

Colorado Department of Revenue



*A Revenue Publication for Businesses, Tax Professionals, Local Governments and Individuals*

**December 2006**

---

**Tax Topics**

[Income Tax](#)

[Sales Tax](#)

[Withholding Tax](#)

[Other Tax  
Information](#)

[Excise  
Tax](#)

---

**NOTE:** All links to DOR forms referenced in this document require you to have the free [Adobe Acrobat Reader](#) software

---

***Income Tax:***

- [Income Tax News Briefs](#)
- [2007 Income Tax Interest and Penalty Rates](#)
- [Interest Rate for Colorado Income Tax Purposes](#)
- [Updated Income Tax FYI Publications Available for 2006 Filing Season](#)

## **Income Tax News Briefs:**

### **Two New Voluntary Contributions (Checkoffs) for 2006 - 2007:**

- **Multiple Sclerosis Fund Voluntary Checkoff.** The multiple sclerosis fund voluntary income tax checkoff for income tax years beginning on or after January 1, 2006 but prior to January 1, 2009. 100% of the contributions go to assisting Coloradans who have Multiple Sclerosis through the National Multiple Sclerosis Society including education, medical equipment, exercise programs, counseling, family support, homecare, and advocacy.
- **Colorado Easter Seals Fund Voluntary Checkoff.** Colorado Easter seals fund income tax checkoff for income tax years beginning on or after January 1, 2006 but prior to January 1, 2009. Donations are go toward people of all ages with a with varying disabilities. Support goes to Easter Seals' camp, AgrAbility, stroke rehabilitation, hearings services, post-polio support groups, respite care and water therapy.

### **Gross Conservation Easement:**

The Colorado tax regulation for the Gross Conservation Easement income tax credit state tax regulation ([39-22-522](#)) was amended and adopted on November 1, 2006 at a public tax hearing. The permanent effective date of the changes is Dec. 31, 2006. The amended regulation is available online at [www.taxcolorado.com](http://www.taxcolorado.com) under "Regulations."

The amount of the fair market value of the conservation easement in gross donated on or after January 1, 2007, to a governmental entity or a charitable organization that may be claimed under the existing conservation easements. The credit allows 50 percent of the fair market value of the conservation easement to be claimed and increases the maximum amount of the credit that may be claimed from \$260,000 to \$375,000.

This year the Gross Conservation Easement is a non-refundable credit, so credits may not exceed the net tax liability of the taxpayer.

Now included within the credit regulation is the Tax Matters Representative (TMR). The TMR is the person who donates and/or transfers the credit and is designated to request an appeal or hearing on a transfer item adjustment.

### **Colorado Tax Surplus:**

Colorado will not have a tax surplus for the tax filing year 2006 Colorado. The state did not have a sufficient budget surplus as a result of the Referendum C passed in the 2005 November statewide election which authorized many of the credits Colorado offered. This year certain TABOR credits "triggered" by a surplus are not available. See Regulation [39-22-120](#) "TABOR Credits and Subtractions

Subject to Excess Revenues."

**NOTE:** The Qualifying "Charitable Contribution Subtraction" will be available for tax years 2006 through 2010 because an exemption from the qualified surplus was activated when Referendum C passed in 2005. (§39-22-104(4)(m)(IV), C.R.S.) See [FYI Income 48](#) "Charitable Contributions Subtraction" for more information regarding this subtraction.

### **Aircraft Manufacturer New Employee Credit:**

For tax years beginning on or after January 1, 2006, but prior to January 1, 2017, an income tax credit of \$1,200 per employee is available to aircraft manufacturers located in a Colorado aviation development zone for hiring qualified new aviation zone employees. See [FYI Income 62](#) Aircraft Manufacturer New Employee Credit and its regulation [39-35-104](#) online at [www.taxcolorado.com](http://www.taxcolorado.com)



[\[Top\]](#)

### **2007 Income Tax Interest and Penalty Rates:**

The **2007** income tax interest rate for the **2006** income tax filing is **11** percent.

If a taxpayer owes the Colorado Department of Revenue taxes, interest and penalty may apply when the taxpayer fails to pay timely.

