



COLORADO

Department of Revenue

Taxation Division

Office of Tax Policy
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GIL-2008-15

XXXXXXXXXXXXX
Attn: XXXXXXXXXXX
XXXXXXXXXXXXX
XXXXXXXXXXXXX

February 28, 2008

Re: reporting tax credit

Dear XXXXXXXXXXX,

This letter is in response to your letter to the Colorado Department of Revenue, dated December 4, 2007, re: the proper method for reporting a tax credit on Colorado sales tax return.

Issues

How should an overpayment of sales tax be reported and claimed on Colorado's sales tax return?

Background

You ask how a retailer should report a credit for excess tax paid based on the following scenario. In the first quarter, a retailer sells to Customer A goods for \$100,000 and collects \$5,000 in sales tax (assuming a 5% sales tax rate). Retailer's net sales revenue for all sales for the quarter is \$150,000 and retailer reports and pays sales tax of \$6,250. In the second quarter, retailer's total net sales revenue is \$40,000. Customer A has also returned in this second quarter goods it purchased in the first quarter. Retailer issues Customer A a refund of the purchase price and \$5,000 in sales tax. The sales tax collected on the \$40,000 in second quarter sales is \$2,000.

Colorado sales taxes are reported on Department Form DR 100. If a retailer has overpaid a tax in the previous filing period, the amount of gross sales on which the overpaid tax was paid is reported on Line 3C ("Overpayment from previous return"). Therefore, the retailer will report on Line 3 ("Net Sales") of its second quarter sales tax return the \$40,000 in net sales. The retailer will normally report the total amount of gross sales refunds issued in the second quarter on Line 3C and subtract that amount from Line 3 to arrive at net taxable sales, which is reported on Line 4. However, the retailer cannot report a negative number on Line 4. Therefore, the retailer will report only \$40,000 on Line 3C and zero taxable sales on Line 4 for the second quarter. In the third quarter, the retailer will report the remaining \$60,000 on Line 3C (or so much of the \$60,000 that will not create negative net taxable sales on Line 4).

Alternatively, and in lieu of carrying over to the third quarter the \$60,000 in excess gross sales, the retailer may file a claim for sales tax refund (Department Form DR 0137) to recover the remaining \$3,000.

You can view and download Forms DR 100 and DR 0137 by visiting our web site at: www.revenue.state.co.us and go to "Taxation" > "Forms" > "Businesses" > "Sales and Use Tax." Please note that the department also has a tax practitioner "hot line" at 303-232-2419 for answering questions such as this.

Finally, the Department makes a good faith effort to provide accurate and complete answers to questions posed to it by taxpayers. However, the information and answers provided here are not binding on the Colorado Department of Revenue, nor do they replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having authority to bind the Department, has not formally reviewed and/or approved this response.

Respectfully,

Office of Tax Policy
Colorado Department of Revenue