

Q&A Income Tax Index -- Colorado Source Capital Gain Subtraction

For an installment sale of real or tangible personal property that has installment payments paid in tax years 2010 and later, does the \$100,000 limitation apply to the cumulative gains of all installment payments made over multiple tax years or to each tax year?

The \$100,000 limitation to the subtraction applies to the qualifying gains claimed each tax year and not to the cumulative total of all installment payments made over multiple years. For example, a taxpayer, who sold a capital asset in tax year 2009 pursuant to a five year installment sales contract in which the first payment is made in 2009 and in which qualifying gains of \$150,000 are to be realized in each of the five payments, can claim \$150,000 in capital gains subtraction in 2009 (because the \$100,000 limitation applies only to tax years 2010 and later), but can claim no more than \$100,000 of the capital gains subtraction per year for tax years 2010 and later. Taxpayer can claim over the five year period a cumulative total of \$550,000 in the capital gain subtraction.