to this state if and to the extent that the patent or copyright is utilized by the payer in this state, or if and to the extent that the patent or copyright is utilized by

the payer in a state in which the organization is not taxable and the organization's commercial domicile is in this state.

A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the organization's commercial domicile is located.

A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the organization's commercial domicile is located.

**BUSINESS INCOME.** All business income shall be apportioned to this state by use of a three factor formula: a property factor, a payroll factor and a sales factor.

The **property factor** is a fraction, the numerator of which is the average value of the organization's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the organization's real and tangible personal property owned or rented and used during the tax period.

Property owned by the organization is valued at its original cost. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the director of revenue may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the organizations' property.

Rental property is to be valued at eight times the rent paid for the property during the tax period minus any rents received for sub-rental of the same property.

The **payroll factor** is a fraction, the numerator of which is the total amount paid in this state during the tax period by the organization for compensation and the denominator of which is the total compensation paid everywhere during the tax period.

Compensation means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

Compensation is paid in this state if: the individual's service is performed entirely within this state; the individual's service is performed both within and without this state, but the service performed without this state is incidental to the individual's service within this state; or some of the service is performed in this state and (1) the base of operations, or, if there is no base of operations, the place from which the service is directed or controlled, is in this state, or (2) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

The **sales factor** is a fraction, the numerator of which is the total sales of the organization in this state during the tax period, and the denominator of which is the total sales of the organization everywhere during the tax period.

"Sales" means all gross receipts of the organization that are not directly allocated.

Sales of tangible personal property are in this state if: the property is delivered or shipped to a purchaser (other than the United States Government) within this state regardless of the f.o.b. point or other conditions of the sale; or the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and (1) the purchaser is the United States Government or (2) the organization is not taxable in the state of the purchaser.

Sales, other than sales of tangible personal property, are in this state if: the income-producing activity is performed in this state; or the income producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

(43) **2003 FORM 106**  
**COLORADO STATE PARTNERSHIP OR**  
**S CORPORATION RETURN OF INCOME**  
**AND COMPOSITE NONRESIDENT**  
**INCOME TAX RETURN**

For calendar year 2003 \_\_\_\_\_, 2003, ending \_\_\_\_\_, 200 \_\_\_\_\_.

Name of Organization	Colorado Account Number
Doing Business As	•
Address	Federal Employer I.D. Number
City, State, ZIP	•

A This return is being filed for (check one):  PARTNERSHIP  S CORPORATION

B Check this box if a composite nonresident return is included .....

C Give beginning depreciable assets from federal return • \$ \_\_\_\_\_

D Give ending depreciable assets from federal return • \$ \_\_\_\_\_

E Business or profession \_\_\_\_\_

F Date of organization or incorporation \_\_\_\_\_

G Is this a final return? •  YES;  NO

H Has the I.R.S. made any adjustments to your federal return or have you filed amended federal returns during the last four years?  YES;  NO Explain if yes.

I Number of partners or shareholders as of year end \_\_\_\_\_

**PART I: COMPUTATION OF COLORADO INCOME** ROUND ALL AMOUNTS TO THE NEAREST DOLLAR

1 Ordinary income from line 1 federal Schedule K .....	1		.00
2 Total of all other income from federal Schedule K .....	2		.00
3 Modifications increasing federal income .....	3		.00
4 Total of lines 1, 2 and 3 .....	4		.00
5 Allowable deductions from federal Schedule K .....	5		.00
6 Modifications decreasing federal income .....	6		.00
7 Total of lines 5 and 6 .....	7		.00
8 Line 4 minus line 7 .....	● 8		.00
9 Colorado source income from (check one): <input type="checkbox"/> Part IV; <input type="checkbox"/> Part V; <input type="checkbox"/> Other (attach explanation); or <input type="checkbox"/> Income is all Colorado income .....	● 9		.00

**PART II: COMPOSITE NONRESIDENT INCOME TAX RETURN - DO NOT COMPLETE LINES 10 THROUGH 21 UNLESS YOU ARE FILING A COMPOSITE NONRESIDENT RETURN -**

