

2016



COLORADO

Department of Revenue

Colorado C Corporation Income Tax Filing Guide

1. First, complete your federal income tax return — IRS Form 1120. You will need information from your federal return to complete this return.
2. File the return for free using Revenue Online or file electronically using e-filing software. You can file on paper if you cannot file electronically. Returns are due 3 ½ months after the close of the taxable year.
3. If you owe the state, pay electronically through Revenue Online. If you cannot pay online, make your check or money order payable to the "Colorado Department of Revenue". Please print the corporation's Colorado Account Number and "2016 Form 112" on the check or money order



Official State of
Colorado Publication

Booklet Includes:

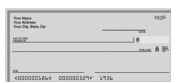
Instructions
Form 112
Related Forms



Manage your account.
File and pay online.
Get started with Revenue Online today!
www.Colorado.gov/RevenueOnline

If you are filing this return:

With
A
Payment



Mail To:

COLORADO DEPARTMENT OF REVENUE
Denver, CO 80261-0006

Without
A
Payment



Mail To:

COLORADO DEPARTMENT OF REVENUE
Denver, CO 80261-0005

Instructions For Completing Form 112 S Corporations use Form 106

This filing guide will assist you with completing this Colorado Income Tax Return. Once you finish the form, file it with a computer, smartphone or tablet at www.Colorado.gov/RevenueOnline, our free and secure Revenue Online service. Or, you may file using private e-File software or with a paid tax preparer. If you cannot file electronically for any reason, mail the enclosed forms as instructed.

Please read through this guide before starting your return. All Colorado forms and publications referenced in this guide are available for download at www.TaxColorado.com — the official Taxation Web site.

Filing Requirements

Each C corporation doing business in Colorado, or those who derive income from Colorado sources, must file this return. Organizations that have been granted tax exempt status by the IRS are generally exempt from Colorado taxation. However, those tax exempt entities that file federal Form 990-T to report unrelated business taxable income from Colorado sources or from business activity in Colorado are subject to Colorado taxation and are required to file Form 112. Any insurance company subject to the tax imposed on gross premiums by §10-3-209, C.R.S. is exempt from Colorado income tax.

Due Date

Corporate income tax returns are due **April 18, 2017** for traditional calendar year filers. If you are unable to file by your prescribed due date, you may file under extension. See Form DR 0158-C for more information about filing extensions.

Estimated Tax

Every C corporation subject to Colorado income tax must file Form 112EP, if it can reasonably expect the net tax liability to exceed \$5,000 during the taxable year. See publication FYI Income 51 for more information.

Accounting Period and Method

The accounting period and method for Colorado income tax must be the same accounting period and method as used for federal income tax.

Account Numbers

The Colorado Account Number (CAN) is 8 digits and must be listed in addition to the Federal Employer Identification Number (FEIN) on any form where requested. The CAN used on this form is usually the same number that is found on sales tax licenses and forms related to wage withholding.

Line-by-Line Instructions

First, complete the federal income tax return to be filed with the IRS. You will use information from that return to complete the Colorado income tax return.

Section A

Mark the appropriate box related to your apportionment method. Corporations doing business in multiple states must apportion their taxable income to each state in which they conduct business. This ensures the tax is paid to the state in which the income is earned and taxable, and eliminates double taxation. We recommend that you read publication FYI Income 59 for more information. Generally, income is apportioned using the single sales factor.

- **Not Apportioning**

The C corporation conducts business only in the state of Colorado. Tax will be calculated on 100% of the Colorado taxable income.

- **Single Sales Factor**

All business income must be apportioned using a single factor: sales. Nonbusiness income may either be directly allocated to the appropriate state or treated as business income, subject to the single sales factor. Schedule SF is required if using this method and can be completed by clicking the appropriate edit button on Revenue Online. Otherwise, submit via the e-Filer Attachment on Revenue Online or send with the paper return.

- **Gross Receipts**

The C corporation that performs no Colorado activities other than making sales, that does not own or rent real estate within Colorado borders, and that generates annual Colorado gross sales of \$100,000 or less, may elect to pay tax on 0.5% of the annual Colorado gross receipts – in lieu of paying the normal income tax. We recommend that you read publication FYI Income 58 if this applies to you. If using this method, you must enter the annual Colorado gross receipts on line 17, the calculated 0.5% tax on line 18, and enter “gross receipt tax” next to each of these two lines.

