

Income Tax - Tax Paid Another State Credit

How is the credit for tax paid to another state computed for a part-year resident or nonresident of Colorado?

A nonresident of Colorado will never claim a credit for tax paid to another state in Colorado. They may be eligible for a similar credit in their state of residency.

A part-year resident will generally not claim the credit for tax paid to another state since their income is usually taxed only by the state of residency when the income is earned. However, if income is earned from sources in the other state while the taxpayer is a Colorado resident, then it may be taxed by both states. If this is the case the tax credit can be claimed. The computation of the credit for taxes paid to another state by a part-year resident is more complicated than it is for a full-year resident and the different computations are explained below.

Form 104CR, line 20

Modified Colorado adjusted gross income from sources in the other state is the amount of income earned from sources in the other state during that part of the year that the taxpayer was a resident of Colorado. This amount will always be the net of any Colorado subtractions reported on line 31 of the 104PN schedule to the extent they apply to that income. Do not include any income on this line that was earned while the taxpayer was a resident of the other state.

Form 104CR, line 21

Total Modified Colorado adjusted gross income is the amount from line 33 of the Colorado column of the 104PN schedule.

Form 104CR, line 24

Only include the tax paid to the other state on that portion of the income that is being taxed by both states. Do not enter any tax paid on income that was earned while you were a resident of the other state. This amount can be calculated by dividing that portion of the total income earned and taxed by both states by that portion of the total income earned and taxed only by the other state, then multiplying the result by the total tax liability in the other state.