



Income 4 State Addback

GENERAL INFORMATION

Individuals, estates and trusts who itemize deductions on their federal income tax returns must add back on their Colorado return any state income tax deducted on their federal return. Enter this addback on line 2 of the Colorado Form 104 or Form 105. [§39-22-104(3)(d), C.R.S.]

If a taxpayer utilizes the standard deduction on their federal income tax return, they are not required to calculate this addback. Taxpayers who deduct general sales taxes on line 5 of Schedule A, Form 1040, are not required to calculate this addback.

Only state income taxes must be included in the state addback. The amounts often reported on Colorado W-2 forms as local income taxes for cities such as Denver, Aurora and Greenwood Village are actually occupational taxes charged at a flat rate by those cities for the privilege of working in that city. Do not include such amounts as a state addback.

In the case of a married couple filing separate returns and itemizing deductions for federal income tax purposes, the allowable standard deduction for Colorado income tax purposes is zero unless it is to the advantage of each spouse to claim a standard deduction for Colorado income tax purposes.

Standard Deduction Rule

If the calculation of the state addback reduces the allowable itemized deductions to an amount that is less than what a taxpayer's appropriate standard deduction (single, head-of-household, married filing jointly, married filing separately) would have been, they are allowed the benefit of the federal standard deduction. In determining the standard deduction to which would have been entitled, include any real estate taxes or net disaster loss that would have been allowed to deduct as part of the standard deduction. The state tax deduction addback should be the smaller of 1) the state tax deduction allowed for federal income tax purposes, or 2) the amount by which the total allowable federal itemized deductions exceed what would otherwise be allowable as a standard deduction.

For Tax Years 2008-2009

For tax years beginning on or after January 1, 2008, but prior to January 1, 2010, in determining the standard deduction to which would have been entitled, include any real estate taxes or net disaster loss the taxpayer would have been allowed to deduct as part of their standard deduction.

Itemized Deduction Limitation

The federal limitations on itemized deductions was repealed for tax years 2010 through 2012. For specific information about these federal limitations, visit IRS.gov to read publication Inst-Schedule A. For tax year 2010 through 2012 addback calculations for high income taxpayers, *do not* complete the Colorado High Income Addback Worksheet.

CALCULATING THE STATE ADDBACK

For most taxpayers who itemize deductions, the state income tax deduction addback will be the amount from line 5, Schedule A, Form 1040. However, several worksheets have been included in this publication to assist you in determining the appropriate amount to list on your Colorado income tax return.

Standard Deduction Addback Worksheet

- | | |
|---|----------|
| A1. State income tax amount, line 5 of federal Schedule A | \$ _____ |
| B1. Total itemized deductions, line 29 of federal Schedule A | _____ |
| C1. Federal standard deduction for your status (1040, line 40 instructions) | _____ |
| D1. Subtract C1 from B1, but not less than \$0 | _____ |
| E1. Enter the smaller of A1 or D1 onto line 2 of the Colorado income tax return | _____ |

Married Filing Separate Addback Worksheet

Do not use negative amounts.

| | Taxpayer | Spouse |
|--|----------|----------|
| B1. State income tax included in federal itemized deductions | \$ _____ | \$ _____ |
| B2. Federal itemized deductions | \$ _____ | \$ _____ |
| B3. Married filing separate standard deduction | \$ _____ | \$ _____ |
| B4. Subtract B3 from B2 | \$ _____ | \$ _____ |
| B5. Enter the smaller of B1 or B4, but not less than \$0 | \$ _____ | \$ _____ |
| B6. Subtract B5 from B2 | \$ _____ | \$ _____ |
| B7. Subtract B3 from B6 | \$ _____ | \$ _____ |

If either spouse has an amount greater than \$0 on B7, then each spouse must addback their corresponding B1 amount. If both spouses have \$0 on B7, then each must addback their corresponding B5 amounts.

Colorado High Income Addback Worksheet

The amounts for A and B can be found in the Inst-Schedule A publication at IRS.gov. For tax period 2013, use lines 9 and 3 respectively, and tax period 2009 should use lines 11 and 3 respectively.

- C1. Limitation from the federal itemized deduction worksheet* \$ _____
- C2. Modified itemized deductions from the federal itemized deduction worksheet _____
- C3. Divide C1 amount by C2 amount _____ %
- C4. Amount from line 5 of federal Schedule A, but only if income taxes _____
- C5. Multiply the C4 amount by the C3 percentage _____
- C6. Subtract the C5 amount from the C4 amount _____
- C7. Total itemized deductions from line 29 of federal Schedule A _____
- C8. Federal standard deduction for your status (1040, line 40 instructions) _____
- C9. Subtract the C8 amount from the C7 amount, but not less than \$0 _____
- C10. Enter the smaller of C6 or C9 onto line 2 of the Colorado income tax return _____

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