

**Taxpayer Service Division
Colorado Department of Revenue**

December 27, 2016 (Final)

Electronic Filers Handbook

(Tax Year 2016)



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INTRODUCTION

The Colorado Department of Revenue (DOR) has joined with the Internal Revenue Service (IRS) to provide for the electronic filing of federal and state income tax returns. The Federal/State Electronic Filing program in Colorado is an extension of the IRS's Modern eFile(MeF) program.

This handbook is an expansion of the IRS's Publication 1345. All specifications, requirements, and instructions defined in Publication 1345 apply to the Colorado FSEF program unless herein stated otherwise.

FSEF PROGRAM

How the FSEF/MeF Program Works

Federally accepted ERO's and Transmitters will be able to file and/or transmit both the federal return and the Colorado return in one transmission to the appropriate IRS Service Center. The IRS will acknowledge to the Transmitter whether the federal return has been accepted and whether it has received the state data. After the federal and state returns are received and accepted by the IRS, the state return is then made available to Colorado by the IRS for electronic retrieval. Nearly 84% of Colorado taxpayers filed electronically for TY 2015.

Acceptable Returns and Forms

For tax year 2016, the DOR will accept the electronic transmission of tax due, zero tax, state only, refund returns, deceased returns, and the following forms:

- Individual Income Forms 104, 104AD, 104CH, 104AD, 104PN, 104CR, DR 0347, 104 AMT, and possibly 104EP.
- C-Corporation Forms 112, 112CR, Sch C and Sch SF
- Partnership Income Forms 106, Parts I-IV, and 106CR
- Fiduciary Income Form 105 and Schedules A-G
- Innovative Motor Vehicle Credit Form DR 0617
- Form DR 1305 for Gross Conservation Easement Credit
- Form DR 1316: Colorado Source Capital Gain
- Form DR 1366: Enterprise Zone Credit and Carryforward Schedule
- Withholding Schedules: W2, W2G, 1099R, 1099G, 1099INT and 1099 Misc.

Return Processing Issues

Failure to include the required information may cause a return to be delayed, and in some cases be rejected when submitted.

Refunds

Refunds will be paid through the Colorado paper refund warrant system or by direct deposit. The taxpayer who files electronically can expect to have the paper refund warrant mailed within 6 to 14 working days from the date of the acknowledgement record from the Colorado DOR, unless the following conditions exist:

- The taxpayer owes a debt to the Colorado DOR, a state agency (e.g., child support, student loans, etc.), or the IRS.
- The return contains criteria that matches the Colorado DOR's error and/or fraud detection profile.

The conditions may delay refunds a minimum of 3 to 5 weeks. Otherwise, if the taxpayer does not receive their refund by the 15th day from the day the return was acknowledged by the Transmitter, the taxpayer is advised to check on their refund using Revenue Online. If they have further questions they can contact the Colorado DOR's Income Tax Refund Inquiry Line at (303) 238-7378.

Balances Due

Taxpayers who file electronically and owe a balance due to the Colorado DOR are responsible for submitting the payment by April 18, 2017. For tax year 2016, taxpayers that efile can pay by direct debit as part of their efiled return. Note that if the bank routing number information is not valid, the return will be rejected. Taxpayers may also pay online using Online Tax Payment at the DOR website. Otherwise the taxpayer can pay by mail using form DR 0900. The DR 0900 series of forms are available in the 2016 income tax booklets and at www.taxcolorado.com.

Perfection Period

Colorado follows the IRS guideline for perfection of a rejected return. Individual is five days and other tax types are ten days.

ERO APPLICATION

No Application Process

All EROs and Transmitters who are participating in the IRS E-File program (tax year 2016) are pre-approved to participate in the Colorado FSEF program and **do not need to apply** or register with Colorado.

ACKNOWLEDGEMENT PROCESS

Colorado will use the Internal Revenue Service acknowledgment system to acknowledge receipt of the return. Colorado has no reject codes. The Colorado DOR will typically acknowledge receipt of the Colorado data to the Transmitter via the Internal Revenue Service acknowledgment system within one business day of the time the state return is transmitted to the IRS. Returns usually will be viewable in Revenue Online within two business days unless there is missing documentation.

FORM DR 8453 and WITHHOLDING SCHEDULES

ERO Requirements and Responsibilities

Colorado Form DR 8453(and 8453C, 8453P, and 8453F) must be signed by both the ERO and the taxpayer at or near the time of the e-file transmission. The ERO's requirements for the DR 8453, 2016 tax return and attachments are stated in Part III of the DR 8453 form and the form's instructions.

NOTE: DO NOT MAIL FORM DR 8453 TO THE IRS OR THE COLORADO DOR. DO NOT MAIL W-2 AND 1099 WITHHOLDING SCHEDULES UNLESS REQUESTED TO DO SO.

Military and VITA Site Responsibilities

Colorado Form DR 8453 must be signed by both the military or VITA site volunteer and the taxpayer. VITA sites and military sites are no longer required to submit the DR 8453 to the Department of Revenue. The taxpayer should retain the DR 8453.

