

**Taxpayer Service Division  
Colorado Department of Revenue**

**November 16, 2015 (Draft)**

**Software Developers Handbook  
Individual Income Tax**

**(Calendar Year 2016)**

Rev 1 - Add sales tax surplus amount charts

Rev 2 - Update the business personal property credit table

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### OTHER SOURCES:

Latest revisions of the Software Developers Handbook and the letter of intent will be at the web address below.

<https://www.colorado.gov/pacific/tax/software-developers-income-tax>

The draft forms, schemas, and schema maps will be at the web address below. MeF developers must submit their letter of intent in order to be approved for access after registering.

<https://www.authpro.com/auth/Graphics/>

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## SECTION 1: GENERAL INFORMATION

### PURPOSE

This publication provides software developers with the technical information and/or references necessary for creating and formatting Colorado state electronic personal income tax returns. Updates to this document will be posted to our website at the address listed on the previous page. Tax year 2015 draft forms and schemas will also be posted on the internet at that web address.

### MODERN EFILE

Colorado will accept tax year 2015 individual income tax returns through the IRS Modern eFile program (MeF). The anticipated start date for such filings is January 20, 2016. Colorado follows the TIGERS and IRS Publication 4164 guidelines for Modern eFile returns. Returns for the prior two years can also be submitted as MeF returns.

### TYPES OF RETURNS/FORMS

Colorado will accept refund, balance due or zero balance returns for tax year 2015. Forms 104, 104CR, 104PN, 104AMT, 0347, 0617, 1305, 1306, 1316, 1366, W2, W2G, 1099R, 1099G, 1099INT, and 1099MISC can be transmitted electronically to Colorado.

### DIRECT DEPOSIT OF REFUNDS/DIRECT DEBIT AND CREDIT CARD PAYMENTS

Direct deposit of refunds using the FinancialTransaction schema for RefundDirectDeposit is available for the 2016 filing season. Taxpayers wishing to deposit a refund to a 529 account should check the box for 529 on Form 104 and include banking/amount information in FinancialTransaction/RefundDirectDeposit.

For the 2016 filing season Colorado will accept direct debit for efiled returns using the FinancialTransaction schema for StatePayment. Paper return filers will not have direct debit. Returns submitted on the due date should include the due date as the payment date. The account holder type is required by Colorado.

Please alert clients with a balance due that if they do not submit direct debit information with their return, they can go to our website for the online e-pay application to pay by echeck or credit card. Echeck and credit card payments are available online at <https://www.colorado.gov/apps/dor/tax/netfile/welcome.jsf>. Payment can also be made by electronic funds transfer (EFT) if the taxpayer is pre-registered. If they do not use direct debit, online payment, or EFT, they must send any Colorado balance due payment by check along with Form DR 0900.

### FOREIGN ADDRESSES

Colorado will accept returns with a foreign address.

## SECTION 2: CONTACT INFORMATION

### COLORADO DEPARTMENT OF REVENUE INTERNET SITE

The Colorado Department of Revenue offers a variety of information and forms at our website on the Internet, including the Handbook for Software Developers and the Handbook for Electronic Filers. All income tax forms at the website are in PDF format, which can be viewed/printed with the ADOBE ACROBAT READER. The ADOBE ACROBAT READER is free and can also be downloaded from the Internet. The Colorado Department of Revenue Internet taxation web site address is [www.taxcolorado.com](http://www.taxcolorado.com). Information for software developers can be found on this web page by choosing Tax Professionals, then selecting Software Developers on the sidebar of the Tax Professionals page.

### CONTACT PERSONNEL

The contact information below is **ONLY** for technical information or to inquire when a submitted return has not been acknowledged by the Colorado Department of Revenue. Refund inquiries or questions regarding accepted returns should be directed to 303-238-7378. Taxpayers can also obtain the status of their accepted return by establishing a login and accessing our Revenue Online system at [taxcolorado.com](http://taxcolorado.com).

