

An employer who contributes to an employee's 529 qualified state tuition program account with Collegenest may claim a credit on their income tax return.

This publication is designated to provide general guidance regarding the 529 employer contribution 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 taxpayers

The credit for contributions to a 529 college savings plan is allowed only to employers doing business in the state. Please see Part 1 of the *Corporate Income Tax Guide* for assistance in determining whether an employer is doing business in Colorado. The employer may be a C corporation, S corporation, partnership, or sole proprietorship.

Any taxpayer who is not an employer may not claim a credit for contributions they make to a 529 college savings plan. Individuals, estates, and trusts who make contributions may be able to claim a subtraction for their contributions. For additional information, please see Department Publication *Income Tax Topics: 529 Contribution Subtraction*, available online at [Tax.Colorado.gov/guidance-publications](https://tax.colorado.gov/guidance-publications).

Qualifying contributions

The credit is allowed for contributions that meet all the following requirements:

- The contribution is made by the employer.
- The contribution is made to a 529 college savings plan with Collegenest.
- The account owner is an employee of the taxpayer.
- The contribution is made in an income tax year commencing on or after January 1, 2019, but prior to January 1, 2032.

Qualifying accounts

The credit is allowed only for contributions made to a qualified state tuition program account with Collegenest. Information about qualified state tuition programs, also known as 529 college savings plans, can be found online at www.collegenest.org.

The credit is not allowed for a contribution made to any qualified state tuition program or 529 plan administered in a state other than Colorado.

Qualifying employees

The credit is allowed only for contributions made to an account owned by an employee of the employer making the contribution. An employee is any person in the employment of an employer for salary or for hourly wages, whether full-time or part-time and whether temporary or permanent.

Account beneficiaries

Every qualified state tuition program account with Collegenest must have a designated beneficiary. The credit is allowed irrespective of the named beneficiary of the account if the account owner is the employee.



Calculating the credit

In general, the allowable credit is equal to 20% of the contribution(s) made by the employer during the tax year. However, the maximum credit an employer may claim for each employee in a taxable year is \$500.

For example, if an employer contributed \$3,000 during the tax year to an account owned by an employee, the allowable credit would be \$500, rather than \$600 (\$3,000 x 20%), as the result of the limitation. No credit may be claimed, for either the current or any subsequent tax year, for any credit otherwise calculated in excess of this limit.

Credit carryforward

The credit cannot be transferred or refunded but can be carried forward on the employer's income tax return for a period of up to three years if the available credit exceeds the income tax liability for the year in which the contribution is made. If any credit remains unclaimed past the three-year carryforward period, it will expire and will no longer be available as a credit towards income tax.

Claiming the credit

Employers who make qualifying contributions may claim the credit by filing form DR0289, *Employer Contributions to Employee 529 Qualified State Tuition Program* with their Colorado income tax return. Employers claiming the credit must also complete and submit the appropriate credit schedule (e.g., form DR 0104CR, DR 0112CR, etc.) with their return.

In the case of an employer that is a partnership or an S corporation, the credit passes through to the partners or shareholders. The partners and shareholders may claim their share of the credit by completing and submitting the form DR 0289 and the appropriate credit schedule with their Colorado income tax return.

An individual who is an employer, either as a sole-proprietor or as a partner or shareholder in a partnership or S corporation, cannot claim both a credit and a subtraction for the same contribution.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the 529 employer contribution credit. 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

- § 39-22-539 C.R.S. Credit for employer contributions to employee 529 qualified state tuition programs

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Employer Contributions to Employee 529 Qualified State Tuition Program \(DR0289\)](#)
- [Income Tax Topics: 529 Contribution Subtraction](#)