

FYI – For Your Information

Colorado Earned Income Credit

The Colorado earned income tax credit will be available to Colorado residents for any tax year beginning on or after January 1, 1999 during which the state's fiscal year ends with a "qualified surplus" as defined below.

The credit for 1999 is 8.5% of the federal earned income tax credit. [§39-22-123(1)(a)(I) C.R.S.]

The credit for 2000 and later years is 10% of the federal credit. [§39-22-123(1)(b) C.R.S.] If the earned income credit is larger than the tax liability calculated on the tax return, the difference will be refunded to the taxpayer. [§39-22-123(2) C.R.S.]

QUALIFIED SURPLUS

The qualified surplus that is needed for the earned income credit to be available in any given tax year is a \$50 million surplus that must be refunded under section 20 (7) (a) of Article X of the state constitution. The \$50 million amount will be adjusted for the rate of growth of Colorado personal income for years after 1999.

PART-YEAR AND NONRESIDENTS

Part-year residents must multiply the Colorado credit by the percentage on line O of the Colorado 104PN schedule to determine the amount of credit they can claim based on their Colorado income. Nonresidents of Colorado are not eligible to claim the earned income credit.

Example: Dan and Sylvia Daveys were part-year residents of Colorado in 1999.

Their federal earned income credit was \$1,644. The percentage from the 104PN schedule is 60.25%. The 1999 Colorado earned income credit is \$84 ($\$1,644 \times .085 = \$140 \times .6025 = \84).

FURTHER INFORMATION

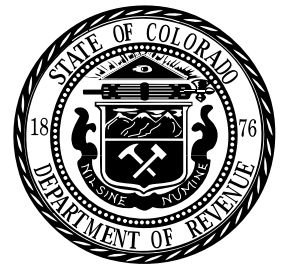
For more information on related topics, consult the following DOR publications:

- FYI Income 8 "Tax Credits for the Elderly and Disabled in Colorado";
- FYI General 1 "Department of Revenue Publications";
- FYI General 5 "General Information about Colorado Taxes";
- FYI General 8 "The FYI Program – Index and General Information."

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide taxpayer service center; by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by call 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

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.



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