



Withholding 5: Colorado Wage Withholding Tax Requirements

Employers are required to have a Colorado withholding tax account and remit Colorado withholding taxes if an employer pays wages that are subject to federal withholding for income tax purposes; and

1. The employer has employees performing work or services, either wholly or in part, in Colorado, OR
2. The employee is a Colorado resident working either inside or outside of Colorado, unless income tax is being withheld for another state.

OPENING AN ACCOUNT

You can open a withholding tax account with the Colorado Department of Revenue (Department) online, by paper or in person at a service center. There are no fees for opening a withholding account.

- **Online.** Apply through Colorado Business Express www.Colorado.gov/cbe and receive a Colorado Account Number (CAN) immediately. This online application can also open a sales tax license, if applicable.
- **Paper.** If you cannot apply online, complete and mail in the Sales Tax Withholding Account Application (CR 0100AP). You will receive your CAN by mail. Please allow four to six weeks for processing.
- **Service Center.** Apply for an account by visiting one of our service centers. A list of our service center locations and hours is available on the Taxation website www.Colorado.gov/Tax. If visiting a service center, you must bring:
 - A completed Sales Tax Withholding Account Application (CR 0100AP), and
 - If you applying for a sales tax account in addition to a wage withholding account, bring a check or money order (no cash) to pay any fees, and
 - Valid driver license or ID. (If you are filing on behalf of someone else, a copy of their license or ID.)

CLOSING AN ACCOUNT

If a business no longer has employees, the wage withholding tax account must be closed within 30 days. If the business has an existing Revenue Online account, the withholding tax account can be closed through Revenue Online www.Colorado.gov/RevenueOnline. For more information on Revenue Online, see "Revenue Online" later in this FYI. An account can also be closed by completing the Address Change or Business Closure Form (DR 1102) and sending the completed form to the Department.

FILING FREQUENCY AND DUE DATES

Withholding tax must be deducted and paid in whole dollar amounts.

New Accounts

To determine the filing frequency for a new account, the employer shall estimate the amount of withholding tax that the business expects to withhold from all employees in one year. Based on that estimate, the filing frequency for a new account is quarterly, monthly, or weekly, described in more detail below.

Existing Accounts

The filing frequency for existing accounts is measured by the aggregate amount of withholding tax paid during the preceding calendar year from January 1 through December 31. For example, the filing status for calendar year 2019 will be set by examining the amount of withholding tax remitted to the Department during calendar year 2018.

The Department will conduct an annual review to evaluate an employer's filing frequency. Should the filing frequency increase, the Department will notify the employer before January of the next calendar year. However, if an employer is eligible to file less frequently, the Department will not automatically update the employer's filing frequency. The employer must contact the Department to request the filing period be less frequent. When requesting a less frequent filing period, the employer must continue to file at the current frequency until the Department provides notification of the filing frequency change, if approved. The filing frequency can be verified through Revenue Online.

A withholding tax return must be filed for every filing period. If no taxes have been withheld during the filing period, a return reporting "zero tax withheld" must be filed. When the due date falls on a weekend or holiday, taxes are considered timely if they are paid on the first business day following the due date.

Types Filing Frequencies and Required Due Dates

- **Quarterly.** Employers who report less than \$7,000 of withholding tax per year shall file withholding taxes quarterly. Quarters end on March 31, June 30, September 30 and December 31. Taxes are due to the Department on or before the last day of the month following the end of a quarter.
- **Monthly.** Employers who report between \$7,000 and \$50,000 of withholding tax per year shall file withholding taxes monthly. Taxes are due to the Department on or before the fifteenth day of the following month. For example, taxes are due June 15 for the month of May.
- **Frequent/Weekly.** Employers who report more than \$50,000 of withholding tax per year shall file withholding taxes weekly. Weekly filers **must pay** withholding taxes by Electronic Funds Transfer (EFT) on or before the third business day following the week in which the payroll was made. For weekly filers, the week always ends on a Friday. If payroll falls on any day between Saturday and Friday, the period end date entered in the EFT system should be Friday's date. If no tax is withheld for an entire month, the employer must file at least one **zero return** every month for the period ending on the last Friday of the month using EFT or Revenue Online.

Exception: If December 31 does not fall on a Friday and taxes were withheld between the last Friday of the month and December 31, then weekly filers must make a final payment that includes all unpaid taxes through December 31. Therefore, December 31 will be the filing period end date for this transmission, even if it is not a Friday. The payment is due three business days after December 31.

The table below is an example of how to determine the filing period and EFT payment due date for a weekly filer.

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	25	26	27	28	29	30	1
	2	3	4	5	6	7	8
Payroll	If payroll falls on Tuesday the 27 th the filing period end date is Friday the 30 th . The EFT payment due date is Wednesday the 5 th .						
Filing period end date							
Due date							

- **Seasonal.** Employers who report less than \$50,000 of withholding per year, do not operate their business during the entire calendar year, and do not pay wages while the business is not operating may request a seasonal filing frequency. A monthly return must be filed and payment made for each month during the designated operating season and is due on or before the fifteenth day of the month following the operating month.

