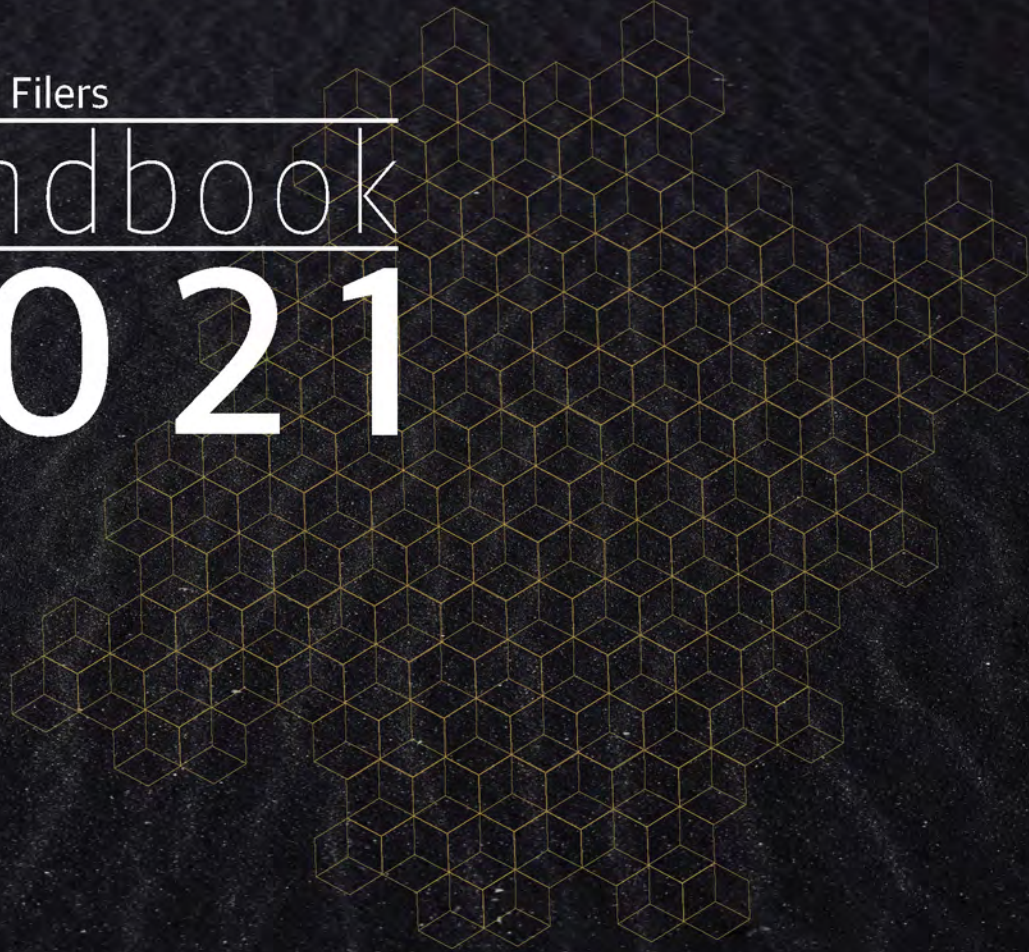


Electronic Filers

Handbook

2021



COLORADO
Department of Revenue

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INTRODUCTION

The Colorado Department of Revenue (DOR) has joined with the Internal Revenue Service (IRS) to provide for the electronic filing of federal and state income tax returns. The Federal/State Electronic Filing (FSEF) program in Colorado is an extension of the IRS's Modern e-file (MeF) program.

This handbook is an expansion of the IRS's Publication 1345. All specifications, requirements, and instructions defined in Publication 1345 apply to the Colorado FSEF program unless herein stated otherwise.

FSEF PROGRAM

How the FSEF/MeF Program Works

Federally accepted ERO's and Transmitters will be able to file and/or transmit both the federal return and the Colorado return in one transmission to the appropriate IRS Service Center. The IRS will acknowledge to the Transmitter whether the federal return has been accepted and whether it has received the state data. After the federal and state returns are received and accepted by the IRS, the state return is then made available to Colorado by the IRS for electronic retrieval. Over 87% of Colorado taxpayers filed electronically for TY 2020.