10 Colorado source income of nonresident partners or shareholders electing to be included in this composite filing .....	● 10		.00
11 Tax; 4.63% of the amount on line 10 .....	■ 11		.00
12 106 CR credits allocated to these partners/shareholders .....	● 12		.00
13 Net tax, line 11 minus line 12 .....	13		.00
14 Prepayment credits .....	● 14		.00
15 Penalty, also include on line 18 if applicable .....	● 15		.00
16 Interest, also include on line 18 if applicable .....	● 16		.00
17 Estimated tax penalty, also include on line 18 if applicable .....	● 17		.00
18 If amount on line 13 exceeds amount on line 14, enter amount owed .....	● 18		.00
19 Overpayment, line 14 minus line 13 .....	19		.00
20 Overpayment to be credited to estimated tax .....	● 20		.00
21 Overpayment to be refunded .....	● 21		.00

*I declare this return to be true, correct and complete under penalty of perjury in the second degree. Declaration of preparer is based on all information of which preparer has any knowledge.*

(Signature of partner or signature and title of officer)	(Date)	(Name & telephone number of person or firm preparing return)	(Date)
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**Mail this return to the Colorado Department of Revenue, Denver CO 80261-0006**

**Do not attach federal K-1 schedules.**

**PART III: IDENTIFICATION OF PARTNERS OR SHAREHOLDERS**

This Part III must be completed including information on all partners or shareholders, or a computer printout in the same format must be attached to the return. Do not attach federal K-1 schedules.

<p><b>NAMES AND ADDRESSES OF PARTNERS OR SHAREHOLDERS</b></p>	<p><b>Social Security Number or Colorado Account Number</b></p>	<p><b>Profit/Loss or Stock Ownership Percentage</b></p>	<p><b>Check if included in composite filing</b></p>
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	
<p>_____ _____ _____</p>	<p>_____</p>	<p>_____ %</p>	

**If there are more than sixteen partners or shareholders,  
photocopy and attach additional copies of this page as needed.**



**PART IV: APPORTIONMENT OF INCOME UNDER THE COLORADO INCOME TAX  
TWO-FACTOR FORMULA**

1 Colorado Income from line 8, Part I, Page 1, Form 106. .... 1

**INCOME APPORTIONED TO COLORADO BY USE OF THE REVENUE FACTOR:**

DO NOT INCLUDE INCOME MODIFIED OUT ON  
LINE 6, PART I, PAGE 1, FORM 106.

	Colorado	Total
2 Gross sales of goods, merchandise and property .....		
3 Gross revenue from services .....		
4 Gross rents and royalties from real and tangible personal property .....		
5 Gross sales of real and tangible personal property .....		
6 Gain from the sale of intangible personal property .....		
7 Taxable interest and dividend income .....		
8 Patent and copyright royalties .....		
9 Total revenue .....		

10 Percentage line 9  
(Colorado) to line 9 (Total) \_\_\_\_\_ % times 1/2 line 1, \$ \_\_\_\_\_ equals. .... 10

**INCOME APPORTIONED TO COLORADO BY USE OF THE PROPERTY FACTOR:**

	Colorado		Total	
	Beginning	Ending	Beginning	Ending
11 Inventories .....				
12 Land .....				
13 Buildings and Equipment .....				
14 Other property, explain .....				
15 Total, lines 11 through 14 .....				

16 Average beginning and ending. 16		..... 16	
17 Leased real property .....		..... 17	
18 Leased tangible personal property .....		..... 18	
19 Total lines 16, 17 and 18 ...		..... 19	

20 Percentage line 19  
(Colorado) to line 19 (Total) \_\_\_\_\_ % times 1/2 line 1, \$ \_\_\_\_\_ equals. .... 20

21 Colorado Source Income, total of lines 10 and 20.  
Enter here and on line 9, Part I, Page 1, Form 106 ..... 21

**PART V: ALLOCATION AND APPORTIONMENT OF INCOME UNDER THE MULTISTATE TAX COMPACT THREE-FACTOR FORMULA.**

1 Computation of the property factor:

	(1) Colorado		(2) Total			
	Beginning	Ending	Beginning	Ending		
(a) Inventories .....						
(b) Land .....						
(c) Buildings and Equipment						
(d) Other property (explain)						
(e) Total (a) through (d) .....						
(f) Average .....						
(g) Leased property (Attach schedule) .....						
(h) Total (f) and (g) .....						
(i) Percentage 1(1)(h) to 1(2)(h) .....					1	%

2 Computation of the payroll factor:

(a) Colorado compensation paid during the taxable year .....			
(b) Total compensation paid during the taxable year .....			
(c) Percentage 2(a) to 2(b) .....			2 %

3 Computation of the sales factor:

DO NOT INCLUDE INCOME MODIFIED OUT ON LINE 6, PART I, PAGE 1.