- **Other Apportionment Method**

When Colorado apportionment methods do not fairly measure the Colorado-source income, the corporation may request (or the Department might require) an alternative apportionment method.

Section B

Mark the appropriate box to designate a separate, consolidated, or combined return.

There are four possible filing alternatives for C corporations. We recommend that you read publication FYI Income 60 for additional information.

- **Separate**

This designation is for a single corporation, regardless of its membership in an affiliated

group. A single corporation cannot use this filing alternative if it elects to be part of a consolidated return or if it is required to be included in a combined filing.

- **Consolidated**

This designation is for affiliated members of a group of corporations defined by §1504 Internal Revenue Code. However, only those members conducting business in Colorado can be included in the consolidated return. This filing alternative is binding for four years and requires consent of the Colorado members of the group. Filing such a return shall be deemed consent.

- **Combined**

This designation is for affiliated members of a group of corporations defined by §39-22-303, C.R.S. that meets at least half of the six-part intercompany business relationship test for this year and the preceding two years. This is a required filing alternative.

- **Combined/Consolidated**

This designation is for an affiliated group filing a combined return, but who has a member that filed a federal consolidated return with another corporation, and the other corporation is conducting business in Colorado but is not otherwise eligible to be included in the combined report.

Taxable Income

Line 1

Enter the federal taxable income (or loss) from IRS Form 1120 or 990-T.

Line 2

Enter any amount from line 1 that is attributed to affiliated corporations that are not included in this consolidated or combined return.

Line 3

This line is automatically calculated by Revenue Online, or subtract line 2 from line 1 if filing a paper return. This reflects the taxable income of the federal pro-forma return included on the Colorado form.

Additions

Line 4

Enter any federal net operating loss deduction claimed in the computation of the federal taxable income. We recommend that you read publication FYI Income 19 if this applies to you.

Line 5

Enter any Colorado income tax claimed as a deduction in the computation of the federal taxable income.

Line 6

Enter the sum of all other qualifying additions. For this line, you must further explain your basis for this adjustment. If you are using Revenue Online, submit this explanation to

your return electronically with the E-Filer Attachment option. Otherwise, use the Form DR 1778 or attach a written statement to your paper return. We recommend that you read publication FYI Income 58 if this applies to you:

- Interest income – the amount of state or municipal obligations that were not included in federal taxable income. DO NOT include bond premium amortization, or any interest earned from bonds issued by any state or political subdivision, excluding any bonds issued by the State of Colorado or its political subdivisions on or after May 1, 1980. Qualifying interest shall be net of any expense required to be allocated thereto by the Internal Revenue Code for federal income tax purposes. See publication FYI Income 52 for more information.
- Foreign-source income – the amount of any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States that were claimed as a deduction on the federal return.
- Gross Conservation Easement charitable contribution – Any charitable deduction taken on the federal return for a gross conservation easement that has also been claimed for a Colorado tax credit. Complete Form DR 1305 Part D.

Line 7

This line is automatically calculated by Revenue Online, or enter the sum of lines 3 through 6 if filing a paper return.

Subtractions

Line 8

Enter any income that is included on line 1, which is derived from any U.S. government bond interest and any interest or dividend income on obligations securities of any authority, commission, or instrumentality of the United States to the extent that such income is exempt from state taxation by federal law. We recommend that you read publication FYI Income 20 if this applies to you.

Line 9

Enter any income that is included on line 1, which is derived from foreign income that qualifies as excludable foreign-source income. Excludable foreign-source income means taxable income from sources outside the United States as used in §862 of the Internal Revenue Code. Excludable foreign-source income shall also be omitted in determining the Colorado sales factor on Schedule SF.

We recommend that you read publication FYI Income 58 if these conditions apply to you:

- The corporation has elected to claim foreign tax paid or accrued as a deduction on the federal income tax return and therefore the Colorado exclusion can equal that of the federal deduction.