The interest rate for **2007** income tax filing is **11** percent and a **8** percent discounted rate. The **8** percent discounted rate applies when a payment is sent with the return or within 30 days of the first billing notice sent by the Department of Revenue.

Penalty is **5** percent for the first month and **0.5** percent for each month thereafter, up to a maximum of **12** percent of the balance due.



[\[Top\]](#)

### **Interest rate for Colorado Income Tax Purposes:**

The income tax interest rate for 2007 is 11 percent. A lower rate of 8 percent applies if the payment of

tax, or an agreement to pay, is made within 30 days of notice of underpayment or nonpayment. This rate also applies when a tax underpayment or nonpayment is cured voluntarily without notification from the Department of Revenue.



[\[Top\]](#)

## Updated Income Tax FYI Publications Available for 2006 Filing Season:

Many of the "[For Your Information](#)" (FYI) income tax publications have been revised and are now available online to provide you with updated tax information that may pertain to your 2006 income tax filing.

FYI publications address income, sales, withholding, and excise tax as well as general tax information. These publications are located on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "[FYI Tax Publications.](#)"

Also look for the newest income tax publication [FYI Income 63 \(07/06\) "Dual Resident Trust Credit."](#) and [FYI General 18 "Statute of Limitations." \(06/06\)](#) which includes income tax and other state collected taxes.

For additional and latest income tax information you may also visit the "Tax Information Index" which includes a variety of tax topics including links to publications, forms, regulations, statutes, and general questions and answers. The "[Tax Information Index](#)" is located on the department's Web site at [www.taxcolorado.com](http://www.taxcolorado.com)



[\[Top\]](#)

---

## Sales Tax:

- [Sales and Use Tax Returns Due In January](#)
- [2007 Sales and Wage Withholding Interest Rates](#)
- [2007 EFT Dates for Sales Tax Payment to Cities and Counties](#)

- [January 2007 Local Tax Changes](#)

---

## Sales and Use Tax Returns Due In January:

*Reminder to businesses:* All monthly, quarterly, seasonal and annual sales tax returns ([DR 0100](#)) are due January 22, 2007.

Those who made purchases in which sales tax was not paid on the item(s) should be aware that a 2.9% Consumer Use tax is due January 22, 2007. Consumer Use tax is filed on [Form DR 0252](#) "Consumer Use Tax Return" located on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "Forms."

**NOTE:** Normally, the returns are due on January 20. However, the normal due date falls on a weekend, therefore, the official due date for January 2007 is Monday the 22nd.



[\[Top\]](#)

## 2007 Sales and Wage Withholding Interest Rates:

Effective January 1, 2007, the interest rate for late filing of sales tax returns will be **8** percent annually. The rate preprinted on the sales tax and related returns will be **.0134** percent per month or **16** percent annually. This rate includes **8** percent interest, plus **8** percent penalty interest.

The rate printed on wage withholding returns is **.0067** percent per month or **8** percent per year.

If no payment or agreement to pay is made for either sales or wage withholding tax within 30 days from the actual return due date, the interest will increase to **11** percent.

State statutes provide that the interest rate for each year will be the prime rate, as reported by the Wall Street Journal, plus **3** percentage points rounded to the nearest full percent. The prime rate reported **July 1, 2006** was **8.25** percent.



[\[Top\]](#)

**2007 EFT Dates for Sales Tax Payment to Cities and Counties:**

The due dates for the Department of Revenue to pay sales tax collections through Electronic Funds Transfer (EFT) to local governments in 2007 are:

<b>EFT Schedule City &amp; County 2007</b>	
<b>Month</b>	<b>Settlement Date</b>
January	11
February	12
March	12
April	11
May	10
June	12
July	12
August	10
September	13
October	11
November	13
December	12



[\[Top\]](#)

