

If a taxpayer does not pay their tax by the applicable due date, they will owe penalty and interest. Interest rates may vary from year to year and are shown in the table appearing later in this publication. Penalty calculations vary depending on the type of tax (such as income tax, sales tax, severance tax, etc.). Taxpayers can calculate and pay the applicable penalty and interest on any late or amended return. The Department will issue a notice of deficiency for any unpaid penalty and interest that is due. In addition to interest and penalties for the late payment of tax, there are several other types of penalties that may be imposed under certain circumstances.

This publication is designed to provide general guidance regarding penalties and interest for various Colorado taxes and is intended to supplement other guidance publications available online at [Tax.Colorado.gov/guidance-publications](https://tax.colorado.gov/guidance-publications). 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.

Interest on late payments

The interest due on the late payment of tax accrues from the original due date of the tax to the date the tax is paid. Since the interest rate may differ from year to year, it may be necessary to use multiple rates to calculate interest due. For example, if the tax was due April 15, 2022, but was not paid until October 1, 2023, the interest rate for 2022 will be used to calculate the interest accrued from April 15, 2022, to December 31, 2022, and the interest rate for 2023 will be used to calculate the interest accrued from January 1, 2023, to October 1, 2023.

Both the discounted and regular interest rates for each calendar year are shown in the following table. The discounted rate applies if the taxpayer pays the tax prior to the issuance of a notice of deficiency or if the taxpayer pays or makes an agreement to pay the tax within 30 days of the issuance of the notice of deficiency for the unpaid tax. These criteria for the discounted rate are prescribed by law. If the taxpayer does not meet the criteria necessary to qualify for this discounted interest rate, the regular rate applies.

Interest accrues for only that part of the year in which the tax was due but not paid. For example, if tax due April 15, 2022, was paid on August 24, 2022, interest does not accrue over the entirety of 2022. Instead, interest accrues for only the 131 days between the due date and the date of payment. The daily interest rate used to compute interest accrued over partial years can be calculated by dividing the annual rate by 365 days (or 366 days for leap years).

Annual Interest Rates on Tax Underpayments

| Calendar year | Discounted rate | Regular rate |
|---------------|-----------------|--------------|
| 2016 | 3% | 6% |
| 2017 | 4% | 7% |
| 2018 | 4% | 7% |
| 2019 | 5% | 8% |
| 2020 | 6% | 9% |
| 2021 | 3% | 6% |
| 2022 | 3% | 6% |
| 2023 | 5% | 8% |
| 2024 | 8% | 11% |
| 2025 | 9% | 12% |
| 2026 | 8% | 11% |

Example

A taxpayer files a 2021 individual income tax return on February 22, 2024. The return reports a total of \$1,000 in tax and \$800 of wage withholding, resulting in a \$200 underpayment of tax, which the taxpayer pays with the return. The due date for 2021 income tax was April 15, 2022, so interest accrues on the \$200 underpayment from that due date to February 22, 2024, when the tax was paid. The taxpayer is eligible for the discounted interest rate because the tax is paid prior to the issuance of any notice of deficiency. Interest is calculated from April 15, 2022, to December 31, 2022, at an annual rate of 3%, for all of 2023 at an annual rate of 5%, and from January 1, 2024, to February 22, 2024, at an annual rate of 8%. A total of \$16.59 interest is calculated as follows:

- \$4.27 of interest is calculated at an annual rate of 3% for the 260 days between the April 15, 2022, due date and the end of the calendar year on December 31, 2022.
- \$10.00 of interest is calculated at an annual rate of 5% for the full year of 2023.
- \$2.32 of interest is calculated at an annual rate of 8% for the 53 days between January 1, 2024, and February 22, 2024, when the tax was paid.

International Fuel Tax Agreement (IFTA)

The above interest rates do not apply to IFTA. Please visit the [International Fuel Tax Agreement website](#) for IFTA interest rates.

Penalties

Colorado law authorizes several kinds of civil tax penalties. The calculation of these penalties varies depending on the tax type and the circumstances in which the penalty is imposed. The most common of these penalties are for late payment of tax or for the failure to file a required return. More severe penalties may also be charged under a variety of other circumstances, such as negligence, fraud, or willful failure to file.

This publication discusses only civil penalties and does not address any criminal penalties that may be imposed by law.

Penalties for late filing and payment of tax

If a taxpayer does not file a return or pay the tax due by the applicable due date, the taxpayer will owe a penalty. The calculation of such penalties varies by tax type and are described below.