- The corporation has elected to claim foreign tax paid or accrued as a credit on the federal income tax return and therefore the Colorado exclusion is calculated by excluding section 78 dividend gross up from the total foreign-source income, then multiplying by a fraction, the numerator of which is the federal foreign tax credit, and the denominator being the foreign-source income (excluding section 78 dividend gross up), multiplied by the effective federal corporation income tax rate (federal corporate income tax divided by federal corporate taxable income). Excludable foreign-source income may not exceed total foreign-source income excluding section 78 dividend gross up. Foreign-source income from a foreign corporation with an affiliated group of corporations shall be determined without regard to §882(a)(2) of the Internal Revenue Code.

Line 10

Enter up to \$100,000 of any income that is included on line 1, which is derived from Colorado-source capital gain. This is income earned from the sale of real or tangible personal property that is located in Colorado, was acquired on or after May 9, 1994, and was continuously held for at least 5 years prior to the transaction date from which the capital gains arise.

Complete and submit Form DR 1316. Revenue Online allows you to directly enter Form DR 1316 by clicking the EDIT button. Paper filers should attach this form to their return. Take precaution to completely fill out every field of this form. Be as detailed as possible, especially when providing property descriptions, ownership, and dates of acquisition and sale.

Line 11

For Colorado-licensed marijuana businesses, list any expenditure that is eligible to be claimed as a federal income tax deduction but is disallowed by section 280E of the Internal Revenue Code because marijuana is a controlled substance under federal law.

To calculate this deduction, you must create pro forma federal schedule(s) for Business Profit or Loss as if the federal government would have allowed the expenditures from the marijuana business. The Colorado deduction shall be the difference between the profit/loss as calculated on the ACTUAL schedule(s) filed with the federal return and the pro forma schedule(s) described above. You must attach both the pro forma schedule(s) and the actual schedule(s) to your Colorado return to receive this deduction.

Line 12

Enter the sum of all other qualifying subtractions. For this line, you must further explain your basis for this adjustment. If you are using Revenue Online, submit this explanation to your return electronically using the E-Filer Attachment option. Otherwise, use Form DR 1778 or attach a written statement to your paper return.

We recommend that you read publication FYI Income 58 if these subtractions apply to you:

- Colorado income tax refund—the amount of any Colorado income tax refund that was included on line 3.
- Gross up provisions—the amount of any IRC section 78 gross up provisions that was included on line 3.
- Various credits—the amount of any salary or wage expense that was not allowed as a federal deduction by the IRS due to the provisions of the Indian employment credit, work opportunity credit, empowerment zone employment credit, orphan drug credit, the credit for increasing research activities, employee retention credit, welfare-to-work credit, or mine rescue team training credit.

Line 13

This line is automatically calculated by Revenue Online, or enter the sum of lines 8 through 12 if filing a paper return.

Taxable Income**Line 14**

This line is automatically calculated by Revenue Online, or calculate your modified federal taxable income by subtracting line 13 from line 7 if filing a paper return.

Line 15

This line is automatically calculated by Revenue Online, or enter the Colorado taxable income. For those filing a paper return, this amount is transferred from line 14 if not apportioning income. Otherwise, corporations that are apportioning income, this amount shall be transferred from line 16 of Schedule SF.

Line 16

Enter the Colorado net operating loss deduction. This amount is calculated in the same manner as the federal net operating loss deduction, except that in the case of a corporation apportioning income, it is the part of the federal net operating loss (as modified) that is from Colorado sources. Colorado net operating losses may be carried forward 20 years for tax years beginning on or after August 6, 1997. They may not be carried back. Federal limitations on carryover losses between predecessor and successor corporations apply to Colorado income tax as well. We suggest that you read publication FYI Income 19 if this applies to you.

Line 17

This line is automatically calculated by Revenue Online, or calculate your Colorado taxable income by subtracting line 16 from line 15 if filing a paper return.

Tax**Line 18**

Calculate your Colorado tax. This is automatically entered by Revenue Online. If filing a paper return, multiply line 17 by the tax rate of 4.63%.

Credits**Line 19**

Complete Form 112CR to calculate this line. If you are using Revenue Online, this field will automatically populate

when you complete the Form 112CR, or transfer the amount of nonrefundable credits from line 27 of Form 112CR if filing a paper return.