INCLUDE ONLY INCOME NOT DIRECTLY ALLOCATED

	(1) Colorado		(2) Total			
(a) Gross sales of property .....						
(b) Gross sales of services .....						
(c) Rents and royalties .....						
(d) Other revenue (explain) .....						
(e) Total revenue .....						
(f) Percentage 3(1)(e) to 3(2)(e) .....					3	%

4 Total of lines 1, 2 and 3 ..... 4 %

5 Average factor, line 4 divided by the number of factors computed above ..... 5 %

6 Total Colorado income from line 8, Part I, Page 1, Form 106 ..... 6

7 Less income directly allocable:

NON-BUSINESS INCOME ONLY	(a) Net rents and royalties from real or tangible personal property	
	(b) Capital gains and losses .....	
	(c) Interest and dividends .....	
	(d) Patents and copyright royalties .....	
	(e) Total income directly allocable .....	7

8 Modified federal income subject to apportionment by formula, line 6 less line 7 ..... 8

9 Income apportioned to Colorado by formula, line 5 times line 8 ..... 9

10 Add income directly allocable to Colorado:

(a) Net rents and royalties from real or tangible personal property	
(b) Capital gains and losses .....	
(c) Interest and dividends .....	
(d) Patents and copyright royalties .....	
(e) Total income directly allocated to Colorado .....	10

11 Colorado Source Income, line 9 plus line 10. Enter here and on line 9, Part I, Page 1, Form 106 ..... 11

**COLORADO PARTNERSHIP — S CORPORATION CREDIT FORM**

Organization Name		Colorado Account Number
<b>CREDIT FOR TAX PAID OTHER STATE BY S CORPORATION</b>		<b>AMOUNTS TO BE DISTRIBUTED</b>
1	Name of State _____	
2	Amount of income from sources within state _____	
3	Amount of income tax liability to state ..... 3	
<b>THE OLD INVESTMENT CREDIT</b>		
4	Federal current-year qualified investment in Colorado assets ..... 4	
<b>THE NEW INVESTMENT CREDIT</b>		
5	Qualifying current year investment _____	
6	1% of the amount on line 5 ..... 6	
<b>ENTERPRISE ZONE INVESTMENT CREDIT</b>		
7	Qualifying current year investment _____	
8	3% of the amount on line 7 ..... 8	
<b>ENTERPRISE ZONE NEW BUSINESS FACILITY EMPLOYEE CREDITS</b>		
9	Average number of current year qualified employees ..... _____	
10	Number of employees previously claimed ..... _____	
11	Increase in qualified employees, line 9 minus line 10 ..... _____	
12	Number of employees on line 11 multiplied by \$500 ..... 12	
13	Number of employees on line 11 located in a rural enterprise zone multiplied by \$2,000 ..... 13	
14	Number of agricultural processing employees on line 11 multiplied by \$500 ..... 14	
15	Number of employees on line 14 located in a rural enterprise zone multiplied by \$500 ..... 15	
16	Number of health insured qualified employees times \$200 ..... 16	
<b>CONTRIBUTION TO ENTERPRISE ZONE ADMINISTRATOR</b>		
17	Current year cash contributions ..... 17	
18	Value of current year in-kind contributions ..... 18	
<b>ENTERPRISE ZONE RESEARCH AND DEVELOPMENT CREDIT</b>		
19	Qualifying current year expenditures ..... _____	
20	First preceding year expenditures ..... _____	
21	Second preceding year expenditures ..... _____	
22	Total lines 20 and 21 ..... _____	
23	One-half of the amount on line 22 ..... _____	
24	Line 19 minus line 23 ..... _____	
25	3% of the amount on line 24 ..... 25	
<b>OTHER CREDITS</b>		
26	Colorado coal credit ..... 26	
27	Historic property preservation credit ..... 27	
28	Alternative fuel vehicle credit ..... 28	
29	Alternative fuel refueling facility credit ..... 29	
30	Child care contribution credit ..... 30	
31	Child care center family care home investment credit ..... 31	
32	Employer child care investment credit ..... 32	
33	School to career investment credit ..... 33	
34	Enterprise zone job training credit ..... 34	
35	Enterprise zone vacant commercial building rehabilitation credit ..... 35	
36	Colorado works program credit ..... 36	
37	Rural technology enterprise zone credit ..... 37	
38	Gross conservation easement credit ..... 38	
39	Contaminated land redevelopment credit ..... 39	
40	Low-income housing credit ..... 40	
41	Weather related livestock sale credit ..... 41	

## INSTRUCTIONS FOR FORM 106-CR

**IN GENERAL.** Colorado credits may be passed through from partnerships, and S corporations to the partners, or shareholders. Normally the potential credit is passed through and it is up to the partner or shareholder to determine his own limitations.

