

# Tax Year 2020 Colorado Certification Test

## Purpose

The intent of this certification test is to foster understanding by Tax-Aide Counselors of the Colorado income tax return and reference documents available to help prepare Colorado returns. Tax-Aide Counselors must achieve an 80% score on this test or retest to be certified Counselors in Colorado.

## Reference Documents

In past years, the Colorado Department of Revenue (DOR) published several "FYI" documents that provided guidance on specific tax law topics. There was easy access to the FYIs from a single web page. Here is what the DOR currently says about FYIs:

*Over the next few years, the Department of Revenue will be publishing new and improved guidance in the form of general tax guides and supplements on specific tax topics. These new guides and supplements will replace the "FYI" publications previously issued by the Department. We will indicate on the Department's website when an FYI has been discontinued and refer to the new publication which has replaced it.*

During this transition away from FYIs, DOR web pages are difficult to navigate and some FYI documents no longer exist. The only reference document needed to complete this certification test is the 104Book, titled "Colorado Individual Income Tax Filing Guide". Refer to four sections in the 104Book: How to Use, Line-by-Line for Form 104, 104AD Subtractions, and 104CR Credits. The 104Book is posted on the CORE web page.

## Certification Test Questions

The Anderson exercise in the 2020 NTTC Workbook provides context for some certification test questions. The Andersons are a retired couple who normally file joint tax returns. It is not necessary to prepare the Anderson federal or state tax return to answer the test questions.

1. The Andersons are Colorado residents and must file a federal tax return. They do not owe income taxes to the state of Colorado, so they are not required to file a state return.
  - a. True
  - b. False
  
2. If the Andersons determine that filing status Married Filing Separately is advantageous on their federal return, they may file either jointly or separately on their Colorado return.
  - a. True
  - b. False
  
3. Ronald and Marilyn are filing a joint federal return. Ronald was a full-year resident of Colorado, but Marilyn lived in Colorado for only seven months. How will they file their Colorado return?
  - a. Ronald and Marilyn can file jointly, but must file a Part-Year Resident/Nonresident return
  - b. Ronald and Marilyn can file a joint full-year resident return
  - c. Ronald and Marilyn cannot file a joint return. Ronald can file as a full-year resident, but Marilyn must file as part-year resident

4. Line 1 on Form DR104 is the starting point of the Colorado return. TaxSlayer automatically transfers which amount to line 1 from federal form 1040?
- Total Income
  - Adjusted Gross Income
  - Taxable Income
5. If there is \$100 on the Anderson's 1099-INT in box 8, tax exempt interest, and the Credit Union indicates that 20% of the interest was generated in Colorado, what amount must be added to Colorado taxable income?
- \$100
  - \$80
  - \$20
  - \$0
6. The following amounts are part of the Andersons' 2020 federal tax return.
- \$300 Colorado income tax refund on 1040 Schedule 1
  - \$100 Interest on US Savings Bonds reported on 1099-INT box 3
  - \$350 Self-employment tax on 1040 Schedule 2
- What is the total amount from these items that may be subtracted from their taxable income on the Colorado return?
- \$750
  - \$650
  - \$450
  - \$400
  - \$100
7. For the Anderson's joint tax return, which statement is true about the Pension and Annuity Subtraction?
- The subtraction amount is determined separately for each spouse, and each spouse is subject to a separate maximum allowable subtraction.
  - The total pension and annuity subtraction in the return cannot exceed \$24,000.
8. Ronald received a pension of \$43,000 and Marilyn received a pension of \$8,000. Both are over 65 years old. What will be the total Pension and Annuity Subtraction on DR 104AD?
- \$32,000
  - \$48,000
  - \$51,000
9. If the Earned Income Credit on the federal return is \$2,400, what will the Colorado Earned Income Credit be? Assume they are full-time residents of Colorado.
- There is no Colorado Earned Income Credit
  - It depends on how much of the income was earned in Colorado
  - \$2,400
  - \$240
10. The due date to submit the Colorado income tax return is normally April 15. An automatic extension allows late filing up to October 15. Penalties and interest may be applied if payment is not received by April 15. Are all these statements true?
- Yes
  - No

# Tax Year 2020 Colorado Certification Retest

## Reference Documents

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## Certification Retest Questions

The Anderson exercise in the 2020 NTTC Workbook provides context for some certification test questions. The Andersons are a retired couple who normally file joint tax returns. It is not necessary to prepare the Anderson federal or state tax return to answer the test questions.

1. The Andersons moved to Colorado in November and received no income while living here. They do not have to file a Colorado income tax return.
  - a. True
  - b. False
  
2. If the Andersons file a joint federal tax return, they must file the Colorado return with the same filing status.
  - a. True
  - b. False
  
3. Ronald and Marilyn are filing a joint federal return. Ronald was a full-year resident of Colorado, but Marilyn was not a resident of Colorado. How will they file their Colorado return?
  - a. Ronald and Marilyn can file a joint full-year resident return
  - b. Ronald and Marilyn can file jointly, but must file a Part-Year Resident/Nonresident return
  - c. Ronald and Marilyn cannot file a joint return. Ronald can file as a full-year resident, but Marilyn must file as a nonresident
  
4. If there is \$100 on the Anderson’s 1099-INT in box 8, tax exempt interest, which statement is true?
  - a. All Box 8 interest is tax-exempt in Colorado, regardless of source
  - b. No Box 8 interest is tax-exempt in Colorado, regardless of source
  - c. Box 8 interest is tax exempt if it was earned from a bond issued outside Colorado
  - d. Box 8 interest is tax exempt if it was earned from a bond issued within Colorado

5. Which item may not be subtracted from Colorado taxable income?
- Dependent child income reported on the federal tax return
  - Colorado income tax refund from last year
  - U.S. government savings bond
  - Capital gains generated by the sale of real property located in Colorado
6. Both Ronald and Marilyn received pensions on a 1099-R. Which statement is true about the Pension and Annuity Subtraction?
- Their joint return cannot have a total subtraction of more than \$24,000
  - Ronald's subtraction and Marilyn's subtraction are determined separately
7. Marilyn is 54 years old and received a pension from her employer. What is their limit on her Pension and Annuity Subtraction?
- \$24,000
  - \$20,000
  - Marilyn is not eligible for this subtraction
8. Which of the following is not a refundable credit claimed on Form 104CR?
- Child care expenses credit
  - Earned income tax credit
  - Child tax credit
  - Business personal property credit
9. For which condition should the Andersons consider making Colorado estimated payments next year?
- They expect to owe \$700
  - They expect to owe \$1,100
  - Estimated payments are not necessary in Colorado
10. Colorado offers an automatic 6-month extension to file the income tax return if the return cannot be submitted by the April 15 due date. This extension also applies to the payment of the amount due on the return.
- True
  - False