Line 20

Use your tax software, Revenue Online or Form DR 1366 to calculate the total amount of nonrefundable enterprise zone credits being used to offset the current year tax liability. The total nonrefundable enterprise zone credit used cannot exceed the amount of line 18.

Line 21

Subtract the sum of lines 19 and 20 from line 18.

Line 22

Corporations required to recapture federal investment credits with respect to Colorado assets must recapture the "old" Colorado investment credits as well. Include any investment credit recapture, historic property preservation credit recapture, low income housing credit recapture, or any other credit recapture. Submit an attachment through Revenue Online or a paper statement to your mailed return that itemizes each recaptured amount calculated for this line.

Line 23

Enter the sum of lines 21 and 22 if filing a paper return.

Line 24

Carefully review payment records before completing this line. Use Revenue Online (www.Colorado.gov/RevenueOnline) to verify estimated taxes paid on the account. Doing so will reduce processing delays. Enter the amount of credit for prepayments. Include the sum of the following on line 24:

- Estimated tax payments for 2016; and
- Any overpayment from 2015 that was carried forward to 2016 Extension payment(s); and
- Payments remitted with DR 1079 to satisfy withholding requirements for the sale of Colorado real estate.

Line 25

Enter the amount of withholding reported on Form W-2G made on lottery or gambling winnings, if any.

Line 26

Complete all applicable parts of Form DR 1305. Enter the amount from line 33 of Form DR 1305G.

Line 27

Enter the Innovative Motor Vehicle Credit from Form DR 0617, if any.

Line 28

This credit is only available if business personal property tax was paid to a Colorado county in 2016 and the business had business personal property of \$15,000 or less.

Submit a copy of the assessor's statement with your return.

Table 1 – Match your federal taxable income amount from line 1 of the Form 112.

Amount from Form 112 line 1	Credit rate
\$0 - \$50,000	.8037
\$50,001 - \$75,000	.7037
\$75,001 - \$100,000	.6137
\$100,001 - \$335,000	.5637
\$335,001 - \$10,000,000	.6137
\$10,000,001 - \$15,000,000	.6037
\$15,000,001 - \$18,333,333	.5737
\$18,333,334 and up	.6037

Business personal property credit calculation worksheet:

Enter the amount of business personal property tax paid in 2016	A _____
Enter the Credit Rate from Table 1 that corresponds with your Federal Taxable Income	B _____
Multiply line A times line B to calculate the credit allowed, enter on Form 112 line 28	\$ _____

Line 29

Enter the amount from line 88 of Form DR 1366.

Line 30

Enter the sum of lines 24 through 29 if filing a paper return.

If the amount of line 23 exceeds the amount of line 30, additional tax is due with this return, continue to line 31. If not, go to line 36.

Line 31

Subtract line 30 from line 23 if filing a paper return.

Line 32

Calculate any penalty owed for delinquent filing or payment. The penalty is 5% of the net tax due for the first month after the due date, and 0.5% for each additional month past the due date. The minimum penalty is \$5 and the maximum penalty is 12% of net tax due. Or, if you prefer not to calculate this penalty, the Department will bill you.

Line 33

Calculate any interest owed for delinquent filing or payment. The interest rate is 4% of the net tax due. Or, if you prefer not to calculate this interest, the Department will bill you. Interest on any bill issued that remains unpaid after 30 days of issuance will increase to 7%.

Line 34

To calculate this penalty, complete Form 205. Enter any estimated tax penalty owed on this line.

Line 35

Enter the sum of lines 31 through 34. Payment can be made electronically at:

- www.Colorado.gov/RevenueOnline; or
- www.Colorado.gov/Revenue/EFT : or

- If you are filing this return WITH a check or payment, please mail the return to:

COLORADO DEPARTMENT OF REVENUE
Denver, CO 80261-0006

Line 36

This amount is calculated automatically by Revenue Online. Otherwise, subtract line 30 from line 23.

Line 37

Enter the amount, if any, you would like to be available for 2017 estimated tax.

