



COLORADO

Department of Revenue

Taxation Division

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PLR 26-005

July 23, 2026

XXXXXXXXXX
XXXXXXXXXX
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Re: Applicability of Certain Sales and Use Tax Exemptions to Tangible Personal Property Purchased and Used in Marijuana Cultivation and Manufacturing Operations

Dear XXXXXXXXXX:

You submitted a request for a private letter ruling on behalf of XXXXXXXXXX ("Company"), to the Colorado Department of Revenue ("Department") pursuant to 1 CCR 201-1, Rule 24-35-103.5. This letter is the Department's private letter ruling. This ruling is binding on the Department to the extent set forth in 1 CCR 201-1, Rule 24-35-103.5. It cannot be relied upon by any taxpayer other than the taxpayer to whom the ruling is made.

Issues

1. Whether certain items of tangible personal property purchased and used by Company in their marijuana manufacturing operations are exempt from Colorado sales and use tax pursuant to the manufacturing machinery and machine tools exemption in section 39-26-709(1)(a)(II) and (2), C.R.S.
2. Whether certain items of tangible personal property purchased and used by Company in their marijuana cultivation operations are exempt from Colorado sales and use tax pursuant to the wholesale sales tax exemption for fertilizers and agricultural compounds used in the production of agricultural commodities in section 39-26-102(19)(e) and (19)(f.5), C.R.S.
3. Whether certain items of tangible personal property purchased and used by Company in their marijuana cultivation operations are exempt from sales and use tax pursuant to the exemption for farm equipment in section 39-26-716(4)(e), C.R.S.

Conclusions

1. Company's purchase and use of the items of tangible personal property detailed herein, other than the chemical storage cabinets, used directly and predominantly in manufacturing marijuana products for sale or profit are exempt from Colorado sales and use tax pursuant to section 39-26-709(1)(a)(II) and (2), C.R.S. This exemption applies to related state-administered local taxes except when the tangible personal property is purchased or used in a locality that has not adopted the optional manufacturing machinery and machine tools exemption.
2. Company's purchase and use of the items of tangible personal property detailed herein used in the production of agricultural commodities are exempt from Colorado sales and use tax pursuant to section 39-26-102(19)(e) and (19)(f.5), C.R.S.
3. Company's purchase and use of irrigation equipment with a per unit purchase price of at least \$1,000 and the XXXXXXXXXX Sprayer and XXXXXXXXXX Sprayer, both sprayers used solely for the application of liquid fertilizers, are exempt from Colorado sales and use tax as farm

equipment pursuant to section 39-26-716(4)(e), C.R.S. This exemption applies to related state-administered local taxes except when the tangible personal property is purchased or used in a locality that has not adopted the optional farm equipment exemption.

Background¹

Company operates licensed marijuana cultivation, manufacturing, distribution, and retail delivery businesses in three states, including Colorado. Each business is fully licensed through the state and municipal authorities in which the business is located. Through these licensed facilities, Company produces and sells various marijuana products for consumption, including dried flower, pre-rolls, concentrates, edibles, vaporizing devices, and topical products.

Company's typical facilities that produce manufactured goods occupy approximately 2,000 square feet. Each facility's manufacturing production area is segregated within a portion of the facility that is physically inaccessible and nonvisible to consumers and to the public. The facilities generally begin operations each morning at 7 a.m. Products produced by Company are only available to purchase off-site at retail facilities, which are not connected to the production facilities.

Each day the facility is open, manufacturing operations produce, from raw ingredients, hundreds of units of cannabis products, including infused pre-rolls, vape cartridges, and concentrates. By way of example, in a given week, the facility will produce over 600,000 units of cannabis products. The facility's largest raw ingredient needs include raw cannabis flower and ice. Company produces these raw ingredients internally. All manufactured products are labeled and sold under Company's proprietary brand. All of the products are sold for off-premises consumption.

Customers purchasing Company's products may be end consumers or wholesale customers. Many retail dispensaries purchase Company's goods under exemption certificates for resale in their own establishments. By way of example, a cursory review of resale transactions in one recent week at one Company location revealed that the business fulfills an average of 650 orders to retail establishments per week.

