



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

December 2009

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New Requirements for Amended Returns

The Colorado Department of Revenue now requires that any amended income tax return filed must also have attached to the return any schedule or documentation that pertains to that particular return. This includes attaching the 104PN and 104CR credit schedule to amended returns regardless of what year the filing is for including any income tax credit or subtraction that an amended return is being filed.

If all supporting documents are not attached to the amended return, the return may be incorrectly adjusted by the Department of Revenue, which would require a second amended return to be filed to correct the return.



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2010 Income Tax Interest and Penalty Rates

The 2010 income tax interest rate for the 2009 income tax filing is 6 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 of 6 percent can be reduced to a 3 percent discounted rate.

The 3 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.



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Job Growth Income Tax Incentive Credit

For tax years beginning January 1, 2009 but prior to January 1, 2015, an income tax credit may be available to taxpayers who bring a net job growth of at least twenty new jobs to the state with an average yearly wage of at least one hundred ten percent of the average yearly wage of the county in which the new jobs are located. This credit is approved and certified by

the Colorado Economic Development Commission. The credit certificate issued by the Commission must be attached to the return when claiming this credit.



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Single-Factor Apportionment of Business Income

For tax years beginning on or after January 1, 2009, corporations and partnerships are no longer be permitted to apportion their business income using the two-factor or three-factor methods previously allowed. Rather, these methods have been replaced with a single-factor apportionment method by which all business income must be apportioned on the basis of the Colorado sales as a percentage of total gross sales. Non-business income may be either apportioned in this same manner or directly allocated to its state of origin.

This change is the result of the passage of House Bill 08-1380. The complete bill text is available online at <http://www.leg.state.co.us/> Additionally, the Department has promulgated rules regarding the administration of the statutory sections added or amended by this bill.

Information regarding this change is available in FYI Income 59 Apportionment of Income and in the Tax Information Index of the Tax Library at www.taxcolorado.com under single factor.



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Wildfire Mitigation Measures Subtraction

For tax years 2009 through 2013 individuals, estates and trusts may subtract from federal taxable income 50 percent of the costs incurred in performing wildfire mitigation measures that meet the following qualifications and limitations:

- The taxpayer must own the property upon which the wildfire mitigation measures are performed.
- The property upon which the wildfire mitigation measures are performed must be located in Colorado.
- The property upon which the wildfire mitigation measures are performed must be located in a wild land-urban interface area.
- The wildfire mitigation measures must be authorized by a community wildfire protection

plan adopted by a local government within the interface area.

- The total amount of the subtraction may not exceed \$2,500.

More information about this subtraction is available in FYI Income 65 located on the Web at www.taxcolorado.com



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TeleFile Filing Option Eliminated

The TeleFile (filing by telephone) tax filing option has been discontinued by the Colorado Department of Revenue and will not be available for anyone filing their 2009 tax returns.

The discontinuation of this filing option comes as a result of low taxpayer usage. Because usage of the TeleFile system continued to reflect a small percentage of users it is no longer feasible for the Department of Revenue to offer the TeleFile as an electronic filing option.

Those who wish to file electronically may use the no-cost Colorado NetFile located on the web at www.taxcolorado.com



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Voluntary Contribution Changes for 2009 Filers

The 2009 voluntary contribution program (checkoffs) program has a couple of changes for those planning on contributing all or a portion of their state income tax refund to one of the voluntary contributions listed on the 104 Individual Income Tax form.

- Newly added to the form is Make-A-Wish Foundation of Colorado Fund – since 1983, Make-A-Wish Foundation of Colorado has given hope, strength and joy to over 3,300 Colorado children with life-threatening medical conditions.
- One voluntary contribution, Colorado Easter Seals Fund, has been dropped and will not be available on the 2009 state tax return.