**January 2007 Local Tax Changes:**

<u>State Collected</u>	<u>Tax Rate</u>	<u>Exempt*</u>	<u>Use Tax</u>	<u>Service Fee</u>
<b><u>City Tax:</u></b>				
<b>Basalt</b> (increased sales from 2%)	3%	None	None	3 1/3%
<b>Blanca</b> (increased sales from 2%)	3%	B-C	None	3 1/3%
<b>Brush</b> (increased sales/use from 2%)	3.6%	None	Y-Z - 3.6%	3 1/3%
<b>Palmer Lake</b> (increased sales/use from 2%)	3%	A	Y-Z - 3%	3 1/3%
<b><u>County Tax:</u></b>				
<b>Saguache County</b> (new tax)	1%	A-B-C-E	None	0
<b>Washington County</b> (new tax)	1.5%	A-B-C-D-E-F-G-H	Y-Z - 1.5%	3 1/3%
<b><u>Special District Tax:</u></b>				
<b>Summit County Housing Authority</b> (new tax)	0.125%	A-B-C	Y - .125%	3 1/3%
<b><u>County Lodging Tax:</u></b>				
<b>Huerfano County</b> (new tax)	2%			
<u>Self-Collected</u>	<u>Tax Rate</u>		<u>Service Fee</u>	<u>License Fee</u>
<b>Denver</b> (increased sales/use -- other Denver tax rates remain unchanged)	3.62% from 3.5%		.5%	W*
<b>Longmont</b>	3.275%		3% <sup>6</sup>	\$5.00
<b><u>Other Fee Changes</u></b>				
<b>Environmental Response Surcharge</b> (No Change)				

- \*A = Food for home consumption
- \*B = Machinery and machine tools (as defined on form DR 1191)
- \*C = Gas, electricity, etc., for residential use
- \*D = Occasional sales by charitable organizations
- \*E = Farm equipment
- \*F = Pesticides
- \*G = Food sold through vending machines
- \*H = Low-emitting vehicles
- \*W = Contact the city directly
- \*Y = Motor vehicles
- \*Z = Building materials
- 6 = Cap at a certain amount

**NOTE:** Some of the changes may not have been available at the time of this publication. For any local tax changes effective January 1, 2007 not included in the above list, please reference the DRP 1002 Colorado Sales and Use Tax Rates with additional updates available online in January 2007 at [www.taxcolorado.com](http://www.taxcolorado.com) under "[Forms](#)."



[\[Top\]](#)

### ***Withholding Tax:***

- [2007 Wage Withholding Tables](#)
- [2007 Sales and Wage Withholding Interest Rates](#)

---

### **2007 Wage Withholding Tables:**

The Colorado Department of Revenue has updated the DRP 1098 "Colorado Income Tax Withholding Tables for Employers" for 2007. While the tax rate of 4.63 percent has not changed, the withholding tables have been updated to accommodate changes to the federal standard deduction and exemption amounts.

Employers should use the updated tables and may obtain a copy of the Wage Withholding tables on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under "[Forms](#)."





[\[Top\]](#)

---

### **Other Tax Information:**

- [Lawful Presence in Colorado and the Property Tax Rent/Heat Rebate](#)
  - [Managed Audit Program Gives Some Businesses a Better Understanding](#)
  - [Public Tax Hearings Open Avenue for New and Revised Regulations \(2006 Revised Regulations\)](#)
  - [Reminder to Businesses . . . The Importance of Address Changes](#)
  - [2006 Department of Revenue Legislative Summary](#)
- 

### **Lawful Presence in Colorado and the Property Tax Rent/Heat Rebate:**

Effective August 1, 2006, Colorado law requires individuals age 18 years or older to be lawfully present in the United States to receive public benefits such as the Property Tax Rent/Heat Rebate (PTC)

#### **Before you apply -- Address Verification**

The address you provide on the PTC application must match the address on record for your Colorado driver's license, Colorado identification card or other identification documents you submit. **If the address does not match, the application will be denied.** To update your address on your Colorado driver's license or identification card, submit a Change of Address form, DR 2285, to any Colorado Motor Vehicle Division Driver's License office. This form can be downloaded using the following link: [http://www.revenue.state.co.us/MV\\_dir/wrap.asp?incl=dsforms](http://www.revenue.state.co.us/MV_dir/wrap.asp?incl=dsforms)

See also [http://www.revenue.state.co.us/TPS\\_Dir/wrap.asp?incl=PTCforms](http://www.revenue.state.co.us/TPS_Dir/wrap.asp?incl=PTCforms) for PTC related forms.

