



**COLORADO**  
**Department of Revenue**

Taxation Division

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GIL-17-003

January 24, 2017

XXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXX

Re: Wood Pellets

Dear XXXXXXXXXXXX,

You submitted a request for guidance on whether the sale of wood pellets for residential use is exempt for sales tax.

The Colorado Department of Revenue (“Department”) issues general information letters and private letter rulings. A general information letter provides a general overview of the relevant tax issues, but is not binding on the Department. A private letter ruling provides a specific determination for a specific set of facts, is binding on the Department but not on the taxpayer, and requires payment of a fee. For more information about general information letters and private letter rulings, please see Department Rule 1 CCR 201-1, 24-35-103.5.

The Department treats this request as a general information letter. It is important to remember that general information letters, such as this one, are general discussions of tax law and are not binding on the Department. If Company would like the Department to issue a private letter ruling on the issue raised here, Company can submit a request and pay the fee in compliance with Department Rule 1 CCR 201-1, 24-35-103.5.

**Issue**

Is the purchase of wood pellets for residential use exempt from sales tax?

**Structure of Analysis**

To determine whether the sale of wood pellets is exempt, the Department will examine the following questions:

1. Does the sale of wood pellets fall within the exemption for the sale of wood for residential purposes pursuant to 39-26-715(1)(a)(II), C.R.S.

### **Discussion**

Colorado imposes sales and use tax on the sale, use, storage, and consumption, of tangible personal property.<sup>1</sup> Colorado exempts from such taxes the sale of wood, including wood pellets, used for residential purposes.<sup>2</sup> More specifically, §39-26-715(1)(a)(II), C.R.S. states the following is exempt from sales tax,

(II) On and after June 10, 2016, all sales and purchases of ..., wood, ... sold for residential use.

...

(C) "Residential use" means the use of ... wood ... for domestic purposes, including ... stoves, water heaters, space heaters, ... , or other domestic items that require power or fuel in a residence.

Wood pellets are obviously wood and are used as fuel for space heaters and stoves. Therefore, wood pellets qualify for the exemption if purchased for residential use. It is the Department's understanding that most wood pellets are purchased for residential use.

### **Miscellaneous**

This letter represents the good faith opinion of Department personnel who are knowledgeable on state taxes issues. However, the Department does not make a specific determination here on any of the issues raised and the Department is not bound by this general information letter.

The Department administers state and state-administered local sales and use taxes. This letter does not address sales and use taxes administered by home-rule cities and home-rule counties. You may wish to consult with local governments which administer their own sales or use taxes about the applicability of those taxes. Visit our web site at [www.colorado.gov/tax](http://www.colorado.gov/tax) for more information about state and local sales taxes.

Enclosed is a redacted version of this letter. Pursuant to statute and regulation, this redacted letter will be made public within 60 days of the date of this letter. Please let me know in writing within that 60 day period whether you have any suggestions or concerns about this redacted letter.

Sincerely,

Neil L. Tillquist  
Colorado Department of Revenue  
Office of Tax Policy Analysis

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<sup>1</sup> § 39-26-104(1), C.R.S.

<sup>2</sup> § 39-26-715(1)(a)(II), C.R.S.