Each facility requires substantial industrial manufacturing equipment to satisfy its large-scale production needs. This equipment is used by Company solely for the production of marijuana goods. The equipment purchased by Company for its manufacturing facilities—often found in multiple quantities at any facility—include the following:

- Industrial Walk-in Freezer: Walk-in freezers are used at two stages of the production process, storing fresh cut plant material that will be processed into finished products and storing products in their final form, packaged and ready for sale;
- Reach in Freezers: Used as temporary storage of product at various stages of manufacturing;
- Ice Machine: Industrial ice machine for producing bulk ice produced to cool water in the washing phase of fresh frozen cannabis;
- XXXXXXXXXX Washer: Specialized "washing machine" that agitates fresh frozen cannabis buds in cold water to separate the fresh hash from the other plant material and facilitates separation of the two;
- Water Reservoir and Chiller: Water reservoir with a cooling pump. This stores cold water that is used in the XXXXXXXXXX Washer during processing;
- Water Pumps: A pump that is housed within the Water Chiller that moves and cools water for

¹ Paragraph (4)(b)(ii) of 1 CCR 201-1, Rule 24-35-103.5 requires the request for a private letter ruling to include a statement of facts. This section generally recites the statement of facts provided in the initial request or in any supplement or amendment thereto, which is not an indication that the Department found such facts relevant to its analysis. Some relevant facts may be redacted or omitted to ensure confidentiality as required by section 24-35-103.5(5), C.R.S. The terms used in this section to describe the factual background are generally those of the requester.

- storage in the Water Chiller;
- Freeze Dryers: Industrial freeze dryers that are used to dry bulk hash collected from the XXXXXXXXXX washing process. Moisture is removed from the product;
- XXXXXXXXXX Press: Industrial heat press used for the simultaneous heating and pressing of hash to extract rosin oil;
- XXXXXXXXXX Press: Industrial heat press used for the simultaneous heating and pressing of hash to extract rosin oil;
- Overhead Stirrer: Industrial size mixer, used for the homogenization of rosin vape or pod material during post processing;
- Heat Plate: Used to warm the rosin vape or pod material to better facilitate homogenization of rosin vape or pod material during post processing;
- XXXXXXXXXX Pod Filling Machine: Semi-automated dispensing equipment used to accurately dispense bulk concentrate oil into vape and pod hardware;
- Vacuum Oven: Industrial ovens used in the curing of concentrate oil that allows control of temperature to achieve desired end product results;
- Vacuum Oven Pump: XXXXXXXXXX vacuum pump that's used for purging solvents out of extracts;
- Rotovap Machine and Glassware: A rotovap (rotary evaporator) is used to gently and efficiently remove a solvent from a liquid sample, most commonly in a lab setting to purify compounds or concentrate solutions. It does this by using a vacuum to lower the solvent's boiling point, allowing it to evaporate at a lower temperature than it normally would, and a rotating flask to create a thin film for faster evaporation;
- Chiller for Rotovap: A chiller is used for a rotovap to rapidly and consistently cool the condenser, which condenses solvent vapors back into a liquid for collection. This is crucial for efficient evaporation because it ensures that evaporated solvent is efficiently recovered, protecting the vacuum pump from vapor damage and preventing the loss of valuable materials;
- Rotovap Regulator: A rotovap needs a vacuum pump regulator to control and stabilize the pressure, which allows for the precise and consistent evaporation of solvents at an optimal, and often lower, temperature. This prevents "bumping" (sudden, violent boiling) and ensures a smooth, efficient separation, which protects temperature-sensitive compounds from degradation;
- Rotovap Regulator Vacuum Pump: A rotovap needs a vacuum pump to lower the pressure inside the system, which in turn lowers the boiling point of the solvent, allowing it to evaporate at a lower temperature. This is crucial for protecting heat-sensitive compounds from degradation, speeding up the evaporation process, and improving solvent recovery;
- Labelling Machines: Printers used specifically for printing out labels that are applied to the packaging of all our packaged goods. Labels include information such as nutritional content, weight, and price. These machines only print labels for individual packages for sale to Company's customers;
- XXXXXXXXXX Industrial Cannabis Grinder: An industrial grinder used to grind large volumes of dried cannabis flower into material used to fill joints and XXXXXXXXXX;
- XXXXXXXXXX Air Filtration: Air filtration system installed in all production spaces to clean the air of contaminants;
- XXXXXXXXXX Extractor: Solvent extractor to extract oil from fresh frozen cannabis flower;
- Chemical Cabinet: Storage of all solvent materials in use and grow chemicals;
- RSO Hood: The hood that the rotating evaporator is stored in;
- BHO Hood: The bomb proof hood that the incredible extractor used to be stored in;
- Laminar Flow Hood: Flow hood where RSO and Pod and Vape homogenization is performed;
- Scales: XXXXXXXXXX scales that are used for weighing material adequately and effectively;
- XXXXXXXXXX False Bottom: Grate used to hold product under the water and to also make the machine capable of doing open washes; and
- Air Compressor: Compressor used for giving presses the amount of PSI they need to make products.

