



American Data Group Inc. Colorado Form DR0004 Review of Application Changes

Starting in tax year 2022, the Colorado Dept. of Revenue changed the payroll tax calculation method. The new method is similar to the Federal Tax Withholding method. Whereas the IRS uses the W4 form, Colorado offers employees the DR0004 to adjust their Colorado tax withholding. The calculation method uses an Annual Withholding Allowance based on your filing status. For 2022 the Annual Withholding Allowance is \$8000 for Married Filing Jointly, and \$4000 for all others. The Annual Withholding Allowance is deducted from the employee’s Estimated Annual Income (current gross pay times pays per year). Unlike the Federal Taxes, if you haven’t completed a W4 after 12/31/2019, your current exemptions and rate are still applied. For Colorado, **exemptions are no longer used.**

If an employee wishes to adjust their tax, the DR0004 must be completed by the employee and provided to you. The DR0004 Box 2 allows the employee to adjust the Annual Withholding Allowance. Box 3 allows the employee to request an additional tax withholding to the system calculated tax (same as before). By not completing a DR0004, the standard Annual Withholding Allowance is used based on the employee’s W4 filing Status.

Click [Form DR 0004](#) to view the form.

The [Colorado Withholding Worksheet for Employers \(DR 1098\)](#) prescribes the calculation employers are required to use. It has been updated with directions for entering the amounts from form DR 0004 into the existing calculation steps.

To work with the new DR0004 requirements, a number of maintenance programs, reports, and the payroll calculation program were changed. These changes also affect how data is stored for any payroll type code which utilizes the calculation code ‘31 – Use Tax Tables’ and the associated Tax Table has a **Tax Authority Code** of ‘S- State’ and the **Tax State/City Code** of ‘CO’.

Tax Master Maintenance

First, be sure to clone the old tax year into the new tax year using the * feature in the Tax Master program in the Payroll File Maintenance Menu (which you should have already done in preparation of using the 2022 Federal Tax Tables). You may then update the 2022 Colorado Tax Tables with the values shown below.

For payroll year 2022 and beyond, the tax master has the following changes. For tax years prior to 2022, the screens remain the same.

- **W2 Tax Authority Code** – must have a value of ‘S - State Employee’. The value should have carried forward correctly.

W2 Authority Code:	S - State(Employee)
Employer Tax ID:	NONE
Rounding Factor:	F - Federal(Employee)
percentage Or Amount:	C - FICA(Employee)
	M - Medicare(Employee)
	Y - FICA(Employer)
	Z - Medicare(Employer)
Deduction Type:	S - State(Employee)
ation Flat Amount:	O - Local(Employee)
ction Percentage:	O - Other
Minimum Amount:	O - E - EIC(Employee)
tion Max Amount:	O - A - Medicare SurTax(Employee)
	X - Federal Extra Tax(Employee)

- **Limit Based On** remains the same as ‘5-Year To Date’
- **Earnings Bucket No** remains the same.
- **Exemption Basis** - is not used so you may leave ‘2 - State’ as is.
- **Tax State/City Code** must be ‘CO’ as before.

Minimum Earnings Amount:	0.00
Maximum Earnings Amount:	0.00
Limit Based On:	5 - Year To Date
Earnings Bucket No:	State Wages
Exemption Basis:	2 - State
Tax Or City Code:	CO

The tax table tabs include Single, Married, and HOH. Each table is now updated according to the standard Annual Allowance or as labeled **Annual Wage Deduction**. The **Withholding Allowance** may display the previous year’s value, but as the table is updated, the value will be changed and saved as 0. Each Table’s setup is shown below.

Single

Tax Code: [State]
 Name: Colorado
 Payroll Year: 2022
 Withholding Allowance: 0.00
 Annual Wage Deduction: 4,000.00

Tax Table

	From Amount	Max Earning Amount	Tax Amount	Tax Percent
1	0.00	9,999,999.00	0.00	0.04550

Married

Tax Code: [State]
 Name: Colorado
 Payroll Year: 2022
 Withholding Allowance: 0.00
 Annual Wage Deduction: 8,000.00

Tax Table

	From Amount	Max Earning Amount	Tax Amount	Tax Percent
1	0.00	9,999,999.00	0.00	0.04550

HOH





Tax Code: [State]
 Name: Colorado
 Payroll Year: 2022
 Withholding Allowance: 0.00
 Annual Wage Deduction: 4,000.00

Tax Table

	From Amount	Max Earning Amount	Tax Amount	Tax Percent
1	0.00	9,999,999.99	0.00	0.04550

Employee Recurring Transactions

In Employee File Maintenance, the 'Recurring Transaction' for the Colorado Withholding Type Code has been changed. Some fields were removed and others relabeled.

Overriding Cost Center:	Use Default
Processing Period:	<input type="text" value="12/2017"/> ▼
Miscellaneous Information:	<input type="text"/>
Payroll Start Date:	<input type="text" value=""/> / <input type="text" value=""/> / <input type="text" value=""/>   (blank for Immediate)
Payroll Stop Date:	<input type="text" value=""/> / <input type="text" value=""/> / <input type="text" value=""/>  
W4 Filing Status:	Head Of Household ▼
DR0004 Box 2 Annual Withholding Allowance:	<input type="text" value="0.00"/>
DR0004 Box 3 Additional Withholding Per Pay:	<input type="text" value="0.00"/>

1. **W4 Filing Status.** The filing status provides 3 options: Single, Married, Head-of-Household. This is the value that the employee filed on their current W4. This field did not change.
2. **DR0004 Box 2 Annual Withholding Allowance:** This is the value the employee entered on their DR0004 Box 2 Annual Withholding Allowance. A zero tells the system to use the value in the tax table based on the W4 Filing Status; otherwise, no matter the W4 Filing Status, this value will be used to reduce their Estimated Annual Wage (Current pay times pay per year).
3. **DR0004 Box 3 Additional Withholding Per Pay.** This is the value the employee entered in Box 3 of the DR0004. This field was previously labeled as the Tax Add-On.
4. **Number of Exemptions.** This field was removed since it is no longer used.

Payroll Calculation

The calculation program was changed to take into account the payroll year and new values located in the employee recurring record when the tax authority is STATE and state/city code is 'CO'.

The employee's Estimated Annual Wage (EAW) is calculated as before, state taxable wage times number of pays per year (from the employee master).

The EAW value is reduced by the **DR0004 Box 2 Annual Withholding Allowance**, if entered; otherwise, the Annual Wage Deduction from the filing status tax table.

The new EAW is multiplied by the tax rate (.0455) and then divided by the pays per year to determine the current tax to withhold.

If a **DR0004 Box 3 Additional Withholding Per Pay** is entered in the employee's recurring record, it will be added to the current tax to withhold.