NOTE: If you owe the department tax and are making a payment, you cannot make a voluntary contribution on the 2009 104 state income tax return. If you owe tax and choose to donate on the return, the amount you donate will be refunded back to you and will not be applied to any of the voluntary contributions. Donations to the checkoff agencies can be made directly to the agency using information available at www.checkoffcolorado.org

Removal and additions of state voluntary contributions are not determined by the Department of Revenue. State law allows for no more than 15 checkoffs on a return in a single year.

While there may be some statutory exceptions, generally, checkoffs are dropped from the return if they do not receive the required \$75,000 in contributions from January 1 to September 30 of any year starting in the third year they appear on the state income tax return.



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Tax Classes Go Online

Normally this time of year the Department of Revenue offers a live income tax update class for tax professionals. For 2009 income tax classes are offered online only and no longer offered in the live format.

The Tax Professionals Update 2009 class content can be viewed online in two ways. It can be viewed in a PDF format or the class can be viewed and taken online with CPE credit.

You may find the online classes on the department's Web site at www.taxcolorado.com under "Tax Classes."

For questions email the Taxpayer Service Public Information/Education Section at publiceducation@spike.dor.state.co.us



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Sales Tax:

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Sales and Use Tax Returns Due In January

Reminder to businesses: All monthly, quarterly, seasonal and annual sales tax returns (DR 0100 Colorado Retail Sales Tax) are due January 20, 2010.

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 20, 2010. Consumer Use tax is filed on Form DR 0252 "Consumer Use Tax Return." Consumer RTA Use tax is filed on Form DR 0251 "RTA Consumer Use Tax Return."

Please Note: The service fee (vendor's fee) for the state and special districts RTD/CD/FD has been eliminated and cannot be taken.

Forms referenced above are located on the Web at www.taxcolorado.com



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Sales Tax Licenses Due to Expire - Renew Now!

Renew today to ensure receipt of the new sales tax license!

All Colorado sales tax licenses are set to expire on December 31, 2009. Sales tax licenses are valid for a two-year period and expire at the end of each odd-numbered year. Sales tax licenses must be renewed before December 31, 2009 in order to receive the new 2010-2011 license in time for sales tax collection in January.

To renew the license, complete the Renewal Application for Sales Tax License (DR 0594). The

DR 0594 is available in this year's Colorado sales tax coupon booklet and on our Sales Tax Forms Web page at www.taxcolorado.com

The renewal license fee of \$16 is for each location. If a business has more than one sales location, each location must have a license.

Mail the DR 0594 to us with the payment or take the Renewal Application for Sales Tax License (DR 0594) to any Taxpayer Service Center. Locations are available online at www.taxcolorado.com under "Contact Us", Taxpayer Service Division Locations.

It will take the department 4-6 weeks to process the application and to mail out the new license to the business. Providing the correct business location address is important when renewing a sales tax license and will ensure quick receipt of the license.



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2010 Sales and Wage Withholding Interest Rates

Effective January 1, 2010, the interest rate for late filing of sales tax returns will be 6 percent annually. The rate preprinted on the sales tax and related returns will be .0050 (.50%) per month or 6 percent annually. This rate includes 3 percent interest, plus 3 percent penalty interest.

The rate printed on wage withholding returns is .0025 (.25%) per month or 3 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 6 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, 2009 was 3.25 percent.



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Tax on Medical Marijuana

The Colorado Attorney General has recently ruled that sales tax must be collected by the vendor on sales of medical marijuana dispensed in accordance with Article XVIII, Section 14 of the Colorado Constitution.

The law requires that all businesses selling medical marijuana be licensed through the Colorado Department of Revenue and collect and remit sales tax to the department on all taxable sales. If a business fails to collect sales tax from customers, they will be liable to pay the tax that should have been collected.

Any business selling medical marijuana that does not have a Colorado sales tax license should immediately file and submit the Form CR 0100, Colorado Business Registration Form, to set up a sales tax account and receive a license. Please note there is a fee and a sales tax deposit required with the license application. See the CR 0100 form for details. This form can be taken to any Taxpayer Service Division service center where the account can be set up immediately and a temporary license issued. The department will mail the final paper license in 4 to 6 weeks.