Electronic Filing  
State Coordinator  
Steve Asbell  
Taxpayer Service Division  
[stephen.asbell@state.co.us](mailto:stephen.asbell@state.co.us)  
(Phone: (303) 866-3889  
FAX: (303) 866-3211

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Steve Asbell  
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[stephen.asbell@state.co.us](mailto:stephen.asbell@state.co.us)  
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State Acceptance  
Testing Coordinator  
Steve Asbell  
Taxpayer Service Division  
Phone: (303) 866-3889  
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Mailing Address for  
Federal/State Electronic  
Filing Program:  
Colorado Department of Revenue  
Steve Asbell Rm 206  
PO Box 17087  
Denver Colorado 80217-0087

State Acceptance  
Testing Associate  
Andrew McVay  
Taxation Division  
Email: [andrew.mcvay@state.co.us](mailto:andrew.mcvay@state.co.us)  
Phone: 303-866-5256

## SECTION 3: SPECIAL INSTRUCTIONS

### USER INTERFACE FOR CHECKOFFS, ETC.

Your software product should clearly present the tax form options available to the taxpayer. For example, when prompting for the voluntary contributions, display the entire list of choices, not just a portion of the list. Otherwise, the taxpayer might not be aware of a donation that would appeal to them. Additionally, if you do not support certain subtractions or credits, your software should still reference them so that taxpayers know what is allowable under Colorado law.

### DOCUMENTATION

Most credits and some subtractions require submission of certain documentation. Please see the forms and instructions, as well as the rules-error code document. Your software should provide dialog boxes or alert the taxpayer when documentation should be submitted. Required documentation should be submitted as attachments to the return, submitted by upload in Revenue Online, or mailed using the DR 1778. Failure to attach the requested documentation will result in letters to the taxpayer and delays in issuance of any refunds due.

### RETURN DATA REQUIREMENTS

Many of the data elements are dependent on other fields in order for the return to properly balance. For example, the DR 1366 Enterprise Zone contribution credit calls for the cash and/or in-kind contribution amounts to be populated if the contribution credit claimed for the current year is greater than zero. Failure to follow these rules will result in disallowance of the credit(s) and cause delays and/or correspondence for the taxpayer.

Other subtractions are sometimes claimed in error on Form 104. For example, some part-year and non-resident taxpayers enter out of state income as a subtraction rather than completing Form 104PN. A listing of allowable subtractions can be found in the Dept of Revenue tax information index under "Subtractions" at the following web page:

<https://www.colorado.gov/pacific/tax/income-tax-subtractions>

### ACKNOWLEDGEMENTS/ERROR CODES/ALERTS

For tax year 2015 Colorado will be using the Internal Revenue Service MeF system for acknowledgement service. Colorado will reject returns that do not meet certain conditions. See the Appendix for information on reject error codes. The acknowledgment may also contain alerts when documentation is needed to validate certain subtractions or credits claimed. Returns for which an alert is sent will be processed, but will not be completed until the required documentation has been received and reviewed.

### E-FILE PROBLEMS DURING TAX SEASON

Errors or processing problems discovered after testing (during the production income tax season) must be resolved immediately after their discovery and disclosure. To help Colorado maintain the integrity and reputation of the e-file program, a short questionnaire for all software developers is provided in the appendix of this document to facilitate the cooperative resolution of problems.

### W2'S, W2G'S, 1099R'S, 1099INT'S AND TIGERS VERSIONS OF THE 1099G AND 1099MISC

If a taxpayer is claiming any amount of Colorado state income tax withheld, the withholding amount claimed on line 27 of form 104 MUST be supported by the transmission of the appropriate withholding schedules listed above or the return will be rejected. Rejected returns must be resubmitted as an unlinked return with the proper withholding information. Taxpayers claiming pension subtraction should

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include the 1099R even if there is no Colorado withholding. Taxpayers claiming the railroad retirement subtraction should attach the RRB 1099 statement.

Please note that payments made for partners in a partnership are treated as other prepayments in our system and should be claimed on the 2015 Form 104 line 40.

**FORM 1099G**

For tax year 2014, Colorado will require the transmission of the form 1099G to report Colorado income tax withheld from Colorado Unemployment Compensation using the TIGERS schema State1099G. To indicate that the state tax withheld is for "Colorado", the payer's state must equal "CO" for element StateAbbreviationCd within the parent element State1099GStateTaxGrp.

**COLORADO TAX TABLE ALGORITHM**

The following algorithms are used to calculate the Colorado tax on Colorado taxable income. The purpose of this algorithm is to calculate the same tax that would be derived by a paper filer using the tax table.

