

For tax years beginning on or after January 1, 2023, but before January 1, 2027, 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](#) and the [Colorado Corporate 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, the following types of legal entities:

- corporations;
- partnerships;
- joint ventures;
- common trust funds;
- limited associations;
- limited liability companies;
- pool or working agreements; 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, county, or city and county; or
- any statutory city, town, or county.

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 a complete and accurate [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.

Acceptance of form DR 1323 does not constitute approval of the income tax credit. The Department may disallow a credit that does not meet all applicable requirements. Employers must submit form DR 1323 to [DOR\\_TaxApplications@state.co.us](mailto:DOR_TaxApplications@state.co.us) on or before the last day of the third month of the employer's tax year to be eligible to claim the credit for the amounts spent during the tax year.

## Alternative transportation options

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. In general, an employer may claim a credit only for amounts the employer spent for alternative transportation options that it makes available to all of its employees who are employed in Colorado.

## Transportation demand management strategies

Transportation demand management strategies are strategies designed to reduce congestion on public roadways, lessen vehicle emissions, decrease fuel consumption, and improve the ability of an employee to travel to work from home (and return home from work) using one or more modes of transportation other than a single-occupancy vehicle. Examples of generally accepted transportation demand management strategies are provided below.

### *Micromobility options*

Generally accepted transportation demand management strategies include low-speed conveyances such as human-powered or electric bicycles and shared micromobility options such as bikesharing and electric scooter sharing programs.

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.

Shared micromobility options are tracked fleets of low-speed conveyances, as defined in section 42-4-1412.5(4)(b), C.R.S., available to improve access to other alternative transportation options.

Commuting using the employee's bicycle or electric scooter can also qualify as generally accepted transportation demand management strategies.

Please see section 42-1-102, C.R.S., for definitions of bicycles, electrical assisted bicycles, and electric scooters.

### *Ridesharing arrangements*

Ridesharing arrangements and the provisioning of ridesharing vans and vehicles therefor are generally accepted transportation demand management strategies.

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.

### *Guaranteed ride home programs*

Generally accepted transportation demand management strategies include any program that provides employees who commute to work using an alternative transportation option with a free or subsidized on-demand ride home for an unexpected circumstance.

### *Carsharing programs*

Carsharing programs are generally accepted transportation demand management strategies.

### *Cash incentives*

Generally accepted transportation demand management strategies include cash incentives, not to exceed the value of the alternative transportation option, including incentives for participation in ridesharing or bikesharing. Cash incentives must be made in the form of a monetary gift or award given by an employer to an employee to induce or fully or partially subsidize the employee's use of a generally accepted transportation demand management strategy. Gifts or awards of property or paid time off are not cash incentives and do not qualify for the credit.

### *Mass transit*

Generally accepted transportation demand management strategies include intercity bus usage, interregional mass transit, and free or partially subsidized mass transit tickets, tokens, or fares for use by employees in going to and returning from their places of employment. Mass transit is any coordinated system of transit modes offered by local, regional, or state governments that provide transportation in rural, urban, or suburban areas for use by the general public.

### *Prearranged rides*

Generally accepted transportation demand management strategies include free or partially subsidized prearranged rides provided by a [transportation network company](#) 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.

### *Last-mile shuttle services*

Generally accepted transportation demand management strategies include last-mile shuttle services providing transportation between an employee's place of residence or employment and the mass transit systems utilized by the employee in commuting to and from their place of residence, employment.

### *Parking cash out*

Generally accepted transportation demand management strategies include cash paid to an employee in an amount equal to the out-of-pocket cost to the employer of a parking space in exchange for replacing a drive-alone commute with a mode such as carpool, mass transit, biking, or walking.

### *Walking*

Walking is also a generally accepted transportation demand management strategy.

## *Income Tax Topics: Alternative Transportation Options Credit*

---

### **Administrative costs**

Administrative costs may also qualify for the credit. Qualifying administrative costs are those ordinary and necessary business expenses incurred in organizing, establishing, or administering an alternative transportation options programs for employees that the employer would not have incurred and paid but for the alternative transportation options program.