After the sales tax account is set up, the business should begin collecting state sales tax. Please note that all local city and county taxes apply to the sale of medical marijuana as well as special district taxes. Tax rates can be found in publication DR 1002, Colorado Sales Tax Rates or by using the department's Local Tax Rates System found online at www.taxcolorado.com. Additional forms and information are available on the Web site under Sales Tax.

Please maintain timely filings to avoid penalty and interest charges. To report other dispensaries that are not currently collecting tax a secure e-mail can be sent through our Web site under "Contact Us". All matters are kept confidential.

The formal Attorney General Opinion is available online at: http://www.coloradoattorneygeneral.gov/ag_opinions/2009/no_09_06_ag_alpha_no_ex_ad_agbdd_november_16_2009



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Sales and Use Tax Service Fee Changes for Special Districts

The Colorado Department of Revenue has determined that under Senate Bill 09-275, the Colorado sales tax Service Fee rate (also known as the Vendor's Fee) must be reduced to zero for the state-collected special districts Regional Transportation District (RTD), Scientific and Cultural District (CD), and Football District (FD).

Retailers should no longer take the vendor fee for RTD/CD/FD in the special district column on timely filed returns. This also applies to any retailers that may still be collecting Baseball District sales/use tax.

- Businesses with multiple locations that file by spreadsheet or on pre-printed forms mailed by the Department must change the special district column to zero.
- Pre-printed forms sent to multi-location retailers, seasonal filers, and accounts that report retailer's use tax will reflect the zero vendor fee rate.
- Annual filers will receive pre-printed forms showing the zero vendor fee rate for RTD/CD/FD.
- Single location retailers must change the vendor fee rate on line 8a and put zero on line 8b of the DR 0100, Colorado Sales Tax Return. Single location retailer coupon books sent in January for 2010 will reflect the zero vendor fee rate for RTD, CD, and FD.

The vendor fee rates for other local sales taxes for state-collected cities and counties, county mass transit, county public safety, and local improvement districts are not changed.



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Penalty for "Failure-to-File" Sales and Retailer's Use Tax

As a result of the passage and signing of House Bill 09-1101 in March 2009, a failure-to-file penalty and interest assessment has been enacted for all sales tax and retailer's use tax returns that are not filed timely or not filed completely and correctly.

If a sales/use tax return is postmarked after the due date of the return, the taxpayer will receive an assessment of 10% late penalty plus 1/2% for each additional month up to a maximum of 18%

This late filing penalty assessment is valid and must be paid regardless of when the payment [submitted by mail or Electronic Funds Transfer (EFT)] was received by the department.

If payment of a sales or retailer's use tax liability is also late (not paid on time), based on the postmark date on the envelope of a mailed payment or an EFT submitted date, taxpayers will also receive a billing for failure to pay timely.

If you have received a billing from the Colorado Department of Revenue, you must include in your return submission:

- 1) A copy of the explanation letter.
- 2) The bottom coupon portion of the billing.
- 3) Full payment of the failure-to-file billing by check (this payment is not eligible for EFT payment) by the due date on the bill.



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Paying Consumer Use Tax

If you or your business buys an item and you weren't charged sales tax, you are probably responsible for paying a use tax on that item. Purchases made over the Internet, from mail order catalogs, or through toll-free numbers are sometimes from out-of-state vendors who may or may not collect Colorado tax. You must pay use tax on anything that is normally taxable if you didn't pay tax on it when you bought it.

