

# FYI – For Your Information

## Colorado Oil and Gas Severance Withholding Requirements

### GENERAL INFORMATION

Operators and first purchasers who disburse funds from oil and gas production in Colorado to any interest owner — royalty, working or any other type of interest — must:

1. Open and maintain a Colorado oil and gas severance withholding tax account with the Colorado Department of Revenue.
2. Withhold 1 percent from the gross income disbursed and remit such withholding to the department quarterly.
3. File with the department an annual statement of withholding.
4. Notify each interest owner annually of the amount of severance tax withheld from his/her interest payments.

The “withholding agent” is whoever disburses the funds to the interest owners, either the operator or the first purchaser. The operator must keep a record of whether the operator or the first purchaser is responsible for reporting and remitting the severance tax withholding and furnish that information to the Department of Revenue upon request.

The withholding agent shall withhold 1 percent of the gross income from oil and gas owed to every interest owner, including the withholding agent if such agent is an interest owner. **Exception:** Gross

income from oil and gas interests owed to the United States or to the State of Colorado or to any political subdivision of the State of Colorado is exempt from severance tax withholding.

### PRODUCTS TAKEN IN KIND

When an interest owner elects to take production in kind, such interest owner is responsible for withholding and paying the severance tax on the products taken in kind. All books, accounts and records of such transactions shall be open for examination by the department.

### STRIPPER WELLS

Colorado law exempts from severance tax:

- Oil produced from any individual well that produces 15 barrels per day or less of oil for the average of all producing days during a taxable year.
- Gas produced from any well that produces 90,000 cubic feet or less of gas per day for the average of all producing days during a taxable year.

If the operator of a stripper well as defined above is able to prove to the satisfaction of the Department of Revenue that an undue burden would exist if the operator were required to withhold on its income distributions, the department may waive the withholding requirement on such oil and gas production. This



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

Sales Tax: (303) 232-2416  
Withholding Tax: (303) 232-2416  
Income Tax: (303) 232-2446  
Severance Tax: (303) 232-2446  
Fuel Tax (303) 205-5967

waiver is **not** automatic. The operator must submit a written request (Form DR 0023) for such a waiver to:

**Business Tax Accounting Section  
Colorado Department of Revenue  
1375 Sherman St., Room 286  
Denver, Colorado 80261**

The department will then send the operator a written waiver for the operator's records. The withholding agent must still provide the taxpayer and the department with an annual withholding statement (DR 0021W) even if no tax is withheld. All disbursers should maintain records of barrels of oil and cubic feet of gas produced and of disbursements based on production from any qualifying stripper well, and provide that information to interest owners along with the annual withholding statement.

***HOW TO OPEN A COLORADO OIL AND GAS SEVERANCE WITHHOLDING TAX ACCOUNT***

In order to open a severance withholding tax account, complete and return to the Department of Revenue a "Colorado Business Registration" (CR 0100). Be sure to indicate on your CR 0100 that you are applying for an **oil and gas withholding tax account**.

NOTE: This form is a multi-purpose application for all types of state business tax accounts, including wage or income withholding. Therefore, take care to clearly indicate the type(s) of tax account(s) you want to open.

***FILING QUARTERLY SEVERANCE WITHHOLDING TAX RETURNS***

After you open a severance withholding tax account, the department will send you "Quarterly Return of Oil and Gas Tax Withholding" forms (DR 0461). You must complete and return these forms with the amount withheld according to the schedule in the box in the next column.

***THE ANNUAL RECONCILIATION REQUIREMENT***

In addition to quarterly severance withholding tax returns, the department will send you an "Annual Reconciliation of Severance Tax Withheld from Oil and Gas Payments" (DR 0456). This form is

FUNDS WITHHELD DURING THE MONTHS OF:	MUST BE REMITTED BY:
January, February & March	June 1
April, May & June	September 1
July, August & September	December 1
October, November & December	March 1 (of following year)

due April 15. Complete and return it with copies of all "Oil and Gas Withholding Statements" (DR 0021W) for the calendar year covered in your DR 0456.

***THE ANNUAL OIL AND GAS WITHHOLDING STATEMENT REQUIREMENT***

Withholding agents are responsible for completing by March 1 of each year an "Oil and Gas Withholding Statement" (DR 0021W) for each interest owner from whom you have withheld. On the "Oil and Gas Withholding Statement," you must provide for the entire calendar year:

1. Gross disbursements made to the interest owner.
2. Total amount of severance tax withheld from the gross income payments disbursed to the interest owner.
3. Total amount of the interest owner's share of any ad valorem taxes.

Copies of the "Oil and Gas Withholding Statement" (DR 0021W) are available from the department upon request. This form consists of four self-carbon copies. Retain one copy for your records. Mail two copies to the interest owner by March 1 of the year following the calendar year covered by the statement [§39-29-111(4) C.R.S.]. Attach one copy to your "Annual

Reconciliation of Severance Tax Withheld from Oil and Gas Payments” (DR 0456) and send it to the Department of Revenue by the April 15 deadline for the DR 0456.

If you prefer to print computer facsimiles of the “Oil and Gas Withholding Statement” (DR 0021W), you may do so provided that all the information requested on the form is included and sufficient copies are made for distribution to interest owners and the Department of Revenue. For assistance call (303) 866-5608 or write to:

Software Forms Manager  
Colorado Department of Revenue  
1375 Sherman St., Room 188  
Denver, CO 80261

### ***FORMS AND INFORMATION***

To obtain information related to your Colorado oil and gas severance withholding tax responsibilities, visit the nearest Colorado Department of Revenue service center or call (303) 232-2446. You may also call the DOR Forms Hotline at (303) 232-2414 to order forms.

### ***FURTHER INFORMATION***

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

- FYI General 1 “Department of Revenue Publications”;
- FYI General 8 “The FYI Program - Index and General Information”;
- FYI General 4 “Severance Tax Information for Owners of Any Interest in Any Oil and Gas (including Carbon Dioxide) Produced in Colorado.”

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide Taxpayer Service Center; or by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (General 1, Sales 9, etc.,) when ordering FYI publications. FYIs and commonly used forms are available on the Web at [www.revenue.state.co.us](http://www.revenue.state.co.us)

For a complete set of FYIs (approximately 140, on sales, income, excise and withholding taxes), you may purchase ***The Complete Book of FYIs*** at low cost from the State Forms Center, Division of Correctional Industries, 4200 Garfield St., Denver, CO 80216. An order form is contained in FYI General 1, or call the State Forms Center, (303) 321-4164, for ordering information.