#### **When you apply – Required Identification**

Applicants age 18 years or older applying for the PTC rebate must fill out and submit the affidavit, [Form DR 4679PTC](#), located on the back of the PTC form. If the PTC application is received without a completed affidavit the PTC form will be sent back to you with a request that the affidavit be completed. In addition to the signed affidavit, individuals age 18 years or older must provide proof of any one of the following types of *valid* identification and the expiration date:

On the PTC application, write

- Colorado driver's license number, or
- Colorado ID number. If the Colorado ID does not have an expiration date (issued before 1996), you must obtain a new ID prior to applying for the rebate.

If you do not have a Colorado driver's license or ID card, you may provide a photocopy of one of the following forms of identification. Copies of documents that are business card size must be enlarged to index card size (3" x 5").

- Native American Tribal Document
- US Military Card or Military Dependent's ID Card
- US Coast Guard Merchant Mariner Card

### **Waiver Process**

If individual applicants cannot produce the documentation necessary to prove lawful presence, they may request a waiver. The waiver will be valid only until March 1, 2007. For questions about the waiver process, call (303) 205-8358.



[\[Top\]](#)

### **Managed Audit Program Gives Some Businesses a Better Understanding:**

The Colorado Department of Revenue's Field Audit Section has developed a new [Managed Audit Program](#) (MAP). The program allows certain businesses to conduct a type of self-audit with instructions and guidance from one of its auditors. Included in the program is a guide to aid those who qualify for the program. The guide provides taxpayers with instructions on self-auditing of a business, determination as to whether a business qualifies for participation in the Managed Audit Program, general information and specific instructions for audit procedures as well as the program participation agreement. If the business qualifies and is approved for participation, the taxpayer may then conduct many of the audit tasks that would ordinarily be performed by an auditor.

There are a number of benefits for those who do qualify for program participation that include waiver of penalties; personal review of the business records whenever convenient, increased knowledge and understanding of how tax applies to business transactions, what kind of records that should be retained, as well as improving business procedures that relate to sales and use tax.

For further information visit the Department's Web site at [www.taxcolorado.com](http://www.taxcolorado.com), "[Tax Information Index](#)" ([Sales and Use Tax](#)), this will allow you to view and print the Managed Audit Program Guide

and Agreement.



[\[Top\]](#)

## **Public Tax Hearings Open Avenue for New and Revised Regulations (2006 Revised Regulations):**

Throughout the year the Colorado Department of Revenue's Taxpayer Service Division conducts public tax hearings to adopt new and revised Colorado tax regulations.

The regulation hearings reflect a variety of taxes including sales and use tax, special sales tax regulations, income tax, excise, estate, cigarette/tobacco, gas and special fuel taxes as well as tax related department procedures and administration.

Tax hearings are open to the public and are published online with a draft of the proposed regulation at least one month prior to the date of the hearing.

Anyone interested in reviewing regulations scheduled to be heard should regularly visit the Department's Web site at [www.taxcolorado.com](http://www.taxcolorado.com) and click under "Taxes" then "Publications/Resources" and go directly to "[Regulations.](#)"

The proposed regulation portion of the Web page will list the schedule and documentation. The final regulation page provides links to all adopted regulations.

Many of the final regulations may also be found under their respective tax topic located within the Tax Information Index. The Tax Information Index includes a variety of tax information including publications, regulations, state statute references, forms, questions and answers and more. The Index is located on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

The most recent tax regulations that have been adopted and are available online under Final Regulations include:

- [Regulation 39-22-522 Gross Conservation Easement](#) (Income Tax)
- [Regulation 39-22-108.5 Dual Resident Trust Credit](#) (Income Tax)
- [Regulation 39-22-104\(4\)\(m\) Qualifying Charitable Contribution Subtraction](#) (Income Tax)
- [Regulation 39-22-108 Credit for Taxes Paid to Another State](#) (Income Tax)
- [Regulation 39-29-112 Due Date for Filing Severance Tax Returns](#) (Severance Tax)
- [Regulation 39-29-115 Penalty and Interest - Severance Tax Return](#) (Severance Tax)
- [Regulation 39-27-103 Gasoline and Special Fuel Tax](#) (Excise on Fuel Taxes)

- [Special Regulation 7 Computer Software](#) (Sales Tax Special Regulations)



[\[Top\]](#)

## **Reminder to Businesses . . . The Importance of Address Changes:**

If you own a business in Colorado and have changed locations you must notify the Department of Revenue of the address change. You may contact the Department for an address change by calling (303) 238-SERV (7378), complete [Form DR 1102](#) "Business Tax Account Change or Closure Form," or write the new address on the [DR 0100](#) Retail Sales Tax return.