Qualifying administrative costs may include any of the following:

- fees paid for services to study, establish, market, or administer the alternative transportation options program;
- the cost of tangible personal property used for organizing, establishing, or administering an alternative transportation options program, such as office supplies and marketing materials;
- technology used to administer or organize staff transportation benefits or to track use of staff transportation modes; and
- wages or salary paid for administrative staff, but only to the extent such amounts would not have been paid but for the alternative transportation options program.

Qualifying administrative costs do not include the cost of any of the following:

- real property improvements or maintenance;
- the alternative transportation itself; and
- tangible personal property used by program participants such as bike racks and lockers.

### **Ineligible activities**

---

The following activities are not generally accepted transportation demand management strategies and do not qualify for the credit:

- telework, whereby an employee works at an alternative worksite, including their home, and is not expected to perform work at the employer's worksite on a regular and recurring basis;
- flexible work arrangements;
- the acquisition, use, or improvement of real property;
- electric charging stations;
- vehicles, bicycles, scooters, and other micromobility modes of transportation provided for employees to travel among work or client sites;
- vehicles, bicycles, scooters, and other micromobility modes of transportation provided to employees as a fringe benefit;
- prearranged rides except for those provided pursuant to a guaranteed ride home program; and
- transportation to special events, such as off-site training, holiday parties, or company picnics.

## Option availability for all employees

In general, an employer may claim a credit only for amounts the employer spent 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 who routinely performs a labor or service on behalf of the employer in exchange for compensation, whether full-time or part-time, 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 the employee's compensation is made in the form of a salary, commissions, tips, hourly pay, or some combination thereof.

An employer makes a particular alternative transportation option available to all of its employees if it offers one or more alternative transportation options to all of its employees employed in Colorado, even if certain employees choose not to avail themselves of any of the alternative transportation options the employer has made available.

Volunteers, independent contractors, and any nonresident temporarily performing labor or services in Colorado are not considered employees for the purpose of the credit.

## Exception for infeasibility

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. Offering a substantially equivalent alternative transportation option is at the discretion of the employer. An employer may still claim the credit if it does not offer a substantially equivalent alternative transportation option.

If the employer believes it is not feasible to offer a substantially equivalent alternative transportation option to certain employees, the employer must include an explanation of why it is not feasible in their [Annual Employer Plan Report](#) (DR 1323). An employer that offers a substantially equivalent option must report this option on in their Annual Employer Plan Report.

### Feasibility

In determining whether it is feasible to offer a particular alternative transportation option to certain employees, the employer may consider the following:

- the proximity of the employee to their work location;
- whether an employee's residence is within a service area for mass transit, bikesharing arrangements, shared micromobility options, or ridesharing arrangements; or
- the availability of guaranteed ride home programs to and from the employee's residence.

However, in determining whether it is feasible to offer a particular alternative transportation option to certain employees, the employer may not consider the following:

- the position of the employee;
- the salary of the employee; or
- the number of hours an employee worked.

## Calculating the credit

The allowable credit is equal to 50% of the amount spent by the employer to provide alternative transportation options to its employees, subject to certain 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.

The following rules apply in determining the amount spent by the employer to provide alternative transportation options to its employees, as well as the amount spent per employee.

### Determining the qualifying amount spent

In determining the amount they spend on alternative transportation options, an employer may not include in the amount spent any amount financed or reimbursed by a donation, grant, or gift. The following additional rules apply with respect to certain types of expenditures.

#### Cash incentives

Employers may offer cash incentives to employees, not to exceed the value of the transportation demand management strategy. The value of walking, bicycling, or participating in ridesharing or bikesharing arrangements may be calculated based on an average commute and need not be calculated on a per-employee basis.

### Vehicles and bicycles

Employers may provide one or more vehicles or bicycles, including electric bicycles, to be used for ridesharing arrangements and last-mile shuttle service subject to the following rules.

The vehicles or bicycles must be depreciable property for federal income tax purposes with a determinable life that exceeds one year. The employer must be able to deduct the cost of such property as a business expense for federal income tax purposes either as a current expense or as a deduction for depreciation.