For purposes of this PLR request, please assume the following: (1) that Company purchases each of the foregoing items of equipment for a price in excess of \$500; (2) that all of the subject equipment would have qualified for the federal investment tax credit that was provided in section 38 of the Internal Revenue Code of 1954; (3) that Company purchases all of the subject equipment new (and therefore, the purchases would not have been subject to the former investment tax credit limitation for used equipment); and (4) Company purchased the subject equipment in Colorado.

In the marijuana cultivation operation in its facilities, Company moves marijuana plants through various stages during the cultivation process, including mother production, veg production, flower production, and harvest. Once the marijuana flowers are harvested, they are processed, either by being hung to dry and then trimmed or frozen in industrial freezers at least 48 hours in advance of being used as the main raw material for the manufacturing of marijuana products.

Company purchased equipment and fertilizers for use in the cultivation of marijuana. The following are the items of equipment purchased by Company for use in its marijuana cultivation facilities:

- Grow Room Bench System: Specialized bench system on tracks that supports indoor agriculture and optimizes the space by allowing the benches to move on the tracks;
- Nursery Lights: Used in our nursery cultivation rooms for growing propagules into immature plants indoors;
- Flower Lights: Used in our mature plant cultivation rooms for optimizing growth of immature plants into mature plants;
- Mom Room Lights: Used to maintain mature mother plants that are used for propagation and live genetics storage;
- Dehumidifiers: Used in all cultivation spaces to maintain optimal air moisture content to facilitate ideal indoor growing conditions and reduce mold growth;
- HVAC Systems: Used in all cultivation spaces to maintain optimal temperature control to facilitate ideal indoor growing conditions;
- AC Mini Splits: Used in all cultivation spaces to maintain optimal temperature control to facilitate ideal indoor growing conditions;
- Irrigation Systems – XXXXXXXXXX Panel and XXXXXXXXXX: Used to deliver precise water and nutrient quantities to all plants in our cultivation spaces;
- Cleaning Equipment – XXXXXXXXXX, XXXXXXXXXX, XXXXXXXXXX Mini Sprayer: Equipment used to keep all cultivation spaces clean of contaminants;
- XXXXXXXXXX Air filtration system - XXXXXXXXXX: Treats/sanitizes air and surfaces in flower rooms through reactive oxygen species;
- XXXXXXXXXX Fans: Mounted fan system to circulate air;
- Can Fans and Filters: Odor remediation;
- XXXXXXXXXX Fans: Mounted fan system to circulate air;
- XXXXXXXXXX Air Purifiers: Used for surface sanitization in HVAC ducting;
- XXXXXXXXXX Air Purifier: Used for ambient air purification - harvest areas;
- Water Activity Meter: Used to test the moisture content of dried cannabis flower to ensure quality and safety standards are met during drying and curing processes;
- Climate Stations: Used to monitor and inform precise environmental conditions within cultivation spaces;
- XXXXXXXXXX Sprayer: Used only for foliar liquid fertilizers applications;
- XXXXXXXXXX Sprayer: Used only for liquid fertilizers; and
- Humidifiers.

Company purchased items of tangible personal property listed as “fertilizers” for use in its marijuana cultivation facilities. Such items of tangible personal property were purchased as commercial fertilizers marketed toward farm or cultivation operations. The following are the fertilizer items purchased by Company for use in its marijuana cultivation facilities:

- Alfalfa Meal;
- Soybean Meal;
- Insect Frass;
- Agricultural Lime;
- Wollastonite;
- Potassium Sulfate;
- Langbeinite;
- Solubur;
- Gypsum;
- Magnesium Sulfate;
- pH Up (potassium hydroxide);
- XXXXXXXXXX;
- XXXXXXXXXX;
- XXXXXXXXXX;
- Compost;
- Calcium Nitrate;
- XXXXXXXXXX (5-12-26); and
- XXXXXXXXXX (7-15-30).