Acceptable Returns and Forms

For TY2021, the DOR will accept the electronic transmission of tax due, zero tax, state only, refund returns, deceased returns, and the following forms:

- Individual Income Forms 104, 104AD, 104CH, 104AD, 104PN, 104CR, 104TN, 104US, 104EE, DR 0347, DR 0350, DR 0375, DR 0204, 104 AMT, 104X, 104EP, and 158-I

- C-Corporation Forms 112, 112CR, Schedule C, Schedule RF (formally known as Schedule SF), and DR 0205
- Partnership Income Forms 106, Parts I-IV, and 106CR
- Fiduciary Income Form 105 and Schedules A-G
- Form DR 0289: Employer Contributions to Employee 529 Qualified State Tuition Program
- Form DR 0617: Innovative Motor Vehicle Credit
- Form DR 1305: Gross Conservation Easement Credit
- Form DR 1316: Colorado Source Capital Gain
- Form DR 1330: Strategic Capital Tax Credit
- Form DR 1366: Enterprise Zone Credit
- Form DR 0350: First-Time Home Buyer Savings Account Interest Deduction
- Form DR 0375: Credit for Employer Paid Leave of Absence for Live Organ Donation
- Form DR 0104EE: Colorado Easy Enrollment Information Form for health coverage
- Withholding Schedules: W2, W2G, 1099R, 1099G, 1099 Int, 1099 Misc, and 1099 Nec.

Return Processing Issues

Failure to include the required information may cause a return to be delayed, and in some cases be rejected when submitted.

Refunds

Refunds will be paid through the Colorado paper refund warrant system or by direct deposit. The taxpayer who files electronically can expect to have the paper refund warrant mailed within 14 to 21 days from the date of the acknowledgement record from the Colorado DOR, unless the following conditions exist:

- The taxpayer owes a debt to the Colorado DOR, a state agency (e.g., child support, student loans, etc.), or the IRS.
- The return contains a criterion that matches the Colorado DOR's error and/or fraud detection profile.

Some conditions may delay refunds a minimum of 3 to 5 weeks. Taxpayers are advised to check on their refund by going to www.colorado.gov/revenueonline. If they have further questions they can contact the Colorado DOR's Income Tax Line at (303) 238-7378.

Balances Due

Taxpayers who file electronically and owe a balance due to the Colorado DOR are responsible for submitting the payment by April 18, 2022. For TY2021, taxpayers who e-file can pay by direct debit as part of their e-filed return. Direct debits for returns filed after the original due date must be scheduled on the submission date or within two business days of the submission date. Note that if the bank routing number information is not valid, the return will be rejected. Taxpayers may also pay online using Online Tax Payment at the DOR website. Otherwise the taxpayer can pay by mail using form DR 0900. The DR 0900 series of forms are available in the 2021 income tax booklets and at <https://tax.colorado.gov/forms-in-number-order>

Perfection Period

Colorado follows the IRS guideline for perfection of a rejected return. Individual is 5 days and other tax types are 10 days.

ERO APPLICATION

No Application Process

All EROs and Transmitters who are participating in the IRS E-File program

(TY2021) are pre-approved to participate in the Colorado FSEF program and do not need to apply or register with Colorado.

ACKNOWLEDGEMENT PROCESS

Colorado will use the Internal Revenue Service acknowledgment system to acknowledge receipt of the return. Colorado has no reject codes. The Colorado DOR will typically acknowledge receipt of the Colorado data to the Transmitter via the Internal Revenue Service acknowledgment system within 1 business day of the time the state return is transmitted to the IRS. Returns usually will be viewable in Revenue Online within 2 business days unless there is missing documentation.

FORM DR 8453 and WITHHOLDING SCHEDULES

ERO Requirements and Responsibilities

Colorado Form DR 8453 (and 8453C, 8453P, and 8453F) must be signed by both the ERO and the taxpayer at or near the time of the e-file transmission. The ERO's requirements for the DR 8453, 2021 tax return and attachments are stated in Part III of the DR 8453 form and the form's instructions.

NOTE: DO NOT MAIL FORM DR 8453 TO THE IRS OR THE COLORADO DEPARTMENT OF REVENUE. DO NOT MAIL W-2 AND 1099 WITHHOLDING SCHEDULES UNLESS REQUESTED TO DO SO.

Military and VITA Site Responsibilities

Colorado Form DR 8453 must be signed by both the military or VITA site volunteer and the taxpayer. VITA sites and military sites are no longer required to submit the DR 8453 to the Department of Revenue. The taxpayer should retain the DR 8453.

PC Filer Requirements and responsibilities

The PC (online) Filer's requirements for the DR 8453, 2021 tax return and attachments are stated in Part II of the DR 8453 form and the form's instructions (copy in appendix).

SIGNATURE REQUIREMENTS

For signing the DR 8453, Colorado will accept signature methods accepted by the Internal Revenue Service, including in-person electronic signature and electronic signature via remote transaction.