The employer may claim an amount spent with respect to a vehicle or bicycle used during the tax year to provide qualifying alternative transportation options and the employer otherwise qualifies for the credit even if:

- it was purchased prior to the allowance of the credit; or
- it was purchased for a purpose other than providing alternative transportation options.

The amount spent that may be considered in computing the credit is equal to the employer's depreciation expense for each year the vehicle or bicycle is used for providing alternative transportation options.

The amount spent that may be considered in computing the credit includes actual expenses by the employer for maintenance, repairs, fuel, vehicle charging, high-occupancy toll devices, tolls, and other reasonable and necessary operating expenses paid for the employer-provided vehicle or bicycle.

The amount spent that may be considered in computing the credit must be reduced to the extent the vehicle or bicycle is used for nonqualifying purposes.

## *Income Tax Topics: Alternative Transportation Options Credit*

---

### ***Ridesharing arrangements***

In the case of ridesharing arrangements that do not use an employer-provided vehicle, the amount spent that may be considered in computing the credit includes fees or fares paid by the employer to a transportation management organization or association or a mass transit agency for providing a ridesharing arrangement. The transportation management organization or association must be a Colorado entity responsible for the implementation of transportation demand management programs and services within a community, including transportation planning regions included in the [Colorado Department of Transportation Statewide Transportation Demand Management Plan](#), adopted March 2019.

In the case of a carpool using an employee's vehicle, the amount spent that may be considered in computing the credit includes amounts paid to the employee for the reimbursement of:

- mileage, calculated by multiplying the miles traveled by the carpool by the applicable standard mileage rate published by the IRS at [IRS.gov/tax-professionals/standard-mileage-rates](https://www.irs.gov/tax-professionals/standard-mileage-rates;);
- costs or fees paid by the employee for high occupancy toll or express lane devices and related tolls; and
- amounts paid by the employee for parking.

### ***Calculating the amount spent per employee***

Employers must calculate the total amount spent per employee by adding the direct costs for the employee to the employee's share of the apportionable costs, as described below. For the purposes of these calculations, an "eligible employee" is any employee for whom the employer-offered alternative transportation option is feasible and accessible for regular commute to work.

### ***Apportionable costs***

Amounts spent by the employer that benefit all eligible employees are apportionable costs. Apportionable costs must be divided by the total number of eligible employees to determine each eligible employee's share of the apportionable costs.

Examples of apportionable costs include:

- the amount spent for bikesharing programs, whether human-powered or electric;
- electric scooter sharing programs;
- car sharing programs;
- guaranteed ride home programs; and
- ridesharing arrangements, including carpools and vanpools.

### ***Direct costs***

Amounts spent by the employer that benefit only one employee are direct costs. Direct costs are fully attributable to the employee who benefits from those costs.

Examples of direct costs include:

- the amount spent for mass transit passes;
- cash incentives; and
- reimbursement amounts for individual employee costs such as employee-purchased mass transit passes.

### Claiming the credit

To claim the credit, a qualifying employer must file the applicable Colorado income tax return.

[Forms and instructions](#) are available on the Department's website.

### Qualifying tax-exempt entities

Qualifying tax-exempt entities, including cities, towns, and counties in Colorado, must file a Colorado return to claim the credit. An qualifying tax-exempt entity that has unrelated business taxable income and files IRS Form 990-T must file a

[Colorado C Corporation Income Tax Return](#) (DR 0112) and may claim the credit on that return.

If a qualifying tax-exempt entity does not have any unrelated business taxable income, it may file a [Colorado Exempt Entity Income Tax Credit Return](#) (DR 0990) to claim the credit.

### Refundability

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.
- Rule 39-22-509. Alternative Transportation Options Credit.

### Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Alternative Transportation Options Credit Annual Employer Plan Report](#) (DR 1323)
- [Colorado C Corporation Income Tax Return](#) (DR 0112)
- [Colorado Exempt Entity Income Tax Credit Return](#) (DR 0990)