Cigarette tax

The cigarette tax penalty for failure to file is \$100. The cigarette tax penalty for late payment is a percentage of the unpaid tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

Consumer use tax

The consumer use tax penalty for failure to file, pay, or correctly account for the tax due is the greater of \$15 or a percentage of the unpaid, unaccounted, or incorrectly accounted tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

Firearm and ammunition excise tax

The firearm and ammunition excise tax penalty for failure to file, pay, or correctly account for the tax due is the greater of \$15 or a percentage of the unpaid, unaccounted, or incorrectly accounted tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

Fuel excise tax

The fuel excise tax penalty for failure to file is \$100. The fuel excise tax penalty for late payment is the greater of \$30 or a percentage of the unpaid tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

International Fuel Tax Agreement (IFTA)

The IFTA penalty failing to file, late filing, or underpaying the taxes due is the greater of \$50 or 10% of the unpaid tax.

Income tax

The income tax penalty for late filing or payment is the greater of \$5 or a percentage of the unpaid tax equal to 5% plus ½% for each full or partial month the tax remains unpaid, not to exceed a total of 12%.

Liquor excise tax

The liquor excise tax penalty for late payment is a percentage of the unpaid tax equal to 10% plus 1% for each month the tax remains unpaid.

Marijuana sales tax and marijuana excise tax

The marijuana sales and excise tax penalties for failure to file, pay, or correctly account for the tax due is the greater of \$15 or a percentage of the unpaid, unaccounted, or incorrectly accounted tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

Nicotine products tax

The nicotine products tax penalty of \$25 for failure to file is imposed if no tax is due. The nicotine products tax penalty for late payment is a percentage of the unpaid tax equal to 10% plus ½% for each month the tax remains unpaid.

Passenger mile tax

The passenger mile tax penalty for failure to file and pay the tax due is a percentage of the unpaid tax equal to 10% plus ½% for each month the delinquency continues, not to exceed a total of 18%. If the taxpayer files but fails to pay the tax due, the late payment penalty is 3% of the unpaid tax for each month the tax remains unpaid.

Retailer's use tax

The retailer's use tax penalty for failure to file, pay, or correctly account for the tax due is the greater of \$15 or a percentage of the unpaid, unaccounted, or incorrectly accounted tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%. Late payment of tax will also result in a disallowance of the service fee.

Sales tax

The sales tax penalty for failure to file, pay, or correctly account for the tax due is the greater of \$15 or a percentage of the unpaid, unaccounted, or incorrectly accounted tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%. Late payment of tax will also result in a disallowance of the service fee.

Severance tax

The severance tax penalty for late payment is the greater of \$30 or 30% of the tax assessed.

Tobacco products tax

The tobacco products tax penalty of \$25 for failure to file is imposed if no tax is due. The tobacco products tax penalty for late payment is a percentage of the unpaid tax equal to 10% plus ½% for each month the tax remains unpaid, not to exceed a total of 18%.

Wage withholding tax

The wage withholding tax penalty for late filing or payment is the greater of \$5 or a percentage of the unpaid tax equal to 5% plus ½% for each full or partial month the tax remains unpaid, not to exceed a total of 12%.

Other tax penalties

In addition to penalties for failure to file or pay tax in a timely manner, the Department may impose a variety of other, often more severe penalties under certain circumstances. Other penalties that the Department may impose include the following penalties.

Cigarette tax

A cigarette tax penalty is imposed for the purchase or possession of unstamped cigarette.

Fuel excise tax

Fuel excise tax penalties may be imposed for the following reasons:

- failure or refusal to file or pay;
- filing of an incorrect or fraudulent return;
- acting as a distributor, supplier, terminal operator, importer, exporter, or carrier without a valid license; and
- blending dyed diesel without a valid license

Income tax

Income tax penalties may be imposed for the following reasons:

- underpayment of estimated tax;
- failure to pay a notice and demand for payment (“collection penalty”);
- fraudulent or willful failure to file;
- filing a fraudulent, frivolous, or willfully false return;
- fraudulent failure to pay tax when due or willful attempt to evade tax;
- negligence or disregard for laws, rules, or regulations, without intent to defraud; and
- tax preparer’s willful or reckless disregard for applicable laws or rules.

Marijuana sales tax and marijuana excise tax

Marijuana sales tax and marijuana excise tax penalties may be imposed for fraud with intent to evade tax. They may also be imposed for negligence or intentional disregard of rules and regulations, without intent to defraud.

Nicotine products tax

A nicotine products tax penalty is imposed for the possession of untaxed nicotine products.