SUBMITTING ATTACHMENTS**ERO Requirements and Responsibilities**

You can submit required documentation securely as a pdf attachment with the return if your software allows. Documents can also be securely uploaded on Revenue Online if you have third party access to the client account. Find the E-Filer Attachments icon, read the provided instructions, and attach as many documents as required. Pdf attachment is the best method of submitting the documentation because the electronic files will go directly to the taxpayer's account. E-Filer attachment also gets the document directly to the taxpayer account with some manual steps. If pdf attachment or Revenue Online cannot be used, Form DR 1778 E-Filer Attachment should be completed and mailed with any paper supporting documentation. If the return cannot be e-filed, documentation should be attached to the paper return.

Documenting Excessive Withholding

PDF attachment, Revenue Online, or Form DR 1778 should be used to submit a copy of any W-2 showing Colorado income tax withholding in excess of 4.5% of wages.

ELECTRONIC FILING CONTACTS **(DO NOT GIVE TO TAXPAYERS)**

The following contact information is for Software Developers, Transmitters, ERO's, and Preparers who have specific questions relating to the function, administration, problems or technical aspects of Electronic Filing. Taxpayers who have not received their refund should not be given this contact information, but instead should be directed to the "Tax Assistance Available" on this page.

dor_efileadmin@state.co.us

COMMENTS

The purpose of this handbook is to assist Electronic Filers in the steps necessary to successfully participate in the Colorado FSEF program. Your comments and suggestions to this end are greatly appreciated. Your comments and suggestions may be directed to the E-file Coordinator email address listed on this page.

TAX ASSISTANCE AVAILABLE **(GIVE TO TAXPAYERS)**

The Colorado Department of Revenue offers two ways to access both automated and live customer service:

By Web at Tax.Colorado.gov

Taxpayers get 24-hour service using Revenue Online by going to Colorado.gov/RevenueOnline. They will have automated access to:

- Colorado personal income tax account and refund status
- Submit additional information
- Make changes of address
- Make a payment or establish a payment plan
- File an amended return

By Phone at **(303) 238-SERV (7378)**

Taxpayers can obtain recorded general information about Colorado taxes or talk to our customer service representatives during business hours about:

- Colorado income tax
- Colorado business tax and information (sales and use tax, oil and gas, marijuana, and wage withholding taxes)
- Account specific information.

WHAT’S NEW FOR TAX YEAR 2021

The low income child care tax credit is again available for qualified individual taxpayers. Individual amended form 104X can be e-filed.

DR 0104 – Tax rate change, New addbacks, Tabor Sales Tax Refund

- The state income tax rate for Individuals was changed from 4.55% to 4.5% for tax years commencing on and after January 1, 2021.
- Business Interest Expense Deduction Addback, Excess Business Loss Addback, and Net Operating Loss Addback were removed.
- Qualified Business Income Deduction Addback was added to line 3.
- Tabor State Sales Tax Refund is available for TY2021

DR 0104AD – Military Retirement Benefits, Non-Resident Disaster Relief Worker, Agricultural Asset Lease Deduction, HB21-1002

- Military Retirement Benefits Subtraction limit for TY 2021 is \$10,000.
- Non-Resident Disaster Relief Worker Subtraction: taxpayers who claim this subtraction must provide the executive order number(s) on line 15. The executive order numbers can be found at <https://www.colorado.gov/governor/2021-executive-orders>
- Agricultural Asset Lease Deduction on line 17 was removed.
- Subtractions Allowed Under HB21-1002 was added to line 19.

DR 0104CR – Food Contributed to Hunger Relief Organization

- For TY2021, only credits generated from prior years are allowed.

DR 0617 – Innovative Motor vehicle credit

For TY2021, IMVC credit amounts have been reduced as follow:

Credit Amounts for Purchases of Qualifying Electric and Plug-in Hybrid Electric Vehicles and Trucks

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021	1/1/2023
		but prior to:	1/1/2020	1/1/2021	1/1/2023	1/1/2026
Classification	Gross Vehicle Weight Rating (GVWR)					
Light duty passenger vehicle	N/A		\$5,000	\$4,000	\$2,500	\$2,000
Light duty electric truck	greater than 8,500, but not more than 10,000 lbs.		\$7,000	\$5,500	\$3,500	\$2,800
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$10,000	\$8,000	\$5,000	\$4,000
Heavy duty truck	greater than 26,000 lbs.		\$20,000	\$16,000	\$10,000	\$8,000

Credit Amounts for Leases of Qualifying Electric and Plug-in Hybrid Electric Vehicles and Trucks

