

For tax years beginning on or after January 1, 2023, but before January 1, 2025, a qualifying employer may claim on its Colorado income tax return a refundable credit for providing alternative transportation options to all its employees who are employed in Colorado. The credit is allowed, not only to taxpayers, but to certain tax-exempt entities as well. A variety of alternative transportation options qualify for the credit, including, but not limited to: carsharing, bikesharing, and ridesharing.

This publication is designed to provide general guidance regarding the alternative transportation options credit and is intended to supplement guidance provided in the *Colorado Individual Income Tax Guide*. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

## Qualifying employers

The credit is allowed to any entity that employs three or more people in Colorado and provides alternative transportation options to those employees. Qualifying employers may include, but are not limited to:

- a corporation,
- partnership,
- joint venture,
- common trust fund,
- limited association,
- or limited liability company,
- pool or working agreement, and
- certain tax-exempt entities, as described below.

## Tax-exempt entities

Certain tax-exempt entities that employ at least three people in Colorado may also claim a refundable credit. Qualifying tax-exempt entities include the following:

- any nonprofit organization;
- any home rule city, town, or city and county; or
- any statutory city or town.

However, the credit may not be claimed for the transportation of children to or from elementary or secondary school, or on school-related events using school transportation vehicles.

## Annual employer plan report

Each tax year, as a prerequisite for claiming a credit, an employer must file with the Department an *Alternative Transportation Options Credit Annual Employer Plan Report* (DR 1323). In the report, the employer must detail its plan for notifying its employees of the availability of the alternative transportation options that it offers. The employer must also explain the additional steps beyond such notification that it plans to take to encourage employees to use those alternative transportation options. Form DR 1323 and filing instructions can be found online at [Tax.Colorado.gov/alternative-transportation-option-tax-credit](https://tax.colorado.gov/alternative-transportation-option-tax-credit).



## Alternative transportation options

In general, an employer may claim a credit only for amounts spent by the employer for alternative transportation options that it makes available to all of its employees who are employed in Colorado. This requirement applies with respect to all employees regardless of the following conditions:

- the position that an employee holds,
- whether the employee is employed on a full-time or part-time basis, or
- whether an employee is salaried, compensated in whole or in part through commissions or tips, or paid on an hourly basis.

If it is not feasible to offer a particular alternative transportation option to certain employees, an employer may offer a substantially equivalent alternative transportation option to such employees.

Alternative transportation options that qualify for the credit are any free or partially subsidized, generally accepted transportation demand management strategies provided to employees working in Colorado. Qualifying alternative options may include, but are not limited to the following:

- Ridesharing arrangements and the provisioning of vehicles therefor;
- The provisioning of ridesharing vans or low-speed conveyances such as human-powered or electric bicycles;
- Shared micromobility options such as bikesharing and electric scooter sharing programs;
- Carsharing programs;
- Guaranteed ride home programs;
- Cash incentives, not to exceed the value of the alternative transportation option, including incentives for participation in ridesharing or bikesharing;

- Free or partially subsidized mass transit tickets, tokens, or fares for use by employees in going to and returning from their places of employment;
- Free or partially subsidized prearranged rides provided by a transportation network company ([PUC.Colorado.gov/TNC](https://www.puc.colorado.gov/TNC)) or free or partially subsidized rides provided by bikesharing arrangements for use by an employee in traveling between the employee's residence, the employee's place of employment, or a mass transit facility that connects the employee to the employee's residence or place of employment.

Administrative costs incurred in organizing, establishing, or administering alternative transportation options programs for employees may also qualify for the credit.

## Ridesharing arrangements

For the purpose of the credit, a ridesharing arrangement is the vehicular transportation of passengers traveling together, primarily to and from such passengers' places of business or work, or traveling together on a regularly scheduled basis with a commonality of purposes. Carpools and vanpools are common examples of ridesharing arrangements. To qualify as a ridesharing arrangement, both of the following conditions must be met:

- the vehicle used must not be operated for profit by an entity primarily engaged in the transportation business; and
- no charge may be made therefor other than what is reasonably calculated to recover the direct and indirect costs of the ridesharing arrangement, including, but not limited to, a reasonable incentive to maximize occupancy of the vehicle.

Notwithstanding these requirements, an arrangement by an employer engaged in the transportation business that provides ridesharing arrangements for its employees may qualify for the credit.

## Bikesharing arrangements

Bikesharing arrangements that qualify for the credit are any rental operation at which bicycles, electrical assisted bicycles, or electric scooters are made available to pick up and drop off for point-to-point use within a defined geographic area. Please see section 42-1-102, C.R.S., for definitions bicycles, electrical assisted bicycles, and electric scooters.

## Calculating the credit

In general, the allowable credit is equal to 50% of the amount spent by the employer to provide alternative transportation options to its employees. However, the allowable credit is subject to certain limitations, discussed below.

## Limitations

The maximum amount spent in any income tax year for which an employer may claim a credit is \$250,000. As a result, the maximum credit an employer may claim for a tax year is \$125,000. Additionally, the maximum amount spent in any income tax year for any one employee for which an employer may claim a credit is \$2,000.

## Claiming the credit

To claim the credit, a qualifying employer must file a Colorado income tax return. Qualifying tax-exempt entities, including cities and towns in Colorado, must file a *Colorado C Corporation Income Tax Return* (DR 0112) to claim the credit, even if they are not otherwise required to file a return.

If the amount of any credit allowed exceeds the employer's income taxes due for the year, the excess credit is refunded to the employer.

## Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to alternative transportation option tax credits. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

### Statutes and regulations

- § 39-22-509, C.R.S. Mass transit and ridesharing arrangements - employer deductions.
- House Bill 22-1026

### Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/forms-in-number-order](https://tax.colorado.gov/forms-in-number-order)
- [Tax.Colorado.gov/alternative-transportation-option-tax-credit](https://tax.colorado.gov/alternative-transportation-option-tax-credit)
- *Alternative Transportation Options Credit Annual Employer Plan Report* (DR 1323)
- *Colorado C Corporation Income Tax Return* (DR 0112)