The state use tax rate is 2.9%, plus there may be special district use taxes due, depending on where you are located. The Colorado Department of Revenue collects the following types of use tax: state use tax, Denver Regional Transportation District (RTD)/Cultural District (CD)/Football District (FD) use tax and Rural Transportation Authority (RTA) use tax. Use tax for RTD/CD/FD districts is reported on the Consumer Use Tax Return (DR 0252). Use tax for Rural Transportation Authorities (RTAs) is reported on the RTA Consumer Use Tax Return (DR 0251). All other cities and counties in Colorado collect their own use tax when applicable. Use tax must be paid by businesses and individuals who purchase goods from a seller who did not collect Colorado sales tax.

Colorado law requires that state sales or use tax be paid on all non-exempt tangible personal property that is sold, leased, or delivered in Colorado for use, storage, distribution or consumption in the state. You have to file a use tax return at least once a year, or by the 20th of the following month whenever you have bought \$10,345 worth of goods that weren't taxed.



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2010 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 2010 are: (Please note: Some of the settlement dates reflected in this chart may be subject to change based upon the state's mandatory furlough dates in 2010.)

EFT Schedule City & County 2010	
Month	Settlement Date
January	13
February	10
March	10
April	13
May	12
June	10
July	13
August	11
September	13
October	13
November	10
December	10



Withholding Tax:

- [Filing Annual W-2 Tax Data](#)
- [No Change to Withholding Tables in 2010](#)

Filing Annual W-2 Tax Data

A Few Things to Remember When Filing Annual W-2 Tax Data . . .

- 1) W-2 statements may be submitted to the Department by one of two methods:
 - Secure electronic submission; or
 - Via paper
- 2) The Colorado Department of Revenue **no longer** accepts magnetic media submissions via ½ inch tape, 3480 cartridge, CD-ROM, diskette or by email submissions. The WHO system (Withholding Online) must be used in lieu of magnetic media and email submissions.
- 3) For the "W-2 Statement Calendar", the last day of February employers must submit to the Colorado Department of Revenue any W-2 statement via paper means.

Filing Specification Reminders:

- For tax year 2009, Withholding Online (WHO) filers may upload their files beginning on **January 1, 2010.**
- No submissions via email, or by magnetic media are acceptable.

Filing Deadline Reminders:

- The Colorado Department of Revenue (CDOR) deadline for electronic filing is **March 31, 2010.**
- The CDOR deadline for filing paper submissions is **February 28, 2010.**

Note: A penalty may be assessed for each W-2 that is filed late.

For more information on filing annual W-2 data see FYI Withholding 6 "Methods of Filing Colorado Annual W-2 Tax Data" located on the department's web site at www.taxcolorado.com under "FYI Publications."



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No Change to Withholding Tables in 2010

The state wage withholding tables will not be changing for tax year 2010. Tables are scheduled to be changed in 2011.

The DR 1098, "Colorado Income Tax Wage Withholding Tables For Employers" **are not** automatically mailed to employers.

Call (303) 238-SERV (7378) to order or download them in PDF format from the Web at www.taxcolorado.com Click on "**Tax Forms**", select "**Forms by Number**", then scroll down to DR 1098 Withholding Tables (this version applies for 2010).



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Other Tax Information:

- [Fire-Safe Cigarettes and Flavored Cigarette/Tobacco Update](#)
- [2010 Cigarette and Tobacco EFT Due Dates](#)
- [State Begins Implementation of New Accounting System](#)
- [New Tire Fee Rolls In](#)
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Fire-Safe Cigarettes and Flavored Cigarette/Tobacco Update

- Effective July 31, 2009, all cigarettes sold or offered for sale in Colorado must meet specified standards for reduced ignition propensity (fire-safe cigarettes). Cigarettes sold or offered for sale that do not meet the specified standards are subject to forfeiture.
- Effective October 19, 2009, the State of Colorado has removed several brands of flavored cigarettes and Roll-Your-Own tobacco per manufacturers' request from the Colorado Certified Brands Directory. This removal was in response to a ban by the Food and Drug Administration regarding flavored cigarettes and tobacco products.