ELECTRONIC FUNDS TRANSFER (EFT) -- FILE AND PAY OPTIONS

Employers who pay more than \$50,000 of withholding tax per year are **required** to file and pay by EFT. Employers who do not meet this requirement are **encouraged** to file by EFT because it reduces processing delays and errors. Employers must register with the Department in order to make EFT payments.

Registration Process

Making payments by EFT requires pre-registration. You will need to select the tax types you wish to pay by EFT when registering. An employer can either:

- **Apply online** through Revenue Online (www.Colorado.gov/RevenueOnline). To apply for an EFT account, you must have set up a Revenue Online account. Once you are able to access your account through Revenue Online, click on "Add/Change an EFT Account" and follow the prompts. If you register before 4:00 p.m. MST, you can make an EFT payment two business days after you submit your EFT authorization request online. You will be able to see your EFT number in your Revenue Online account by clicking "View My EFT Account Numbers."
- **Apply on paper** by submitting the Authorization for Electronic Funds Transfer (EFT) For Tax Payments (DR 5785) to the Department.

ACH Types

Each applicant must indicate whether their EFT account should be designated as debit, credit, or both.

- **ACH Debit.** An ACH Debit occurs when you authorize or give permission to the Department to debit your bank account. This method allows the user to manage their payments by instructing the Department to withdraw a certain amount from the account, and designate the tax type, the filing period, and the date to debit their account. This service is available free of charge and applicants will receive an EFT Number and EFT PIN Code.
- **ACH Credit.** An ACH Credit occurs when you contact your bank and ask them to "push" the payment to the Department. ACH Credit is similar to "Bill Pay" services offered by banks. This method requires the user to instruct their financial institution to deposit a certain amount of tax to the Department, designate the tax type, and date to credit the amount to the department. Some financial institutions may charge a fee for this service. Please check with your financial institution to determine if there is a fee associated with this payment method. Applicants will receive an EFT Number and instructions on where to send the payment and the necessary formatting of the ACH credit transaction.

EFT Returns and Payments

Paying withholding tax by EFT fulfills the employer's filing requirement of a withholding return (DR 1094). Those that make payments by EFT *should not* file a return through Revenue Online or mail a paper return. Filing a return through Revenue Online or by paper in addition to your EFT payment may result in an erroneous bill being issued. If zero tax is withheld for a tax period, a zero EFT payment can be transmitted to satisfy your filing requirement. **Exception:** Filing by EFT does not fulfill the employer's requirement to file Annual Reconciliation Returns and W-2s to the Department. Submit EFT payments before 4:00 p.m. (MST) to credit your account on that date.

- ACH Debit. To make a payment visit www.Colorado.gov/Revenue/EFT and click on the Make a Payment button. Enter your EFT Number and EFT PIN Code, tax type code, filing period end date, dollar amount owed, and effective date of the payment. The other alternative is to call 877-265-6338 (877-COLOEFT).
- ACH Credit. To make a payment using ACH Credit, you must contact your financial institution to initiate an ACH credit to the Department's account. Make sure your financial institution is able to create a TXP record, which is a national banking standard. If your payment does not contain a TXP record or is incorrect, your payment will be returned to you as unprocessed.

Paying Bill or Notices through EFT

EFT payments *cannot* be used to pay penalty, interest, or any delinquencies. To pay any penalty, interest, or delinquencies, use Revenue Online or send the payment by check or money order with the bill voucher.

REVENUE ONLINE -- FILE AND PAY OPTIONS

Signing up for Revenue Online account access allows businesses to file returns, make payments, update mailing addresses, review prior filings, view most letters sent to the business by the Department and much more. To file or pay withholding taxes through Revenue Online, the employer will need a Colorado Account Number (CAN). Visit www.Colorado.gov/RevenueOnline to get started.

Please note: The most recent withholding amount that was remitted and processed or recent letter ID is required to get access to Revenue Online. Do not use zeros for your withholding amount. *If you attempting to gain access to Revenue Online today and your most recent filing was completed in the last few days, it is likely that the filing has not yet been processed and posted to your account. You may need to use a different amount or wait a few more days before accessing.*

Employers can choose to file returns *and* pay withholding taxes through Revenue Online. While logged in, users will file a return and after filing the return, the employer will make an online payment by e-check or a credit card. There is a third party processing fee when making payments through Revenue Online. Employers that do not have wage withholding to report for a specific filing period may login and file a "zero" tax return through Revenue Online.

PAPER RETURN AND CHECK OR MONEY ORDER

If the withholding account was set up electronically, all withholding tax liabilities must be filed by EFT or through Revenue Online. If an employer pays less than \$50,000 and cannot file by EFT or through Revenue Online, the Withholding Tax Return (DR 1094) must be completed and mailed, along with a check or money order, to the Department postmarked by the due date of the return. Please write the business name, Colorado Account Number (CAN), filing period and tax type on the check or money order you send. This process does increase the chance of an error or problem and the use of electronic payment options are strongly recommended.

WITHHOLDING TAX NONFILER NOTICES

If an employer does not file a required return, an estimated tax due assessment may be issued. This estimated tax assessment is based on the employer's filing history. If there is no filing history, then an estimated tax amount will be assessed. Even if the employer pays the estimated tax assessment, the employer must still file a return and pay the appropriate amount of tax due.

