

Composite Income Tax Return

What is a composite return?

A partnership or S corporation may file a composite return on Form 106 for its nonresident partners or shareholders as a simplified way of paying the income tax owed by those taxpayers without requiring each taxpayer to prepare a separate Colorado income tax return. Each nonresident partner or shareholder may elect to be included or excluded from the composite filing. Colorado does not require that this election be in writing or signed by the partner or shareholder. The tax paid will be 4.63% of the Colorado source income attributable to the partners/shareholders included in the composite return.

A composite return filed by a partnership or S Corporation may include:

1. nonresident individuals,
2. nonresident estates or trusts, and
3. other pass-through entities to the extent their members/shareholders consist of taxpayers included in 1 or 2 above. However, the inclusion of those entities may not compromise the accuracy of the amount of tax paid on behalf of any members/shareholders. If the inclusion of a pass-through entity in a composite return would affect the tax due, then each pass-through entity must file a separate composite return that includes that entity's nonresident individuals, estates or trusts.

C Corporations cannot be included in a composite return.

A taxpayer generally should not be included in a composite return if they have other Colorado source income that will require the filing of a separate Colorado income tax return.