Discussion

Colorado imposes a sales tax on most sales of tangible personal property at retail, as well as certain services.² Tangible personal property embraces all tangible or corporeal things and substances that are dealt in and capable of being possessed and exchanged.³ Retail sales include all sales made within the state except wholesale sales.⁴ A wholesale sale is a sale by a wholesaler to a retail merchant, jobber, dealer, or other wholesaler for resale and does not include a sale by a wholesaler to a user or consumer not for resale.⁵ Colorado also imposes a use tax upon the storage, use, or consumption of tangible personal property in this state purchased at retail.⁶

Company operates licensed marijuana cultivation and marijuana product manufacturing operations in Colorado. As part of the operations, Company purchases and uses various items of equipment and fertilizer. All items of equipment and fertilizer purchased and used by Company as described above in its marijuana cultivation and manufacturing operations are tangible personal property, as they are all corporeal goods that are dealt in and capable of being possessed and exchanged. Company's purchases of the listed equipment used in its marijuana cultivation and manufacturing operations are purchases at retail because Company uses and does not resell the items. However, Colorado exempts certain purchases of tangible personal property from sales and use tax.

In construing tax statutes, "[w]e start with the basic proposition that taxation is the rule and exemption therefrom the exception. The burden is on the taxpayer who claims an exemption to clearly establish the right to such exemption."⁷

1. *Sales and use tax exemption for machinery and machine tools used in manufacturing in section 39-26-709(1)(a)(II) and (2), C.R.S.*

The items of equipment described above used for manufacturing marijuana products, except for the chemical storage cabinets, are machinery. Section 39-26-709(1)(a)(II), C.R.S., exempts purchases of

² Section 39-26-104, C.R.S.

³ Section 39-26-102(15), C.R.S.; 1 CCR 201-4, Rule 39-26-102(15), paragraph (1).

⁴ Section 39-26-102(9), C.R.S.

⁵ Section 39-26-102(19)(a), C.R.S.

⁶ Section 39-26-202(1)(b), C.R.S.

⁷ *Sec. Life & Acc. Co. v. Heckers*, 495 P.2d 225, 226 (Colo. 1972).

machinery or machine tools, or parts thereof, in excess of \$500 to be used in Colorado directly and predominantly in manufacturing tangible personal property, for sale or profit, from sales tax. In order to qualify for exemption here, the purchase must be of such nature that it would have qualified for the investment tax credit pursuant to section 38 of the Internal Revenue Code of 1954.⁸ Section 39-26-709(2), C.R.S., provides a corresponding use tax exemption.

“Machinery” means any apparatus consisting of interrelated parts used to produce an article of tangible personal property.⁹ That term includes both the basic unit and any adjunct or attachment necessary for the basic unit to accomplish its intended function.¹⁰ Using Company’s equipment as an example, “machinery” encompasses both the Rotovap Machine, which is a rotary evaporator used to remove a solvent from a liquid sample, and the Chiller for Rotovap or the Rotovap Regulator because they are adjuncts or attachments used by the Rotovap Machine to accomplish its intended function. The chemical storage cabinets are not “machinery” because they are used only for chemical storage and are not used directly in the manufacturing of the marijuana products.

Company’s marijuana production operations are engaged in manufacturing. “Manufacturing” means the operation of producing a new product, article, substance, or commodity different from and having a distinctive name, character, or use from raw or prepared materials.¹¹ Each day Company’s operations are open, they produce hundreds of units of cannabis products, including infused pre-rolls, vape cartridges, and concentrates from raw ingredients. Company’s operations use internally produced raw materials, primarily fresh, frozen cannabis flower and ice or dried cannabis flower, moved in a continuous and systematic flow through multiple steps where the materials are processed in various ways. The items of equipment described above are used to produce different marijuana products, including variations of hash, rosin, badder, sauce, XXXXXXXXX, RSO, and vape pods. Each item has a new and distinctive name, character, or use that is different from the raw and prepared ingredients. This system of mass production, including the space and machinery that comprise it, can properly be described as an “operation of producing.”

