

# ***FYI – For Your Information***

---

## ***Weather Related Livestock Sale Income Tax Credit***

### **GENERAL INFORMATION**

For tax years beginning on or after January 1, 2002, but prior to January 1, 2004, an income tax credit is available to qualified taxpayers who defer income from the sale of livestock due to weather related conditions on the federal income tax return. The credit is 4.63% of the amount of income actually deferred. [C.R.S. 39-22-128]

The Colorado credit is based on the deferral of income allowed on the federal return under section 451(e) of the federal I.R.S. Code. Cash basis farmers can elect a one-year deferral to report income from the sale of certain livestock due to drought, flood, or other weather related conditions. The drought, flood, or other weather related conditions must be such that the taxpayer's area is designated eligible for federal assistance. The credit is based on the amount of income deferred from the sale or exchange of livestock that normally would not have been sold during the tax year had it not been for the weather related conditions. If a taxpayer elects not to take the federal deferral of income, they will not qualify for the Colorado credit.

### **QUALIFIED TAXPAYER**

To claim the credit, a taxpayer's principal trade or business must be farming and they must be cash basis taxpayers. Accrual method taxpayers do not qualify for the deferral or credit.

### **LIMITATIONS TO CREDIT**

If the credit claimed exceeds the net tax liability for the year, the excess credits may be carried forward for up to five years.

### **FURTHER INFORMATION**

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" 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.



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)