Some credits may be claimed only by individuals, estates or trusts where others may be claimed only by C Corporations. And there are credits that may be claimed by any taxpayer. Lost credits may not be redistributed to other partners or shareholders. For example, if a partnership consisted of a C corporation and an individual, the individual partner's share of the partnership's new investment tax credit could not be claimed by the corporation even though the individual partner is not allowed to use it.

### CREDIT FOR TAX PAID OTHER STATES.

Colorado resident S corporation shareholders may claim credit for their share of any net income tax paid to another state by the corporation when the other state does not recognize the S corporation election. Complete a separate Form 106-CR for each state to which tax was paid. Advise each Colorado resident shareholder of his share of the corporate income from sources in the other state and his share of the tax paid.

**THE OLD INVESTMENT TAX CREDIT** is 10% of the tentative current year federal internal revenue code section 46 credit on assets located in Colorado and may be claimed only by C corporations (this would apply in the case of a partnership with a C corporation partner.) Additional information is available in the Colorado Corporation income tax booklet.

**THE NEW INVESTMENT TAX CREDIT** is basically 1% of the qualified investment in tangible personal property used in a trade or business in Colorado. This credit may be claimed only by C corporations. Additional information is available in the Colorado corporation income tax booklet.

**THE ENTERPRISE ZONE INVESTMENT CREDIT** is basically 3% of the qualified investment in tangible personal property used in a trade or business in a Colorado enterprise zone. It may be claimed by all taxpayers. See FYI Income 11.

**THE ENTERPRISE ZONE NEW BUSINESS FACILITY EMPLOYEE CREDIT** is a credit of \$500 for each new job created with respect to a qualified enterprise zone new business facility. An additional \$500 credit is allowed with respect to agricultural processing employees and an additional \$200 for employees provided health care coverage. An additional \$2000 credit for each new employee and an additional \$500 credit for each new agricultural processing employee is available for businesses located in certain rural enterprise zones. These credits may be claimed by all taxpayers. See FYI Income 10.

Credit for 25% of **contributions to enterprise zone administrators** to further the economic development plans of the zone is allowed to all taxpayers.

A credit of 3% of the increase in a qualified **enterprise zone research and experimental expenditures** is available to all taxpayers. See FYI Income 22.

Available for C corporations only is the **credit for coal produced in Colorado**. For additional information see the corporation tax booklet.

An **historical property preservation credit** is available for all taxpayers. See FYI Income 1.

A credit based on the cost of a **clean burning alternative fuel** option or conversion for vehicles is available for all taxpayers. See FYI Income 9.

A credit is available for qualifying **contributions made to promote child care** in Colorado. See FYI Income 35.

A 20% investment credit is available for all taxpayers for investment in **certain tangible personal property used in child-care centers or family care homes**; and a 10% investment credit is available for property used in **employee child-care facilities**. See FYI Income 7.

A 10% investment credit is available for all taxpayers for investment in a qualified **school-to-career program**. See FYI Income 32.

The **enterprise zone job training credit** is 10% of the total current year investment in a qualified job training program. See FYI Income 31.

A credit for the **rehabilitation of a vacant commercial building** in an enterprise zone is available to all taxpayers. See FYI Income 24.

A 50% credit is available for the construction, reconstruction or acquisition of an **alternative fuel refueling facility**. See FYI Income 9.

The **Colorado works program credit** is 20% of an employer's expenditures to employ recipients of public assistance. See FYI Income 34.

A 10% credit is available for capital investments made in technology infrastructure required to provide internet access in **rural technology enterprise zones**. See FYI Income 36.

A credit is available for donations of Colorado **conservation easements**. See FYI Income 39.

A credit is available for expenditures made to **redevelop contaminated land** in Colorado. See FYI Income 42.

A credit is available for owners of qualified **low-income housing** developments. See FYI Income 46.

A credit is available for farmers who defer income from the **sale of livestock** due to weather related reasons. See FYI Income 55.