Regulation 39-22-108. Credit for Taxes Paid to Another State.

(1) Source of Income.

(a) Source of income is not to be confused with source of payment of income. Source of income means the geographical location of the activity that gave rise to the income. Unless such income arises from the active conduct of a trade or business, the source of interest and dividend income and other income from intangible assets shall be deemed to reside with the owner of the stocks, bonds or other intangible assets.

(b) The source of income reported by a shareholder of a Subchapter S corporation or a member of any other pass through entity shall be determined by the source of the corporation/entity's income.

(2) Tax year. Credit for tax paid to another state is not allowed if paid for a different tax year. If a Colorado resident pays Colorado tax on income from sources within another state, which was taxed by the other state in a different tax year, no Colorado tax credit will be allowed. § 39-22-108(2), C.R.S., limits the credit for any given tax year to the Colorado tax applicable to non-Colorado source income for the same tax year.

(3) Documentation.

(a) Any taxpayer claiming a credit for taxes paid to another state shall file a copy of the income tax return from the other state(s) with the Department of Revenue at the time of the tax return claiming the credit.

(b) Any electronically filed income tax return must include requested information from the return and the actual return must be submitted to the Department of Revenue upon request.

(c) A member of a pass through entity whose taxes are paid on their behalf by the entity on the entity's tax return may attach or provide a copy of the state-by-state detail provided by the entity in lieu of the actual income tax returns filed with the other states. The actual income tax returns must be submitted to the Department of Revenue upon request.

(d) Documentation to support the tax return from another state must also be submitted to the Department of Revenue upon request.