

FYI – For Your Information

United States Government Interest

Interest income from United States government obligations is taxable by the federal government. Interest from U.S. government obligations is generally **exempt** from Colorado income tax.

NOTE: A taxpayer receiving interest from a mutual fund which includes obligations that are **exempt** from Colorado income tax and obligations that are **taxable** may exclude **only** the interest from the **exempt** obligations. (Examples of interest and/or dividend income that is taxable for Colorado income tax purposes are listed in this FYI.)

EXAMPLE: A taxpayer has a mutual fund in which 90 percent of the interest received is from U.S. Treasury bills (an exempt obligation under Colorado law). The rest of the interest received from this mutual fund is from the Government National Mortgage Association (a taxable obligation under Colorado law). The taxpayer may exclude 90 percent of his mutual fund interest for Colorado income tax purposes.

EXEMPT OBLIGATIONS

Interest or dividend income included in federal taxable income from the following sources is deductible for Colorado purposes. Since Colorado income tax is based on federal taxable income, this income should be subtracted from federal taxable income on the Colorado Form 104.

1. Interest on U.S. Treasury bonds, notes, bills, certificates, and savings bonds.
2. Income from GSA Public Building Trust Participation Certificates: First Series, Series A through E; Second Series, Series F; Third Series, Series G; Fourth Series, Series H and I.
3. Bank for Cooperatives: income from notes, debentures, and other obligations issued by Banks for Cooperatives.
4. Commodity Credit Corporation: income derived from bonds, notes, debentures, and other similar obligations issued by Commodity Credit Corporation.
5. Farm Credit System Financial Assistance Corporation (Financial Assistance Corporation): income from notes, bonds, debentures, and other obligations issued by the Financial Assistance Corporation.
6. Federal Deposit Insurance Corporation: interest derived from notes, debentures, bonds, or other such obligations issued by Federal Deposit Insurance Corporation.
7. Federal Farm Credit Banks: income from consolidated systemwide notes, bonds, debentures, and such obligations issued jointly and severally under 12 USCA Section 2153 by banks of the Federal Farm Credit System.
8. Federal Home Loan Banks: interest derived from notes, debentures, bonds, and other obligations issued by Federal Home Loan Banks and from consolidated Federal Home Loan bonds and debentures.



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9. Federal Intermediate Credit Banks: income from notes, bonds, debentures, and other obligations issued by Federal Intermediate Credit Banks.
10. Federal Land Banks and Federal Land Bank Association: income from notes, bonds, debentures, and other obligations issued by Federal Land Banks and Federal Land Bank Associations.
11. Federal Savings and Loan Insurance Corporation: interest derived from notes, bonds, debentures, and other such obligations issued by Federal Savings and Loan Insurance Corporation.
12. Financing Corporations (FICO): income from obligations issued by the Financing Corporation.
13. General Insurance Fund
 - a. Interest derived from debentures issued by General Insurance Fund under the War Housing Insurance Law.
 - b. Interest derived from debentures issued by the General Insurance Fund to acquire rental housing projects.
 - c. Interest derived from Armed Services Housing Mortgage Insurance Debentures issued by the General Insurance Fund.
14. Guam: interest derived from bonds issued by the government of Guam.
15. Mutual Mortgage Insurance Fund: income from debentures on mortgages insured after February 3, 1988.
16. National Credit Union Administration Central Liquidity Facility: income from the notes, bonds, debentures, and other obligations issued on behalf of the Central Liquidity Facility.
17. Production Credit Association: income from notes, debentures, and other obligations issued by Production Credit Associations.
18. Puerto Rico: interest derived from bonds issued by government of Puerto Rico.
19. Student Loan Marketing Association: interest derived from bonds issued by the Student Loan Marketing Association.
20. Tennessee Valley Authority: interest derived from bonds issued by the Tennessee Valley Authority.
21. United States Postal Service: interest derived from obligations issued by the United States Postal Service.
22. Virgin Islands: interest derived from bonds issued by the government of the Virgin Islands.
23. Resolution Financing Corporation

TAXABLE OBLIGATIONS

Interest income from the following sources is not an allowable deduction (subtraction modifications) for Colorado income tax purposes. They should not be entered as a subtraction from federal income on the Colorado 104 Form. (NOTE: This list is not necessarily complete, and should not be construed as such. An item is exempt only if it appears on the exempt list.)

1. Asian Development Bank
2. Federal Home Loan Mortgage Corporation
3. Federal National Mortgage Association
4. Government National Mortgage Association
5. Inter-American Development Bank
6. International Bank for Reconstruction and Redevelopment (World Bank)
7. Repurchase agreements
8. Federal Agency Bonds

FURTHER INFORMATION

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

- FYI General 5 “General Information About Colorado State Taxes”;
- FYI Income 14 “Alternative Minimum Tax.”

FYIs, commonly used forms and additional tax information are available on the Web at *www.taxcolorado.com*

For additional income tax information visit the "Tax Information Index" at *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.