Except for the chemical storage cabinets, the machinery is used directly in this operation of producing these new products. Although it does not explicitly define the term “directly,” the statute instructs:

For purposes of this subsection (1), direct use in manufacturing is deemed to begin for items normally manufactured from inventoried raw material at the point at which raw material is moved from plant inventory on a contiguous plant site and to end at a point at which manufacturing has altered the raw material to its completed form, including packaging, if required. Machinery used during the manufacturing process to move material from one direct production step to another in a continuous flow and machinery used in testing during the manufacturing process is deemed to be directly used in manufacturing.¹²

The building space, the machinery, and the other fixtures dedicated to this operation of producing constitute a contiguous plant site. The manufacturing areas are segregated areas within the facility where the production of marijuana products takes place. This space, and the equipment therein, is employed exclusively for the production of marijuana goods, which makes this marijuana manufacturing area a “plant” within the common meaning of that term.¹³ Each piece of machinery, along with its adjuncts or attachments, is a constituent part of machinery that acts upon and has a positive effect on the marijuana

⁸ Section 39-26-709(1)(e), C.R.S.

⁹ *Id.* at (1)(c)(II).

¹⁰ *Id.*

¹¹ *Id.* at (1)(c)(III).

¹² *Id.* at (1)(d).

¹³ See *Plant*, Merriam-Webster.com Dictionary, <https://www.merriam-webster.com/dictionary/plant> (last visited June 23, 2026) (defining “plant” to mean, “the land, buildings, machinery, apparatus, and fixtures employed in carrying on a trade or an industrial business,” or “a factory or workshop for the manufacture of a particular product.”). When a statute does not define an integral term, one may refer to a dictionary to determine the common usage of the term. *Breckenridge v. Egencia, LLC*, 442 P.3d 969, 976 (Colo. App. 2018).

goods being produced.¹⁴ From the industrial walk-in freezers used at the beginning of the manufacturing process to freeze harvested marijuana flowers for at least 48 hours, to the labeling machine used at the end of the process to print out labels with nutritional content, weight, and price information that are applied to all packaged goods, the use of the items of equipment as described is direct use in manufacturing.

As requested, we assume the following about each item of equipment listed above: that Company purchases each item for a price in excess of \$500, that Company purchases each item new, and that Company purchases each item in the state of Colorado. We do not rule on whether the subject items of equipment would have qualified for the federal investment tax credit that was provided in section 38 of the Internal Revenue Code of 1954 because you asked us to assume that it would have so qualified. If an item of equipment listed above would not have qualified, it is not exempt. Subject to this caveat, we rule that Company's purchase and use of the items of equipment in the production of marijuana products as detailed above, with the exception of the chemical storage cabinets, is exempt from Colorado sales and use tax pursuant to section 39-26-709(1)(a)(II) and (2), C.R.S.

This exemption applies to related state-administered local taxes except when the equipment is purchased or used in a locality that has not adopted the optional manufacturing machinery and machine tools exemption. The Colorado Revised Statutes authorize cities, towns, counties, and certain types of special districts to impose a sales tax.¹⁵ These sales taxes are collected, administered, and enforced by the Department in the same manner as the state sales tax.¹⁶ In most cases, these local sales taxes are imposed upon the same property and services subject to the state sales tax.¹⁷ Cities, towns, and counties are, however, permitted to deviate from the state sales tax base with respect to certain exemptions.¹⁸ Special district sales taxes differ in very limited respects, and those deviations are normally mandatory.¹⁹ The machinery and machine tools exemption is an optional exemption for cities, towns, and counties.²⁰

2. Wholesale sales tax exemption for fertilizers and agricultural compounds used in the production of agricultural commodities in section 39-26-102(19)(e) and (19)(f.5), C.R.S.

The items of tangible personal property listed above as fertilizers purchased by Company for use in the production of an agricultural commodity qualify as either fertilizer or agricultural compounds under section 39-26-102(19)(e) and (19)(f.5), C.R.S. Sales tax applies to retail sales.²¹ Section 39-26-102(9), C.R.S., defines "retail sale" to include all sales made within the state except wholesale sales. A wholesale sale is a sale by wholesalers to retail merchants, jobbers, dealers, or other wholesalers for resale and does not include a sale by wholesalers to users or consumers not for resale.²² Section 39-26-102(19)(e) and (19)(f.5), C.R.S., states that wholesale sales include sales of fertilizer and agricultural compounds, respectively, for use in the production of agricultural commodities. For purposes of these wholesale sales tax exemptions, the term "agricultural commodity" includes marijuana products (for purchases on or after

¹⁴ See *Coors Brewing Co. v. Fagan*, 949 P.2d 110, 113 (Colo. App. 1997).

