

# FYI – For Your Information

## Pension Subtraction for Married Couples When Both Spouses Receive Social Security

For Colorado income tax purposes, pension recipients can exclude certain pension benefits that are taxable for federal income tax purposes on the Colorado 104 Form.

Social Security benefits qualify for the Colorado pension subtraction. But when a husband and wife are both receiving Social Security benefits and they are

filing joint income tax returns, Colorado law requires that they prorate that portion of the benefits included in their federal taxable income between them. Taxable benefits are prorated in the ratio of their separate benefits to their total benefits in order to determine their separate Colorado pension subtraction. [§39-22-104 (4) (f) (III), C.R.S. ]

Use the following worksheet to prorate Social Security benefits included in your federal taxable income:

- 1) Husband’s total Social Security benefits for the year \$ \_\_\_\_\_
- 2) Wife’s total Social Security benefits for the year \$ \_\_\_\_\_
- 3) Total of lines 1 and 2 \$ \_\_\_\_\_
- 4) Husband’s percentage (line 1 divided by line 3) \_\_\_\_\_ %
- 5) Wife’s percentage (line 2 divided by line 3) \_\_\_\_\_ %
- 6) Taxable amount of Social Security benefits included on federal Form 1040 or federal Form 1040A \$ \_\_\_\_\_
- 7) Husband’s share of taxable Social Security benefits (amount on line 6 multiplied by percentage on line 4) \$ \_\_\_\_\_
- 8) Wife’s share of taxable Social Security benefits (amount on line 6 multiplied by percentage on line 5) \$ \_\_\_\_\_



Colorado Department of Revenue  
Taxpayer Service Division  
1375 Sherman St.  
Denver, Colorado 80261

Forms and other services:  
(303) 238-FAST (3278)  
Assistance:  
(303) 238-SERV (7378)

[www.taxcolorado.com](http://www.taxcolorado.com)

**EXAMPLE:** John Williams, age 63, had Social Security benefits of \$8,065. His wife Mary had Social Security benefits of \$13,500. The amount of the benefits included in their federal taxable income was \$5,965.

They would compute their proration schedule as follows:

1) John's benefits	\$	8,065
2) Mary's benefits	\$	13,500
3) Total benefits	\$	21,565
4) John's percentage		37.399 %
5) Mary's percentage		62.601 %
6) Taxable benefits	\$	5,965
7) John's share of the taxable benefits	\$	2,231
8) Mary's share of the taxable benefits	\$	3,734

If John also had civil service pension income of \$18,500 included in the joint federal taxable income, his Colorado pension subtraction would be limited to the \$18,500 civil service pension plus \$1,500 of his Social Security benefits for a total of \$20,000. If Mary had no other pension income, she could claim a subtraction of \$3,734, her share of the benefits included in federal income.

**FURTHER INFORMATION**

For more information on related topics, consult the following DOR publications:

- FYI General 7 "Property Tax Rebates and Deferrals for the Elderly and Disabled;
- FYI Income 16 "Subtraction from Income for Recipients of PERA or Denver Public Schools Retirement Benefits;
- FYI Income 25 "Pension/Annuity Subtraction."

FYIs, commonly used forms and additional tax information are available on the Web at [www.taxcolorado.com](http://www.taxcolorado.com)

For additional income tax information visit the "Tax Information Index" which covers a variety of topics including links to forms, publications, regulations, statutes, and general questions and answers. The "Tax Information Index" is located at [www.taxcolorado.com](http://www.taxcolorado.com)

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved these FYIs.