



## FYI Income 61 Interstate Transportation and Commerce Employees

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Taxpayers who regularly work in interstate transportation are subject to special rules of taxation. These special rules are based on federal law enacted to deal with the unique nature of these industries. [Title 49, Subtitle VII, United States Code]

### **INTERSTATE AIRLINE EMPLOYEES**

The pay of an air carrier employee who has regularly assigned duties on an aircraft in at least two states (for example, a pilot or flight attendant) is subject to income taxation by their state of residence and any state in which the employee earns more than 50% of the pay received. [49 U.S.C.S. §14503(b)(2).] An air carrier employee is deemed to have earned more than 50% of their pay in Colorado if the flight time worked by that employee within Colorado exceeds 50% of the total flight time worked by that employee while employed during the calendar year.

A Colorado resident who works for an airline will always include their wages in Colorado taxable income, even if more than 50% of the income is earned in another state. The individual may be able to claim a credit on the Colorado return for any taxes paid to that other state.

**Example 1:** Ron is a Colorado resident who works as a pilot for a national airline. He flies various routes and does not fly more than 50% of the time in any one state. He will report all of his income to Colorado and not file an income tax return in any other state.

**Example 2:** Kathy is a Colorado resident who works as a pilot and primarily flies routes between San Diego, Los Angeles and San Francisco. Her California flight time is computed at 70%. She will pay California income tax on 70% of her pilot's pay. She will pay Colorado tax on all of her income, but will be eligible for a credit for tax paid to California.

**Example 3:** Tony is a nonresident of Colorado who works as a flight attendant primarily on flights between Denver and Aspen. His Colorado flight time is computed at 90%. He will pay Colorado income tax on 90% of his flight attendant's pay.

**Example 4:** Terri is a nonresident of Colorado who works as a flight attendant based at Denver International Airport. Her Colorado flight time is computed at 35%. She is not required to file a Colorado income tax return even though she is based in Colorado.

### **Wage Withholding**

An air carrier must withhold Colorado tax from any interstate airline employee who is a resident of Colorado or a nonresident who earns over 50% of his or her wages in Colorado. [49 U.S.C.S. § 40116(f).]

### **INTERSTATE RAILROAD EMPLOYEES**

The pay of a rail carrier employee who performs their regularly assigned duties on a railroad in two or more states is subject to taxation only by the state of residence if the carrier is subject to the jurisdiction of the Surface Transportation Board. [49 U.S.C.S. § 11502(a).]

**Example 5:** Deanna is a Colorado resident who works on the railroad in Colorado, Nebraska and South Dakota. She will pay Colorado tax on all her income and will not be required to file in Nebraska or South Dakota.

**Example 6:** Larry is a Wyoming resident who works on the railroad exclusively in Colorado. He will file a Colorado nonresident income tax return and pay tax on all his railroad income to Colorado because he is not employed in more than one state.

**Example 7:** Tara is a Wyoming resident who works on the railroad in Colorado and Nebraska. She is not required to file a Colorado income tax return.

**Wage Withholding**

A rail carrier must withhold Colorado tax from any interstate employee of any railroad, express company or sleeping car company who is a resident of Colorado. [49 U.S.C.S. § 11502(b).]

**INTERSTATE MOTOR CARRIER EMPLOYEES**

The pay of a motor carrier employee who performs their regularly assigned duties on a motor vehicle in two or more states

- providing transportation subject to the jurisdiction of the Surface Transportation Board or
- for a motor private carrier

is subject to income taxation only by the state of residence. [49 U.S.C.S. §14503(a).]

**Wage withholding**

A motor or motor private carrier must withhold Colorado tax from any above employee who is a resident of Colorado. [49 U.S.C.S. §14503(c).]

**INTERSTATE WATER CARRIER EMPLOYEES**

The pay of a water carrier employee who performs his or her regularly assigned duties in two or more states as a master, officer, pilot or crew member subject to the jurisdiction of the Surface Transportation Board is subject to income taxation by his or her state of residence. [46 U.S.C.S. §11108(b).]

**Wage withholding**

A water carrier must withhold Colorado tax from any above employee who is a resident of Colorado. [49 U.S.C.S. §14503(b)(2).]

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