Oil and gas severance tax withholding

Oil and gas severance tax withholding penalties are imposed for failure to withhold and failure to file an annual reconciliation.

Passenger mile tax

A passenger mile tax penalty is imposed for filing a false or fraudulent return with intent to evade tax. A penalty is also imposed for inclusion of an error in required records, either negligently or knowingly.

Sales tax

Sales tax penalties may be imposed for the following reasons:

- fraud with intent to evade tax;
- negligence or intentional disregard of rules and regulations, without intent to defraud;
- unregistered vending machine; and
- making retail sales without a valid license.

Severance tax

A severance tax penalty is imposed for negligence or disregard for law.

Tobacco products tax

A tobacco products tax penalty is imposed for possession of untaxed nicotine or tobacco products.

Use tax

Use tax penalties may be imposed (with respect to either consumer use tax or retailer's use tax) for the following reasons:

- fraud with intent to evade tax; and
- negligence or intentional disregard of rules and regulations, without intent to defraud.

Wage withholding tax

Wage withholding tax penalties may be imposed for the following reasons:

- failure to pay a notice and demand for payment ("collection penalty");
- fraudulent or willful failure to file;
- filing a fraudulent, frivolous, or willfully false return;
- fraudulent failure to pay tax when due or willful attempt to evade tax;
- negligence or disregard for laws, rules, or regulations, without intent to defraud; and
- tax preparer's willful or reckless disregard for applicable laws or rules.

Collection penalties

Certain collection penalties authorized by law are not specific to a particular tax type and may be imposed for a variety of the taxes the Department administers.

Corporate officer's penalty

A corporate officer's penalty may be imposed on corporate officers or the members of a partnership or LLC for willful failure to collect, account for, and pay over any tax administered by the Department or for willfully attempting to evade or defeat any such tax or the payment thereof. Please see [1 CCR 201-1](#), Rule 39-21-116.5 for additional information.

Recurring distraint warrant penalty (RDWP)

A penalty is imposed for the repeatedly failing, neglecting, or refusing to pay delinquencies and thereby requiring the issuance of distraint warrants to enforce the collection of unpaid taxes.

Returned check penalty

A penalty is imposed for any check remitted to the Department for payment of tax, but that is returned to the Department unpaid due to insufficient funds, a closed account, or a stop payment order.

Additional resources

The following is a list of statutes and rules pertaining to tax penalties and interest. 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 rules

- § 24-35-114, C.R.S. Civil penalty for unpaid checks.
- § 39-21-109, C.R.S. Interest on underpayment, non-payment, or extensions of time for payment of tax.
- § 39-21-110.5, C.R.S. Rate of interest to be fixed.
- § 39-21-114, C.R.S. Methods of enforcing collection.
- § 39-21-116.5, C.R.S. Penalties - repeal.
- § 39-22-621, C.R.S. Interest and penalties.
- § 39-26-115, C.R.S. Deficiency due to negligence.
- § 39-26-118, C.R.S. Recovery of taxes, penalty, and interest - repeal.
- § 39-26-204, C.R.S. Periodic return - collection.
- § 39-26-714, C.R.S. Vending machines - definitions.
- § 39-27-105, C.R.S. Collection of tax on gasoline and special fuel - rules - repeal.
- § 39-28-107, C.R.S. Unstamped packages.
- § 39-28-108, C.R.S. Penalty.
- § 39-28.5-106, C.R.S. Returns and remittance of tax - civil penalty.
- § 39-28.5-110, C.R.S. Prohibited acts - penalties.
- § 39-28.6-107, C.R.S. Returns and remittance of tax - civil penalty - rules.
- § 39-28.6-111, C.R.S. Prohibited acts - penalties.
- § 39-28.8-201, C.R.S. Retail marijuana sales tax - administration - enforcement.
- § 39-28.8-301, C.R.S. Retail marijuana excise tax - administration - enforcement.
- § 39-29-115, C.R.S. Penalties and interest.
- 39-37-109. Returns and remittance of tax - civil penalty - rules.
- § 42-3-308, C.R.S. Taxpayer statements - payment of tax - estimates - penalties.
- § 42-3-309, C.R.S. Permit to be secured - records kept - penalties.
- § 44-3-503, C.R.S. Excise tax - records - rules - definition.
- Rule 39-21-116.5. Penalties for Officers or Members.
- IFTA Articles of Agreement R1220 and R1230

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/guidance-publications](https://tax.colorado.gov/guidance-publications)
- [International Fuel Tax Agreement website](https://www.fta.com/International-Fuel-Tax-Agreement-website)