Line 38

Subtract line 37 from line 36 to calculate the amount of your refund. You have the option of authorizing a transaction by the Department to directly deposit these funds to your bank account. Otherwise, a refund check will be mailed to the address you have designated on this return.

Direct Deposit

Enter the routing and account numbers and account type. Include hyphens, but do NOT enter spaces or special symbols. We recommend that you contact your financial institution to ensure you are using the correct information and that they will honor a direct deposit.

Intercepted Refunds

The Department will intercept your refund if you owe back taxes or if you owe a balance to another Colorado government agency or the IRS.

Section C

Enter the name, phone, and address of the party responsible for maintaining the books belonging to this corporation.

Section D

Enter the 6-digit North American Industry Classification System (NAICS) number that best describes the purpose of this business. Use the same code used on the federal return.

Section E

Enter the year the corporation began doing business in Colorado.

Section F

Designate whether the paid preparer can discuss this return with the Department. By completing this area of the return, you are granting the designee the ability to:

- Provide any missing information needed for the processing of your return; and
- Call the Department for information about your return, including the status of your refund or processing time; and

- Receive upon request copies of notices, bills, or transcripts related to your return; and
- Respond on your behalf to notices about math errors, intercepts, and questions about the preparation of your return.

This designation does not allow the third party to receive your refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the Colorado Department of Revenue. If you would like to expand the designee's authorization, complete the Form DR 0145, Power of Attorney for Department Administered Tax Matters.

Section G – H

Complete the data as requested.

Signature

The law requires the return to be signed under penalty of perjury. Persons authorized to sign this return must either be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other officer that is duly authorized to act on behalf of the corporation. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns.

Amendments

If an amended return is filed with the IRS, or if the IRS changes the content of the return, an amendment must be filed with Colorado. Use Revenue Online or the Form 112X to amend the Colorado return. If the corporation operates in multiple states, the Department will accept the revenue agent report (RAR) in lieu of an amended return. Be sure to list the Colorado Account Number on the RAR before mailing a copy to one of the addresses below:

New For This Year:

If you are filing this return WITH a check or payment, please mail the return to:

COLORADO DEPARTMENT OF REVENUE
Denver, CO 80261-0006

If you are filing this return WITHOUT a check or payment, please mail the return to:

COLORADO DEPARTMENT OF REVENUE
Denver, CO 80261-0005

Caution: Federal adjustments must be reported to the Colorado Department of Revenue. See §39-22-601(6), C.R.S. for information about the statute of limitations.

Instructions For Schedule C

Schedule C must be completed if the corporation for which the return is filed owned

- a) more than 50% of the stock of another corporation or,
- b) more than 50% of the stock of the corporation for which the return is filed was owned by another corporation.

Enter information for the common parent on line 1. Lines 2 through 6 are for subsidiary corporations. Photocopy and submit additional sheets if necessary.

Sections A through C

Enter the corporation's name, address, Colorado Account Number and Federal Employer Identification Number.

Section D

Taxpayers who are affiliated corporations, as described above, and who have more than 20% of their property and payroll located within the United States must complete Section D.

The blocks in Section D are numbered from 1 to 6 and correspond to the six numbered intercompany business relationships described below. For each affiliate listed on Schedule C, mark yes or no in the blocks of Section D, to indicate whether the below described intercompany business relationships did or did not exist during the tax year and the two preceding tax years.

Intercompany Business Relationships

1. Is 50% or more of the corporation's gross receipts from sales or leases to other affiliates or is 50% or more of the corporation's cost of goods sold or leased from other affiliates?