PC Filer Requirements and responsibilities

The PC(online) Filer's requirements for the DR 8453, 2015 tax return and attachments are stated in Part II of the DR 8453 form and the form's instructions (copy in appendix).

SIGNATURE REQUIREMENTS

For signing the DR 8453, Colorado will accept signature methods accepted by the Internal Revenue Service, including in-person electronic signature and electronic signature via remote transaction.

SUBMITTING ATTACHMENTS

ERO Requirements and Responsibilities

You can submit required documentation securely as a pdf attachment with the return if your software allows. Documents can also be securely uploaded on Revenue Online if you have third party access to the client account. Find the E-Filer Attachments icon, read the provided instructions, and attach as many documents as required. Pdf attachment is the best method of submitting the documentation because the electronic files will go directly to the taxpayer's account. E-Filer attachment also gets the document directly to the taxpayer account with some manual steps. If pdf attachment or Revenue Online cannot be used, Form (DR 1778) should be completed and mailed with any paper supporting documentation. If the return cannot be efiled, documentation should be attached to the paper return.

Documenting Excessive Withholding

PDF attachment, Revenue Online, or Form DR 1778 should be used to submit a copy of any W-2 showing Colorado income tax withholding in excess of 4.63% of wages.

ELECTRONIC FILING CONTACTS

Electronic Filing Coordinator

Steve Asbell, Taxpayer Service Division
stephen.asbell@state.co.us
Phone: (303) 866-3889
FAX: (303) 866-3211

State Acceptance Testing Coordinator

Steve Asbell, Taxpayer Service Division

Electronic Filing Help Desk

Taxpayer Service Division
Phone: (303) 866-3889

(This number is for Software Developers, Transmitters, ERO's, and preparers who have specific questions relating to the function, administration, problems or technical aspects of Electronic Filing. Taxpayers who have not received their refund should not be given this number, but instead should be directed to the "Tax Assistance Available " on this page.)

FAX: (303) 866-3211

Mailing Address for Federal/State Electronic Filing Program

Colorado Department of Revenue
Federal/State Electronic Filing Program
1375 Sherman Street
Room 206
Denver Colorado 80261

COMMENTS

The purpose of this handbook is to assist Electronic Filers in the steps necessary to successfully participate in the Colorado FSEF program. Your comments and suggestions to this end are greatly appreciated. Your comments and suggestions may be directed to the Efile Coordinator FAX number listed on this page.

TAX ASSISTANCE AVAILABLE

The Colorado Department of Revenue offers two ways to access both automated and live customer service.

By Web and Telephone

At www.taxcolorado.com

Taxpayers get 24-hour service using **Revenue Online** by going to Colorado.gov/revenueonline. They will have **automated access** to:

- Colorado personal income tax account and refund status
- Make changes of address
- Establish a payment plan
- File an amended return

(303) 238-SERV (7378)

Taxpayers can obtain **recorded general information** about Colorado taxes or talk to us during business hours about:

- Colorado income tax
- Colorado business tax and information (sales and use tax, severance and wage withholding taxes)
- Account specific information from our customer service representatives during regular business hours.

WHAT'S NEW FOR TAX YEAR 2016

The subtractions, contributions, and use tax lines have been split out to separate forms for individuals. There are new credits for historic property preservation and Rural Jump Start zones. The DR 1366 now asks for pass through credit ID numbers.

ERROR CODES

Colorado performs certain checks up front before accepting a return. If those checks are not passed, a reject acknowledgment will be sent with a message stating the reject reason. There are also alert messages when certain documentation is required. Partnerships and corporations may sometimes receive messages that provide their Colorado account number.

Please note that returns claiming enterprise zone credits must be filed electronically by statute. When EZ credits are claimed on an electronic Form 104, failure to electronically include Form DR 1366, Enterprise Zone Credit and Carryforward Schedule, will cause the return to be rejected.

ISSUES THAT CAN DELAY PROCESSING

When claiming credit for tax paid to other states, a copy of the other state return(s) should be attached as pdf documents to the efiled return, submitted by Revenue Online attachment, or mailed in using Form DR 1778.

When claiming the innovative motor vehicle credit, the purchase invoice and proof of registration must be submitted electronically or by mail with Form DR 1778.

When claiming the enterprise zone credits, certification Forms DR 0074, DR 0075, DR 0077, DR 0078, and DR 0078A, as applicable, must be submitted electronically or by mail with Form DR 1778.

The child care contribution credit requires submission of Form DR 1317 electronically or by mail with Form DR 1778.

Forms

Forms DR 8453, 8453C, 8453P, 8453F, 0900, 0900C, 0900P, and 0900F can be found at taxcolorado.com by going into Forms and Instructions on the tool bar and choosing Forms by Number.

Accepted Software

A list of software accepted for filing Colorado income tax can be accessed on the Department of Revenue website. Click on E-File Options at the following page:

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

Note: Colorado's acceptance of the listed participants is not an endorsement of their software or their ability to perform. Acceptance into the Colorado program simply means they have demonstrated the ability to transmit electronic data to the state in an acceptable format and/or to acknowledge the transmission of such data.