1. If Colorado taxable income is equal to or less than \$100, determine the tax as follows:

<b>IF TAXABLE INCOME IS:</b>	<b>THEN THE TAX IS:</b>
Equal to or less than \$10	0
Greater than \$10 but equal to or less than \$30	1
Greater than \$30 but equal to or less than \$50	2
Greater than \$50 but equal to or less than \$75	3
Greater than \$75 but equal to or less than \$100	4

2. If Colorado taxable income is greater than \$100 and equal to or less than \$50,000 and the last two digits are not equal to 00 or 50, change the last two digits of Colorado taxable income to 50. If the last two digits of Colorado taxable income are equal to 00, subtract 50 from Colorado taxable income. Multiply this "modified" Colorado taxable income amount by 4.63 percent and round the product to the nearest dollar amount.
3. If Colorado taxable income is greater than \$50,000, multiply Colorado taxable income by 4.63 percent and round the product to the nearest dollar amount.

**DIRECT DEBIT DATE**

If direct debit is used as a payment method, the direct debit requested payment date is the date of withdrawal from the taxpayer's bank account. The debit date for returns filed by the due date cannot go past the due date. The debit date for returns filed after the due date should be two business days after the filing date. The following elements must be included: checking or savings, routing number, bank account number, account holder type(business or individual), and requested payment date.

**MODERN EFILE FORMATTING**

1. All dollar amounts are in whole dollars.
2. Percentage fields are expressed as percentages using LargeRatioType and must be limited to four places of precision past the decimal point. Example: 12.34557% is expressed as 12.3456. Negative percentages are not allowed.
3. A taxpayer claiming credit for tax paid to another state who has income or loss in two or more states outside Colorado must complete a summary using parent element TaxPaidOtherStates with state

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name "CO" and up to forty-four iterations of parent element TaxPaidOtherStates to claim credit for tax paid to other states or to show losses in other states.

**SOFTWARE DEVELOPER ID**

The element SoftwareId should not be a numeric value. Use the software name to fit in the ten character text field allowed. Colorado may suggest an ID.

**STATE SUBMISSION MANIFEST**

The state submission manifest should have the following

Taxpayer Type	StateSubmissionType	SubmissionCategory
Individual	1040	IND

Do not include the Colorado schema version in the state submission manifest.

**SUBMITTING ATTACHMENTS**

If a taxpayer is claiming certain subtractions, credits, or adjustments, the documentation per the form instructions to support the claim should be sent as a pdf attachment with the electronic return. This is the most reliable way to submit documents and associate them with the current year tax return. Most subtractions and credits have a documentation requirement. Failure to submit the documentation will generally result in disallowance of the subtraction or credit.

If the supporting documents cannot be attached in pdf format, they can be uploaded to the taxpayer's account in Revenue Online. If neither the efile attachment nor Revenue Online upload methods can be used, the documents should be sent by mail using form DR 1778 as a cover sheet for the necessary attachments.

Returns that claim credits subject to review may experience processing delays if the attachments are submitted separately from the electronic return.

**SIGNATURE ALTERNATIVES**

For the Colorado DR 8453, Colorado will accept electronic signature methods that are accepted by the Internal Revenue Service.

**FRAUD PREVENTION**

Software developers should conform to the IRS standards for fraud detection and prevention as stipulated in IRS Publication 1345. Information on suspected fraud should be sent to the IRS fraud site or to the Department of Revenue staff listed below:

Jennifer Tate	Jennifer.Tate@state.co.us
Cathy Gallen	Cathy.Gallen@state.co.us
Shirley Stevens	Shirley.Steven@state.co.us

## SECTION 4: TESTING

### **COLORADO SOFTWARE DEVELOPER TEST PACKAGE**

The Colorado Software Developer Test Package contains a series of 10 tests adapted from the test set created by the NACTP and one additional test for alternative minimum tax. These scenarios may be modified slightly for Colorado purposes if your software does not support all federal forms, Colorado forms, or Colorado subtractions/credits. The Colorado test package will be available to Software Developers by October 14, 2015. Colorado testing will begin November 12, 2015, unless the Internal Revenue Service is experiencing delays and has not yet begun ATS testing.

### **PAPER TESTING AND ELECTRONIC RETURN TESTING**

The data from the Colorado test package is tested in two phases. The first phase is the paper test that can begin at any time by contacting the Colorado State Acceptance Testing Coordinator listed in Section I of this handbook. The purpose of the paper test is to evaluate the software's ability to correctly print the appropriate Colorado tax data in a graphical or textual format similar in appearance to the official Colorado form for record keeping purposes. These forms must be provided to the individual taxpayers for their records per Part III of form DR 8453. During testing the paper forms are mailed or faxed to the test coordinator for acceptance or rejection.