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2010 Cigarette and Tobacco EFT Due Dates

The Colorado Department of Revenue's Electronic Funds Transfer (EFT) program, allows cigarette/tobacco taxes collected by the state for local governments to automatically be deposited into specific accounts. 2010 due dates for cigarette tax EFT transmissions are:

MONTH	DATE (2010)
January	8
February	5
March	5
April	8
May	7
June	8
July	8
August	6
September	9
October	7
November	5

To receive monthly cigarette tax distribution through EFT, you must complete Form DR 1011, "Authorization Agreement For Automatic Deposits (ACH credits)." Contact the Department of Revenue at the address below for a DR 1011 Form.

Send the completed form to:

Colorado Department of Revenue
Excise Tax Accounting Section
1375 Sherman St., Room 237
Attention: Jeanne Pletcher
Denver, CO 80261-0003



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State Begins Implementation of New Accounting System

The following information explains changes that may affect individuals and businesses who file taxes with the Colorado Department of Revenue. Colorado is in the process of consolidating more than 15 tax and fee programs into one integrated computer system. This project has been planned for some time and received funding approval from the Colorado Legislature in 2007. This effort is taking place in phases through 2012.

The Colorado Department of Revenue has been working with accounting systems that have been in existence for more than 40 years. Many of these systems did not "talk" to each other, making it difficult for the department to efficiently work with accounts. With the many changes to taxes over the years, it became necessary to move toward a system that allows the department to better process taxes and assist taxpayers.

Why consolidate tax systems?

The priority is to assist customers in meeting their tax obligations. The department will be able to improve service to by working with a comprehensive view of an individuals account rather than having separate views of accounts for each type of tax an individual may file. For example, if someone has both income tax and business tax accounts with the department, having these in one system means the department can provide more complete service to taxpayers. This will also improve how the department processes tax returns, bill taxpayers, collect liabilities, and provide tax information when taxpayers contact us, and enforce tax laws.

What taxes or fees will be added to the system and approximately when will that happen?

In November 2008, the following were moved to the new system:

- PTC (Property Tax Rent/Heat Rebate) form 104PTC
- Severance tax form DR 0021
- Other forms related to severance tax

In November 2009, the following were moved to the new system:

- Individual income tax form 104 and related forms
- Corporation income tax form 112 and related forms
- Partnership income tax form 106 and related forms
- Fiduciary income tax form 105 and related forms

How will this affect you?

The transition to the new system for income tax will bring about change to the way we work within the department in hopes that this will translate positively to the taxpayer. The department has more than 2.7 million active income tax accounts (individuals, corporations, partnerships, estates/trusts). In the meantime, we ask for your patience as the department makes its transition, including response times similar to peak filing periods during the technical change over and the months ahead as department employees adjust to the system as well.

Noticeable improvements such as an ability to provide better customer service and a new look to letters and forms as they are issued from the new system. To improve confidentiality a link has been created between the Federal Employer Identification Number (FEIN) and a new 8-digit number called your Colorado Account Number. **For each tax type we can use the Colorado Account Number rather than your FEIN. The new account number will be referenced on all documentation taxpayers receive from us.**

If an individual uses any old or previous account numbers the department will still be able to process the information sent to us.

Finally, for any taxes not filed/paid the taxpayer will receive a monthly "Statement of Account (SOA)." This document provides a consolidated notice informing the taxpayer of all periods in debt including those previously billed from our older computer systems but not yet collected. For each period the SOA will show the tax due, interest, penalty, additions to tax, and any credits. In cases of non-filed tax returns, it will show estimated tax due. It will also show stages of collection, such as an assessment, notice of proposed tax lien, or lien and distraint warrant. Taxpayers will receive a separate SOA for each tax account (tax type) included in the new system. However, for tax types not yet included in the new system, taxpayers will continue to

receive billings and delinquency notices for non-filed returns as they have in the past.

When will other taxes be included in the new system?