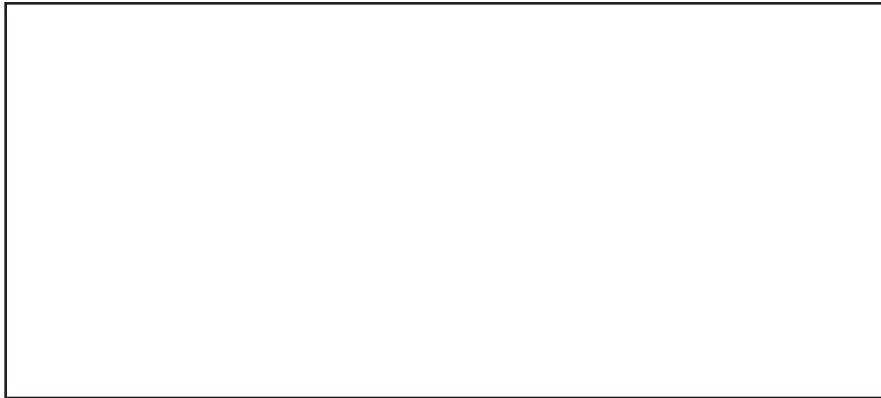
2. Does the corporation receive 50% or more of the total annual value of each of five or more of the following services from other affiliates: advertising and public relations, accounting and bookkeeping, legal, personnel, sales, purchasing, research and development, insurance, employee benefit programs? Do not count services which are provided at an "arm's length charge." (See U.S. Treasury Regulation 1.482-2(b)(3).)
3. Is 20% or more of the corporation's long-term debt owed to or guaranteed by other affiliates or is 20% or more of any other affiliate's long-term debt owed to or guaranteed by the corporation?
4. Does the corporation use patents, trademarks, service marks, logos, trade secrets, copyrights or other proprietary materials owned by other affiliates?
5. Are 50% or more of the members of the corporation's board of directors also members of the board of directors or corporate officers of other affiliates?
6. Are 25% or more of the corporation's 20 highest ranking officers also members of the board of directors or corporate officers of other affiliates?

Section E

Mark the block in Section E if the corporation is included in a combined report. Corporations included in a combined report must have answered yes to three or more of the intercompany business relationships referred to in Section D.

Sections F through I

Enter corporation's owner number, whether or not there was a change in ownership, the ownership percentage and principal business activity.



The Old Investment Tax Credit

The old investment tax credit is the sum of the old investment tax credit carry over, the current year old investment tax credit and the old investment tax credit carry back. The current year credit is 10% of the federal current year rehabilitation, energy and reforestation investment credit on assets located in Colorado. The credit is limited to the first \$5,000 of tax liability plus 25% of the tax in excess of \$5,000. Excess credit may be carried back three years and forward seven. See publication FYI Income 11 if this applies to you.

Crop and Livestock Contribution Credit

A 25% credit is available for the donation of crops or livestock to a charitable organization. See publication FYI Income 57 if this applies to you.

Historic Property Preservation Credit

A credit of 20% of the cost of restoring certified historic property in Colorado is available. See publication FYI Income 1 if this applies to you.

Child Care Contribution Credit

A 75% credit is available for qualifying contributions made to promote child care in Colorado. See publication FYI Income 35 if this applies to you.

Child Care Facility Investment Credit

A 20% investment credit is available for certain tangible personal property used in the operation of a child care center, a family child care home, or a foster care home. See publication FYI Income 7 if this applies to you.

Employer Child Care Facility Investment Credit

A 10% investment credit is available for employer sponsored child care facility investment. See publication FYI Income 7 if this applies to you.

School-to-Career Investment Credit

A credit of 10% of the current year investment in a qualified school-to-career program is available. See publication FYI Income 32 if this applies to you.

Colorado Works Program Credit

A credit of 20% of an employer's expenditures to employ recipients of public assistance is available. See publication FYI Income 34 if this applies to you.

Contaminated Land Redevelopment Credit

A 20 to 50% credit is available for expenditures made to redevelop contaminated land in Colorado. This credit may only be used as a carry forward from prior years. See publication FYI Income 42 if this applies to you.

Aircraft Manufacturer New Employee Credit

A credit is available to qualified aircraft manufacturers located in an aviation development zone. See publication FYI Income 62 if this applies to you.

Job Growth Incentive Credit

Credits are approved and certified by the Colorado Economic Development Commission. A credit certificate issued by the Commission must be submitted with any return claiming this credit. See publication FYI Income 66 if this applies to you.

Certain credits require supplemental documentation or they might be denied. We strongly suggest that you submit your documentation using the E-File Attachment option through Revenue Online. Otherwise, use Form DR 1778, supported e-file software, or attach to your paper return. FYIs are available in the Education and Legal Research section at www.TaxColorado.com