Income Tax Topics: CollegeInvest Contribution Subtraction

COLORADO
Department of Revenue
Taxation Division

Qualifying taxpayers can claim a subtraction on their Colorado income tax returns for qualifying contributions made to a qualified state tuition program administered by CollegeInvest, subject to certain limitations. The account holder must add to their federal taxable income for the taxable year of the distribution, any distributions, refunds, or withdrawals taken for a non-qualifying purpose.

This publication is designed to provide general guidance regarding the CollegeInvest contribution subtraction 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.

The information in this publication does not apply to contributions made by an employer to an employee's account or to any contributions made to an Achieving a Better Life Experience ("ABLE") savings account. For information about employer contributions to a qualified state tuition program and contributions made to ABLE savings accounts, please see Department publications *Income Tax Topics: Employer 529 Contributions* and *Income Tax Topics: ABLE Contribution Subtraction*.

Qualifying taxpayers

Only individuals, estates, and trusts may claim a subtraction on their Colorado income tax returns for payments or contributions made to a qualified state tuition program administered by CollegeInvest. Employers, including sole proprietorships, C corporations, and pass-through entity members that make a contribution of money to a qualified state tuition program owned by an employee may claim a credit rather than a subtraction on their respective return. For additional information, please see Department publication *Income Tax Topics: Employer 529 Contributions*.

Qualifying contributions

In general, the subtraction is allowed only for payments and contributions made to a qualified state tuition program with CollegeInvest under section 529 of the Internal Revenue Code. Information about 529 qualified state tuition programs can be found online at *www.collegeinvest.org*. The subtraction is allowed irrespective of whether the individual making the payment or contribution is, or is related to, either the account owner or beneficiary. The subtraction is generally subject to the same requirements as qualified tuition programs described in *IRS Publication 970*, but the subtraction is not allowed for contributions made to pay K-12 education expenses or education loan repayments.

Other qualified state tuition programs

The subtraction is also allowed for payments or contributions made to any qualified state tuition program established by an educational institution in Colorado in accordance with section 529 of the Internal Revenue Code. As of 2026, no educational institution in Colorado has established such a program.

Rollovers

Rollovers from an out-of-state qualified state tuition program to a Colorado qualified state tuition program may qualify for the subtraction, subject to the same conditions and requirements of any other qualifying contribution. The amount that was originally invested in the other state account may qualify for the subtraction, but the earnings do not. The eligible amounts should appear in box 3 (Basis) of the *IRS Form 1099-Q* provided by the qualified tuition program administrator.

Rollovers from an out-of-state qualified state tuition program to a Colorado qualified state tuition program are subject to the same limitations discussed later in this publication.

Rollovers from an in-state qualified state tuition program to another in-state qualified state tuition program within Colorado do not qualify for the subtraction.

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Non-qualifying contributions

Several types of payments and contributions related to higher education do not qualify for the subtraction. The subtraction is not allowed for any of the following types of payments or contributions:

- Rollovers from a qualified state tuition program within Colorado to another qualified state tuition program within Colorado;
- Payments or contributions made to a qualified state tuition program established and maintained by another state;
- Payments or contributions made to Coverdell educational savings accounts (ESA); or
- Tuition payments.

Additionally, any distribution or withdrawal made from a qualified state tuition program account to pay elementary or secondary (K-12) education expenses or education loan repayments is a non-qualifying distribution or withdrawal, as discussed below, that the account holder must add to their federal taxable income. To avoid this required addition, taxpayers should not claim a subtraction for any payment or contribution made to a qualified state tuition program that is expected to be used to pay elementary or secondary (K-12) education expenses or education loan repayments.

No subtraction is allowed for any payments or contributions that are excluded from the taxpayer's federal taxable income for the taxable year.

Limitations

For tax years 2022 and later, limitations apply to the amount a taxpayer can subtract for contributions made to qualified state tuition programs and qualified ABLE programs. The limitation applies on a per-beneficiary basis to the total of all payments or contributions made to all qualified state tuition program and qualified ABLE program accounts for that beneficiary. For information about contributions made to qualified ABLE programs, please see Department publication *Income Tax Topics: ABLE Contribution Subtraction*.

The limitation applies with respect to each beneficiary for whom the taxpayer makes qualifying contributions and depends in part on whether the taxpayer files their return as a joint or single filer. For taxpayers filing a joint return, the limitation applies jointly, rather than separately. For the purpose of the limitation, a taxpayer who files married filing separately or head of household on their federal income tax return is considered a single filer.