By the end of 2010, the system will expand to include:

- Sales and use tax
- Wage withholding tax
- International Registration Plan (IRP)

Continue to check the Department of Revenue's Web site at *www.taxcolorado.com* as more information becomes available about which taxes will be added to the system and when they will be added.

What if I have questions about my account(s)?

The Department of Revenue intends to make this transition as seamless as possible. However, if you receive something from us you believe to be in error or you do not understand, please call (303) 238-SERV (7378).

For More Information

Visit the Web at *www.taxcolorado.com*

Call (303) 238-SERV (7378) Customer Service Representatives are available Monday through Friday, 8 a.m. to 4:30 p.m.

Write to:

Colorado Department of Revenue
1375 Sherman St.
Denver, CO 80261

For Forms

Visit the Web at *www.taxcolorado.com* Call the Forms Order Line for Current Income Tax Forms, (303) 238-FAST (3278).



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New Tire Fee Rolls In

In August 2009 the \$1.50 Waste Tire Recycling Development Fee became applicable to new tires being sold.

The fee is assessed at the time a new tire is sold at retail, not when a used tire is collected by the dealer. All new passenger vehicle tire(s) sold are subject to this fee with the following two exceptions:

1. Tires for any truck tractor, trailer or semi-trailer weighing more than 15,000 pounds that have been recapped or reprocessed;
2. Any tire for farm equipment exempt from sales and use tax or a farm tractor or implement of husbandry exempt from registration.

All receipts from the retailer to the customer purchasing a new motor vehicle tire(s) shall state in no less than 15- point, bold-faced type the following:

"Section 25-17-202, Colorado Revised Statutes, requires retailers to collect a \$1.50 waste tire recycling development fee on the sale of each new motor vehicle tire."

Retailers selling new tires that do not have Form DR 1772 "Waste Tire Recycling Development Fee Return" automatically sent to them should contact the Department at (303) 205-8211, extension 6863.

Forms may be downloaded from the Web at www.taxcolorado.com

For additional information see FYI General 13 "Waste Tire Recycling Development Fee" also on the Web at www.taxcolorado.com



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Cash For Clunkers

Information regarding the Cash for Clunkers Program

In 2009 federal legislation established the Car Allowance Rebate System, also known as the Cash for Clunkers program. The federal program establishes guidelines for trading in older vehicles that are not fuel-efficient. The buyer may then be eligible for a federal credit to be used toward the purchase or lease of a new, more fuel-efficient vehicle. The vehicle traded in

must be crushed or shredded, although some parts may be salvaged. The engine and drive train cannot be salvaged. Eligibility for the credit and the amount of credit are determined at the dealer under the federal guidelines. The credit allowed is applied toward the purchase or lease as partial payment, similar to a manufacturer rebate. The dealer will apply this credit in addition to other rebates or credits. The dealer is reimbursed by the federal government for this credit. This federal credit does not lower the purchase price or the amount subject to state and local sales tax. If the dealer, as part of the sales negotiations, allows a scrap value for the vehicle being traded in, that scrap value can be considered a trade-in and is allowed as a deduction from the amount subject to state and local sales tax.

Note: The Cash for Clunkers rebate is not considered taxable income on a Colorado income tax return even though it was applied to the purchase.

If someone purchased a qualifying Alternative Fuel Vehicle during this program, the person may be eligible to claim the Alternative Fuel Credit on the Colorado income tax return. See FYI Income 9 for more information located on the Web at www.taxcolorado.com

The Cash for Clunkers rebate is subject to sales tax in Colorado. Therefore, sales tax must be paid when purchasing or registering the vehicle.

The purchase is subject to sales tax on the full purchase price, less any scrap value allowed, of the vehicle before the Cash for Clunkers rebate was applied.



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Fair Share Goes *Discovery*

The Fair Share section located within the Tax Auditing and Compliance Division has a new name. The former Fair Share Section is now called the *Discovery* Section.

For information on specific billings from the Discovery Section go to the Web at www.taxcolorado.com and select the tax type then "Billing Notices."



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