Remember, if you relocated to a new address in a different city and/or county, the sales tax rates are likely to be different from your previous location and there may be other types of taxes at the new location (for example, RTD, local taxes, etc.) You would need to file two sales tax returns, one for the previous location and one for the new location. For example, if you file a monthly return and on the 15th moved from El Paso County to Douglas County, you would need to file one return for sales tax activity that occurred while still in El Paso County and a second return for sales tax activity in Douglas County.

If you are adding an additional location to your existing business, complete [Form CR 0100](#) "Colorado Business Registration" and submit it to the Department of Revenue. The department will add the additional location as a branch to your main account. All forms may be found on the Web at [www.taxcolorado.com](http://www.taxcolorado.com) under the "Forms" link.



[\[Top\]](#)

## **EXCISE TAX:**

### **2006 Legislation Delivers New Requirements to Wineries and Personal Consumers:**

Effective July 1, 2006 in-state and out-of-state wineries that ship directly to individual consumers in Colorado are required to obtain a "Winery Direct Shipper's Permit" to collect and remit Colorado excise taxes for those purchasing wine in Colorado for personal consumption.

The new requirement comes as a result of legislation passed in 2006 (House Bill 1120) stating in-state and out-of-state wineries when specifically selling to individual consumers for personal consumption

must collect and remit the 7.33 percent per liter excise tax, one cent surcharge per liter and hold a direct shipper permit. The direct shipper permit requirements do not apply or does not affect the selling of wine to an establishment for commercial purposes or for wine intended to be sold for resale in Colorado.

For example: If a winery in California receives a telephone, catalogue, email, or online order from an individual residence for a bottle, case or several cases of wine for a private event the excise tax and surcharge would be collected from the purchaser and the winery would remit the tax to the state. However, the winery must follow specific guidelines to lawfully complete a transaction such as:

- Apply for and hold a valid direct shippers permit
- Require proof that the purchaser is at least 21 years of age
- Deliver to the original purchaser only or to a designated recipient in advance by the purchaser.
- Package must be conspicuously labeled
- Delivery shall be made by common carrier to the personal consumer
- Require a signed receipt from the personal consumer acknowledging delivery of the wine
- The seller must not have a financial interest in any Colorado wholesale or retail alcohol beverage license
- Collect and remit the excise tax
- Keep accurate and complete records of personal consumer sales for a period of no less than 3 years

"Personal consumer" is generally defined as any individual twenty-one years of age or older who does not hold an alcohol beverage license issued in Colorado. The personal consumer **cannot** use the shipped wine for resale or any commercial purposes, but for only that of private use. Private use can be defined as home consumption, or private parties or events where the wine is not being sold.

The personal consumer must:

- Be 21 years of age or older
- Accept the wine as the original purchaser or designated recipient.
- Provide valid proof of identification at the receipt of the goods
- Lawfully agree they **do not** have a liquor license or establishment in which the liquor will be resold or used for commercial purchases.
- Personally sign a receipt acknowledging delivery of the package by the purchaser or designated recipient.
- Remit consumer use tax to the department on the direct shipment of wine purchased if the winery has not charged sales tax on the billing invoice.

Wineries may obtain an "Application for Wine Shipment Permit ([Form DR 8475](#)) online through the Liquor Enforcement Web site at [www.revenue.state.co.us/liquor\\_dir/home.asp](http://www.revenue.state.co.us/liquor_dir/home.asp) Contact the Liquor Enforcement Division at (303) 205-2300 for more information regarding required licensing in Colorado.

*Note:* Available online soon,. . . new FYI Excise 21 "Shipment of Wine to Personal Consumers in Colorado." This FYI will be available in December at [www.taxcolorado.com](http://www.taxcolorado.com) under "[FYIs](#)." The FYI will define in greater detail direct wine shipments and personal consumers.



[\[Top\]](#)

---

[\[ State Home | Revenue Home | Top \]](#)

---

*last modified: December 1, 2006*