ANNUAL INFORMATION RETURNS AND W-2 SUBMITTAL

In addition to reporting wage withholding tax throughout the year (weekly, monthly or quarterly), employers are required to also submit an annual information return and W-2s to the Department. The Annual Wage and Tax Statements (W-2s) must be filed with the Colorado Department of Revenue and furnished to the employee on or before the **last day of January**. Employers can submit these statements to the department electronically or by submitting paper copies.

Employers with more than 250 employees are required to file such statements electronically.

For more information on how to file annual reconciliation wage withholding statements, see publication FYI Withholding 6, Methods of Filing Colorado Annual W-2 Tax Data.

CORRECTING RETURNS AND WITHHOLDING REFUND REQUIREMENTS

If you overpaid wage withholding taxes for any period in the current calendar year, if possible, you should take a credit on a subsequent month's Withholding Tax Return (DR 1094). The credit may be deducted from an EFT payment, a return filed on Revenue Online, or a subsequent paper form DR 1094. To claim the credit, deduct the overpayment from line 2 of your return. You may only deduct an amount that brings your return to zero for the period on which you are reporting.

If you are unable to claim the credit on a subsequent DR 1094 within the calendar year of the overpayment, you may request a refund by filing the Annual Transmittal of State W-2 Forms (DR 1093) on or before **January 31**. The Department issues refunds of wage withholding only once a year. The DR 1093 will indicate the total amount of taxes withheld in the prior year on employees' W-2s and the total amount of withholding tax payments paid to the Department. If the amount withheld and the amount paid results in additional taxes due or a refund (line 3A or 3B of the DR 1093), the employer must file the DR 1093 with the Department by mailing a completed form to:

Colorado Department of Revenue
Denver, CO 80261-0009

If an employer files wage (W-2) withholding statements electronically through Revenue Online, the employer does not need to submit a DR 1093 unless an amount appears on 3A (additional balance due) or 3B (a refund) of the return.

If you are applying for a refund of wage withholding taxes remitted prior to your business filing the annual reconciliation, please indicate the reason for the request on a Claim for Refund (DR 0137). Refund requests made prior to the annual reconciliation will be denied unless an unusual circumstance is documented. For example, you paid your federal withholding to the State of Colorado in error.

Note: Effective January 1, 2012, taxpayers who withheld from amounts paid and reported on a 1099 form should set up a separate account to pay the 1099 withholding. For additional information, see FYI Withholding 7.

REFUNDS FOR PREVIOUS CALENDAR YEARS

To apply for a refund from a previous calendar year, the following is required:

- A Claim for Refund (DR 0137) indicating the reason for the request.
- An original or amended DR 1093 for the year the refund is being requested.
- Copies of the employee' W-2Cs with complete information verifying the change in the withholding amount.
- Documentation showing how the refund amount was calculated.

Send the DR 0137 and requested documentation to:

Colorado Department of Revenue
Business Tax Section, Room 208
PO Box 17087
Denver, CO 80217-0087

CORRECTING W-2S

If a W-2 is issued with any errors, the employer must send a W-2C to correct the error to the Department on or before the due date of the original W-2 (January 31). If too little was withheld, the Department will send a bill to the employer for the difference. If too much was withheld, the employer must request a claim for refund for the difference. Submit the corrected W-2C form with a cover letter to:

Colorado Department of Revenue
Discovery Section Room 634
PO Box 17087
Denver, CO 80217-0087

W-4 FORMS

Colorado does not have a state equivalent of the federal form W-4. Employees should complete the federal W-4 for both federal and Colorado wage withholding tax purposes. An employer must file with the Department of Revenue any W-4 for any employee who is expected to earn more than \$200 per week and who lists more than 10 withholding allowances or an exempt status. Additionally, these W-4 forms shall include a cover letter listing the employer name, address, FEIN, and the number of Withholding Allowance Certificates included. The Colorado Department of Revenue will contact you should it be determined that the requested exemptions must be modified. Withholding Allowance Certificates should be mailed to:

Colorado Department of Revenue
Discovery Section Room 634
PO Box 17087
Denver, CO 80217-0087

1099 PAYORS

Taxpayers who withhold amounts paid and reported on a 1099 form must set up a separate account to pay the 1099 withholding. See FYI Withholding 7, Colorado 1099/W-2G Income Withholding Tax Requirements.

MOTION PICTURE PRODUCTION

Employers that employ nonresidents of Colorado who perform services in connection with any phase of a motion picture production, television production, or television commercials for less than 120 days during any calendar year are exempt from Colorado income tax withholding.

WITHHOLDING FILING FORMS AND RESOURCES

§ 39-22-604, C.R.S.

Revenue Online, www.Colorado.gov/RevenueOnline

Colorado Business Registration (Withholding Tax Application), <https://www.colorado.gov/cbe>

Withholding Tables (DR 1098)

EFT Information Packet (DR 5782)

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 the authority to bind the Department, has not formally reviewed and/or approved these FYIs.