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021
		but prior to:	1/1/2020	1/1/2021	1/1/2026
Classification	Gross Vehicle Weight Rating (GVWR)				
Light duty passenger vehicle	N/A		\$2,500	\$2,000	\$1,500
Light duty electric truck	greater than 8,500, but not more than 10,000 lbs.		\$3,500	\$2,750	\$1,750
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$5,000	\$4,000	\$2,500
Heavy duty truck	greater than 26,000 lbs.		\$10,000	\$8,000	\$5,000

Credit Amounts for Vehicles Leased by Transportation Network Companies

Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021	1/1/2023
but prior to:	1/1/2020	1/1/2021	1/1/2023	1/1/2026
Electric or plug-in hybrid electric light duty passenger vehicle	\$5,000	\$4,000	\$2,500	\$2,000

Credit Amounts for Qualifying Electric and Plug-in Hybrid Electric Conversions

		Tax year beginning on or after:	1/1/2017	1/1/2020	1/1/2021
		but prior to:	1/1/2020	1/1/2021	1/1/2022
Classification	GVWR range				
Light duty passenger vehicle	N/A		\$5,000	\$4,000	\$2,500
Light duty electric truck	greater than 8,500, but not more than 10,000 lbs.		\$7,000	\$5,500	\$3,500
Medium duty electric truck	greater than 10,000, but not more than 26,000 lbs.		\$10,000	\$8,000	\$5,000
Heavy duty truck	greater than 26,000 pounds GVWR		\$20,000	\$16,000	\$10,000

DR 104EE - Colorado Easy Enrollment Information Form

This is a new form for TY2021. Colorado taxpayers can share certain information with the Colorado Health Benefit Exchange (Connect for Health Colorado) and the Colorado Department of Health Care Policy & Financing to find out if they qualify for free or reduced-cost health coverage

DR 1305 - Gross Conservation Easement

- Part A – New Donors: Question 2 was removed.

DR 1330 - Strategic Capital Tax Credit schedule

- Strategic Capital Tax Credit expiring in 2026 was added on line 5.

DR 1366 – Enterprise Zone Credit

- Part I Section A - refundable credit for renewable energy investment: For TY2021, only credits generated prior to January 1, 2021 are allowed.

DR 0347 – Child Care Expenses Tax Credit

- Part III - Child Care Expenses credit: For tax year 2021, taxpayers whose federal AGI is \$60,000 or less and claim Federal Child Care Tax Credit, can claim Colorado Child Care Expenses credit in Part III.
- Part IV - Low-Income Child Care Expenses Credit: For tax year 2021, taxpayers whose federal AGI is \$25,000 or less, and cannot claim Federal Child Care Tax Credit, can claim Colorado Low-Income Child Care Expenses Credit in Part IV

ERROR CODES

Colorado performs certain checks up front before accepting a return. If those checks are not passed, a reject acknowledgment will be sent with a message stating the reject reason. There are also alert messages when certain documentation is required. Partnerships and corporations may sometimes receive messages that provide their Colorado account number.

Please note that returns claiming enterprise zone credits must be filed electronically by statute. When EZ credits are claimed on an electronic Form 104, failure to electronically include Form DR 1366, Enterprise Zone Credit and Carryforward Schedule, will cause the return to be rejected.

ISSUES THAT CAN DELAY PROCESSING

When claiming credit for tax paid to other states, a copy of the other state return(s) should be attached as pdf documents to the e-filed return, submitted by Revenue Online attachment, or mailed in using Form DR 1778.

When claiming the innovative motor vehicle credit, the purchase invoice and proof of registration must be submitted electronically or by mail with Form DR 1778.

When claiming the enterprise zone credits, certification Forms DR 0074, DR 0075, DR 0077, DR 0078, and DR 0078A, as applicable, must be submitted electronically or by mail with Form DR 1778.

The child care contribution credit requires submission of Form DR 1317 electronically or by mail with E-Filer Attachment Form DR 1778.

FORMS

Forms DR 8453, 8453C, 8453P, 8453F, 0900, 0900C, 0900P, and 0900F can be found at [Colorado.gov/tax](https://tax.colorado.gov/tax) by going into Forms & Instructions on the tool bar and choosing Forms by Number.

ACCEPTED SOFTWARE

A list of software accepted for filing Colorado income tax can be accessed on the Department of Revenue website.

<https://tax.colorado.gov/individual-income-tax-accepted-software>

<https://tax.colorado.gov/c-corporation-income-tax-accepted-software>

<https://tax.colorado.gov/partnership-s-corporation-income-tax-accepted-software>

<https://tax.colorado.gov/fiduciary-income-tax-accepted-software>

Note:

Colorado's acceptance of the listed participants is not an endorsement of their software or their ability to perform. Acceptance into the Colorado program simply means they have demonstrated the ability to transmit electronic data to the state in an acceptable format and/or to acknowledge the transmission of such data.