

## **Regulation 39-22-606– Estimated Corporate Income Tax.**

### (1) Colorado tax liability

The Colorado tax liability for purposes of the estimated tax computation is defined as the total amount of Colorado tax plus the recapture of prior year credits less all income tax credits other than withholding credits and estimated tax credits.

### (2) Required Estimated Payments

The required annual amount to be paid is the lesser of:

- a) 70% of actual Colorado tax liability, or
- b) 100% of preceding year's Colorado tax liability, but only if:
  - (i) The preceding year was 12 month tax year, and
  - (ii) The corporation filed a Colorado return, and
  - (iii) The corporation is not defined under section 6655 of the federal IRS code as a large corporation. Large corporations can base their first quarter estimated tax payment on 25% of the previous year's tax liability. However, future payments must be based on the actual tax liability for the current tax year and any underpayment occurring in the first quarter as a result of this estimation must be repaid with the second quarterly payment

### (3) Submitting payments

a) Estimated tax payments are due on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> month of the tax year. Payments is due for a short tax year on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> months, whichever applies, plus a final payment on the 15<sup>th</sup> day of the last month of tax year.

b) Each required installment payment must be 25% of the required annual payment. Payments will be first credited against the earliest quarterly installment due for the tax year regardless of when the payment is received.

- c) In the case of a short tax year:
  - i) If three payments are required, each required installment payment must be 33% of the required annual payment.
  - (ii) If two payments are required, each required installment payment must be 50% of the required annual payment.
  - (iii) If one payment is required, the payment must be 100% of the required annual payment.

(4) Annualized Income Installment Method

a) Taxpayers who do not receive income evenly during the year may elect to use the annualized income installment method to compute their estimated tax payments if they elected annualized installments or adjusted seasonal installments for payment of their federal income tax.

b) The required installment payment on each due date will be:

- (i) the Colorado tax liability computed by annualizing the income received during the months of the tax year ending on the last day of the month before the due date for the installment payment, multiplied by
- (ii) the applicable percentage listed below, minus
- (iii) the total of any earlier installment payments made for the tax year.

<i>Installment Due date</i>	<i>Income annualized from</i>	<i>Income annualized through</i>	<i>Applicable percentage</i>
4/15	1/1	3/31	17.5%
6/15	1/1	5/31	35%
9/15	1/1	8/31	52.5%
12/15	1/1	11/31	70%

These dates must be adjusted accordingly for fiscal year filers.

c) If tax is computed by apportioning income, apportionment factors must be computed for each quarter in order to use the annualized income installment method. Use of estimated or prior year factors will not be accepted.

d) A schedule and explanation of the allocation methodology must be made available to the Colorado Department of Revenue upon request in order to use the annualized method.

(5) Estimated Tax Penalty

a) The estimated tax penalty for C corporations will be assessed if the required estimated tax payments are not paid in a timely manner. The penalty will be the appropriate Colorado income tax interest rate times the underpayment for each quarter times the underpayment period.

b) No penalty is due if the Colorado tax liability is less than \$5,000.

c) If a short taxable year is involved, the income must be placed on an annual basis, in which case the \$5,000 requirement for filing estimated tax payments will be the same as for a full-year taxpayer.