The limitation amounts reflected in the following table are adjusted annually based on the percentage change in the combined average annual costs of tuition and room and board for all state institutions of higher education:

Per-Beneficiary Limits

Tax Year	*Single Filers*	*Joint Filers*
2022	$20,000	$30,000
2023	$20,700	$31,000
2024	$22,700	$34,000
2025	$25,400	$38,100
2026	$26,200	$39,200

Examples

The following examples illustrate the application of the preceding limitations for tax year 2026.

Example #1

A taxpayer filing as a single filer for the 2026 tax year makes contributions towards a qualified state tuition program account as well as a qualified ABLE program account for the same beneficiary. The subtraction the taxpayer may claim for the combined contributions made to all accounts for this beneficiary is limited to $26,200.

Example #2

A taxpayer filing as a single filer for the 2026 tax year contributes $30,000 to one beneficiary's qualified state tuition program account and $15,000 to another beneficiary's qualified state tuition program account. Because of the limitation, the taxpayer may claim a subtraction for no more than $26,200 of contributions made to each beneficiary's account. The taxpayer may claim a total subtraction of $41,200, including $26,200 for the first beneficiary and $15,000 for the second beneficiary.

Claiming the subtraction

Eligible taxpayers who make qualifying contributions to a qualified state tuition program can claim the subtraction on the appropriate line of their Colorado income tax return. Individuals may claim the subtraction on *form DR 0104AD, Subtractions from Income Schedule*. Please note that the account owner's name and identifying number (social security number (SSN) or individual taxpayer identification number (ITIN) must be included to claim the subtraction.

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

Distributions, refunds, & withdrawals

An account holder must make an addition on their Colorado return for any distribution, refund, or withdrawal from a qualified state tuition program for any reason other than one of the following qualifying reasons:

- To pay qualified higher education expenses (discussed later in this publication);
- As a result of a beneficiary's death or disability;
- As a result of receiving a scholarship during the tax year in an amount equal to or greater than the distribution, refunds, or withdrawals made; or
- As a result of a change in the designated beneficiary for the account, as described in Chapter 7 of *IRS Publication 970*.

Qualified higher education expenses

Qualified higher education expenses are expenses, listed below, incurred by the designated beneficiary of the qualified state tuition program account in connection with enrollment or attendance at an eligible educational institution (discussed later in this publication):

- tuition, fees, books, supplies, and equipment,
- certain limited costs of room and board for students enrolled at least half time.
- computer or peripheral equipment, computer software, or Internet access and related services; or
- expenses for special needs services.

Qualified higher educational expenses also include fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program as defined in section 529(c)(8) of the Internal Revenue Code.

Additionally, qualified higher educational expenses include eligible expenses related to the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program.

Qualified higher education expenses, apprenticeship programs, and postsecondary credential programs are more fully described in Chapter 7 of *IRS Publication 970*. However, please note that for Colorado income tax purposes, qualified higher education expenses do not include any elementary or secondary education expenses or any education loan repayments.

Eligible educational institutions

An eligible educational institution is any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. Virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions are eligible educational institutions.

Addition for non-qualifying distributions, refunds, and withdrawals

If a distribution, refund, or withdrawal is made for any purpose other than the qualifying reasons listed earlier in this publication, the account holder must add to their taxable income for the year of the distribution, refund, or withdrawal the amount displayed in box 3 of *IRS Form 1099-Q*. The required addition must be reported on the "CollegeInvest Recapture" line (of form DR 0104) or the "Additions to federal taxable income" line (of form DR 0105).

Non-qualifying distributions, refunds, and withdrawals that must be added to the account holder's federal taxable income include, but are not limited to, distributions, refunds, and withdrawals made to:

- Pay elementary or secondary (K-12) education expenses;
- Make education loan repayments;
- Roll over all or part of the account balance to an out-of-state qualified state tuition program; or
- Roll over all or part of the account balance to a Roth IRA under the SECURE 2.0 Act.

Distributions, refunds, and withdrawals for the preceding reasons may not be taxable for federal income tax purposes, but they are non-qualifying distributions, refunds, and withdrawals for Colorado income tax purposes, meaning the account holder must add to the federal taxable income on their Colorado return.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the CollegeInvest contribution subtraction. 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

- § 39-22-104, C.R.S. Income tax imposed on individuals, estates, and trusts.
- 26 U.S.C. § 529. Qualified tuition programs.

Forms and guidance

- *Tax.Colorado.gov*
- *Subtractions from Income Schedule (DR 0104AD)*
- *Income Tax Topics: Employer 529 Contributions*
- *Income Tax Topics: ABLE Contribution Subtraction*
- *IRS Publication 970*
- *IRS Form 1099-Q*