The second phase of testing is the electronic return test that can be concurrent with IRS testing under the IRS's rules for concurrent testing or subsequent to IRS testing. In either case, the Software Developer should notify the Colorado test coordinator by email when transmitting any test data and include the state submission IDs of the tests. The tests will be reviewed to ensure that the proper data is included for a return to process correctly. In addition, the ability to include PDF attachments with the e-filed return will be assessed.

## SECTION 5: WHAT'S NEW FOR CALENDAR YEAR 2016

### FORM/SCHEMA CHANGES

The taxpayer information on Form 104 has fields for taxpayer and spouse driver license or state ID information. For the license or ID number only send the last four characters of the number.

Form 104 has new lines for a non-resident worker subtraction and state and special district use tax due on purchases made from out of state vendors. There will be a worksheet in the instructions to determine which special district tax rate to use if the taxpayer lives in a special district and had unpaid sales/use tax. (see table below)

Use Tax Special District Codes and Rates

RTD = Regional Transportation District    CD = Cultural District    RTA = Rural Transportation Authority  
See the 104 Book for special district boundary descriptions.

Taxpayer resides in	Use Tax Rate	Special District Code
RTD and CD	.011	12
RTD only	.01	10
CD only	.001	20
Pikes Peak RTA	.01	30
Baptist Rd RTA	.01	40
South Platte Valley RTA	.001	50
Roaring Fork RTA Glenwood Spgs or Carbondale	.01	61
Roaring Fork RTA Basalt or New Castle	.008	62
Roaring Fork RTA El Jebel area in unincorporated Eagle County	.006	63
Roaring Fork RTA Aspen or Snowmass or unincorporated Pitkin County	.004	64

Form 104 Line 46 sales tax refund amounts

AGI	36,000 or less	36,001- 77,000	77,001- 120,000	120,001- 163,000	163,001- 204,000	204,001 or more
Single	13	18	21	23	24	41
Joint	26	36	42	46	48	82

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**Section 5**

Form 104CR has new credits for Colorado earned income tax credit and business personal property credit. The instructions will have a worksheet (see ex below) to calculate the business personal property credit, which is for small businesses that have \$15,000 or less of business personal property which they paid tax on. The allowable credit is the personal property tax paid x 100 minus the combined federal and state marginal tax rate. Ex: when tax paid=200 w/federal marginal rate of 28%:  $200 \times .6737 = 135$

Table 1 - Find your filing status and federal taxable income amount

Single	Joint	Married Separate	Head of Household	Credit rate
0-9,225	0-18,450	0-9,225	0-13,150	.8537
9,226-37,450	18,451-74,900	9,226-37,450	13,151-50,200	.8037
37,451-90,750	74,901-151,200	37,451-75,600	50,201-129,600	.7037
90,751-189,300	151,201-230,450	75,601-115,225	129,601-209,850	.6737
189,301-411,500	230,451-411,500	115,226-205,750	209,851-411,500	.6237
411,501-413,200	411,501-464,850	205,751-232,425	411,501-464,850	.6037
413,201 and up	464,851 and up	232,426 and up	439,200 and up	.5577

Business personal property tax paid in 2015    A \_\_\_\_\_

Credit rate from Table 1                    B \_\_\_\_\_

Multiply line A times line B  
Credit allowed, enter on Form  
104CR line 6                                    \_\_\_\_\_

Form DR 0617 now uses VINType for the vehicle identification number.

Form DR 1305 has a new COefiletype for the certificate number that does not allow dashes or other special characters.

Form DR 1366 for enterprise zone credit has been updated to add rows to indicate the amount of carryforward being used in the current year and to add lines that identify credit earned in the current year that will be carried forward. There is also a new section for a refundable renewable energy credit.

# APPENDIX

Acknowledgment Error Codes

Form DR 8453/Instructions – e-filer Signature Form – Under Development

Form DR 0900 – Individual Income Tax Payment Voucher – Under Development

Form DR 1778 – e-filer Attachment Form – Under Development

## Acknowledgment Error Codes

Colorado error codes for rejects and alerts are published on the login software developer page.

Many of the error codes are Alerts rather than reject codes. For example, when a return claims an innovative motor vehicle credit, a supporting copy of the dealer invoice must be submitted. If Colorado does not see a pdf attachment with the name ALTFUELINV.pdf, we will accept the return but add an alert message to the acknowledgment regarding the need to submit that document.

Alert messages should be passed along in full by the transmitter to the preparer or taxpayer. Those messages are for the benefit of the preparer/taxpayer so that the return information requirements are fully communicated.

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**Appendix**

The Letter of Intent is now published as a separate document found on the Software Developer web page.