

# FYI – For Your Information

## Colorado Withholding Tax Requirements

### GENERAL INFORMATION

Employers are required to have a Colorado withholding account and remit Colorado income taxes withheld if:

- 1) The compensation is subject to federal withholding for income tax purposes; and
- 2) Employees are Colorado residents (working inside or outside Colorado), **or** employees are nonresidents of Colorado performing services in Colorado.

Submit a completed “Colorado Business Registration” (CR 0100) to the Colorado Department of Revenue to open a withholding account. There is no fee for the withholding license.

Employers should note that Colorado does not have a state equivalent of the federal W-4 form. Employees can file the federal W-4 for both federal and Colorado wage withholding tax purposes. The W-4 goes to the IRS, which forwards the information to the Colorado Department of Revenue.

Effective for all periods on or after January 1, 2000 employers must deduct all state wage withholding in whole dollar amounts.

### FILING REQUIREMENTS

Each year the department will determine whether an employer will be a quarterly, monthly or weekly filer based on an annual review of the amount of Colorado withholding tax that the employer reported during

the 12-month period July 1 through June 30. For example, for the 2000 calendar year, DOR will look at the period July 1, 1998 through June 30, 1999 to determine how much tax the employer reported and how often the employer will be required to file. The period is called a “lookback period.” If the amount of tax remitted during the lookback period requires a more frequent filing schedule, the department will notify the employer prior to January of the next calendar year. If an employer is eligible to file **less** frequently, the department will not change the filing status. The employer must request to file less frequently. Then the department will analyze the withholding tax account to determine whether the employer may file less frequently. **The employer must continue to file at the frequency in the department’s records until notified that the filing frequency has been changed.**

**Filing Frequency** — If you will have employees, estimate how much wage withholding you expect to pay for all your employees in one year. New businesses can file quarterly or can request more frequent filing if desired.

- **Quarterly Filers** — Employers whose Colorado wage withholding reported during the 12-month lookback period was less than \$7,000. Due dates for quarterly filers will be the last day of the month following the close of the calendar quarter. Quarters end on March 31, June 30, September 30 and



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

December 31. For example, a return is due April 30 for the quarter ending March 31.

- **Monthly Filers** — Employers whose Colorado wage withholding reported during the 12-month lookback period was at least \$7,000 but not more than \$50,000. Monthly filers must file a withholding return on or before the fifteenth day of the following month.
- **Weekly Filers** — Employers whose Colorado wage withholding reported during the 12-month lookback period was more than \$50,000. Weekly filers must remit any Colorado withholding taxes accumulated as of any Friday on or before the third business day following that Friday. **Always** provide DOR with a Friday date for the filing period ending date. Employers who withhold more than \$50,000 annually must file all payments by electronic funds transfer.

**One Exception** — At the end of the year, weekly filers must make a final transmission that includes all taxes withheld for all payrolls through December 31. Therefore, December 31 will be the filing period ending date for this transmission, even if it is not a Friday. The **payment** transmission is due three business days after December 31.

- **Seasonal Filers** — Employers who do not operate their business during the entire calendar year and who do not have Colorado wage withholding when the business is not operating. The employer must obtain DOR approval and inform DOR of the months in which there will be withholding. Seasonal filers must file a return on or before the fifteenth day of the month following each month of operation.

**NOTE:** Except for weekly accounts, a return must be filed for each period even if no taxes have been withheld. Weekly accounts must file at least monthly, even if no tax is withheld. If a due date falls on a non-business day, taxes will be considered timely paid if paid on the first business day after that.

## ***METHODS OF REMITTING WAGE WITHHOLDING TAX***

There are two methods of remitting Colorado withholding taxes: by check with a coupon, or Electronic Funds Transfer (EFT).

### • **WITHHOLDING COUPON BOOKS**

After the Department of Revenue receives your withholding tax application form, a pre-printed withholding tax coupon book will be mailed to you in about six weeks. The coupon book contains tear-out wage withholding returns (DR 1094), the transmittal form for annual state W-2s (DR 1093), and an "Account Change or Delete Form" (DR 1095) to use if needed. A new coupon booklet will be sent to you each calendar year. Please use these DR 1094 coupons in order.

### • **ELECTRONIC FUNDS TRANSFER**

Employers who remit more than \$50,000 in Colorado withholding taxes during the lookback period **must remit withholding tax payments by EFT during the following calendar year** [Withholding Tax Regulation 39-22-604.4]. Employers who collect \$50,000 or less in Colorado withholding taxes annually may elect to remit by EFT, or they may use paper returns/coupons. Remitting withholding tax by EFT is done with a phone call. It eliminates the need to file a paper return, and virtually eliminates the potential for filing and processing errors. Because of the convenience for taxpayers, and the reduction in data entry errors for the Department of Revenue, the department encourages the use of EFT, rather than the use of paper coupons. Once you register for EFT, you will not receive coupon booklets.

To file by EFT, you must apply for a unique EFT identification number. For an EFT application and information packet, contact the Department of Revenue. If you anticipate meeting the \$50,000 threshold during the next lookback period, you should request an EFT application. Companies applying

for EFT filing status should use withholding tax coupons only until they receive their EFT account number, in about six weeks. When your EFT account number arrives in the mail, any remaining coupons should be immediately discarded.

**NOTE:** You must indicate on your EFT application form whether you want to set up the account on a **credit** or a **debit** basis. The debit transaction is available to all EFT filers regardless of where you bank. However, very few Colorado banks will handle the credit transaction at this time, and there may be a cost to you for each credit transaction. Before you set up your EFT account to remit via the **credit** transaction, **check with your bank** regarding availability and cost.

For more detailed information on your obligations as a Colorado withholding tax agent, see the **Colorado Income Tax Withholding Tables** booklet (DRP 1098). This booklet also contains the tables you must use to compute your Colorado withholding.

#### ***OTHER TYPES OF TAXES THAT CAN BE FILED BY EFT***

When you apply for an EFT number for your business, you may elect to use it to file sales tax and income tax remittances as well. **However, appropriate paper documents must still accompany sales tax and income tax EFT payments.** On your EFT application form, you must indicate all taxes that you wish to pay by EFT.

#### ***NOTE ON COMPUTER FILING***

At present, the Colorado Department of Revenue cannot process withholding tax returns filed on computer diskette. However, the filing of annual W-2 data **only** may be submitted on floppy diskette. Please refer to FYI Withholding 6 "Methods of Filing Colorado Annual W-2 Tax Data" for diskette specification information.

#### ***FURTHER INFORMATION***

If you have additional questions about withholding requirements, you may call the DOR at (303) 232-2416. For more information on related topics, consult the following DOR publications:

- FYI General 1 "Department of Revenue Publications";
- FYI General 3 "Trade Name Registration";
- FYI General 6 "General Information About Colorado Enterprise Zones";
- FYI General 8 "The FYI Program - Index and General Information";
- FYI Sales 9 "Sales Tax Licenses";
- "Colorado Income Tax Withholding Tables" (DRP 1098).

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 130, 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.