¹⁵ Section 29-2-102, C.R.S. (regarding incorporated towns and cities); 29-2-103, C.R.S. (regarding counties). The taxing authority for those entities that the Department refers to generally as "special districts" is found in the statutes establishing or permitting the establishment of the entity. See, e.g., section 32-9-119(2)(a), C.R.S. (empowering the board of the Regional Transportation District to impose a sales tax); 32-13-107(1)(a), C.R.S. (same with respect to the board of the Scientific and Cultural Facilities District); 43-4-605(1)(j)(I) (same with respect to regional transportation authorities).

¹⁶ Section 29-2-106, C.R.S. For special districts, refer to the enabling statutes as described in note 15, above.

¹⁷ Section 29-2-105, C.R.S. (with respect to cities and towns). For special districts, refer to the enabling statutes as described in note 15, above.

¹⁸ Section 29-2-105(1)(d), C.R.S.

¹⁹ The most common deviation requires special districts to exempt sales of cigarettes from the districts' sales taxes. E.g., section 29-1-204.5(3)(f.1), C.R.S. (regarding multi-jurisdictional housing authorities); 32-1-1003.5(5) (health assurance districts).

²⁰ Section 29-2-105(1)(d)(I)(A), C.R.S.

²¹ Section 39-26-104(1), C.R.S.

²² Section 39-26-102(19)(a), C.R.S.

July 1, 2025).²³

Company produces an agricultural commodity in their marijuana cultivation operations in the form of marijuana. Marijuana flowers, once grown and harvested, are either dried and sold by Company to retailers or frozen and used internally as raw material for its marijuana product manufacturing operations.

“Fertilizer” means a substance or product that contains one or more essential available plant nutrients, which are those chemical or organic forms of nitrogen (N), phosphorus (P₂O₅), potassium (K₂O), other secondary and micronutrients, calcium (Ca), magnesium (Mg), sulfur (S), boron (B), copper (Cu), iron (Fe), manganese (Mn), molybdenum (Mo), or zinc (Zn) that are absorbed by crops and are essential to the plants.²⁴ “Fertilizer” does not include “specialty fertilizer,” which is commercial fertilizer distributed primarily for nonfarm use.²⁵ The majority of the items of tangible personal property in question here contain one or more essential plant nutrients and are fertilizers used in the production of an agricultural commodity.

However, a few of the items of tangible personal property listed above qualify as agricultural compounds. For purchases on or after January 1, 2026, “agricultural compound” means soil conditioners, plant amendments, plant growth regulators, mulches, compost, soil used for aboveground production of agricultural commodities, manure, fish for non-stocking purposes, fish embryos, and fish eggs.²⁶ From the list above, XXXXXXXXXX and XXXXXXXXXX are both plant amendments that improve nutrient uptake and activate soil. Agricultural lime and gypsum, in addition to containing essential plant nutrients, can also be used as soil amendments, and compost itself is listed in the definition of “agricultural compound.” These items of tangible personal property are agricultural compounds used in the production of an agricultural commodity under section 39-26-102(19)(f.5), C.R.S.

Because Company stated that the items of tangible personal property in question here were purchased as commercial fertilizers marketed toward farm or cultivation operations, Company’s purchase of the fertilizers on or after July 1, 2025, and the purchase of the agricultural compounds on or after January 1, 2026, used in the production of an agricultural commodity are exempt from Colorado sales tax as wholesale sales pursuant to section 39-26-102(19)(e) and (19)(f.5), C.R.S.²⁷

3. Sales and use tax exemption for farm equipment in section 39-26-716(4)(e), C.R.S.

Company’s purchase and use of irrigation equipment with a per unit purchase price of at least \$1,000 and the XXXXXXXXXX Sprayer and XXXXXXXXXX Sprayer, both sprayers used solely for the application of liquid fertilizers, are exempt from Colorado sales and use tax as farm equipment. Section 39-26-716(4)(e), C.R.S., exempts all sales and purchases of farm equipment and the storage, use, or consumption of farm equipment from sales tax and use tax. For purposes of this exemption, “farm equipment” means, in relevant part, any implement of husbandry and irrigation equipment having a per unit purchase price of at least \$1,000.²⁸

“Irrigation” is not defined in statute for purposes of the exemption, but the common meaning of the term is

²³ Section 39-26-102(19)(g)(II), C.R.S.

²⁴ Sections 39-26-102(19)(e) and 35-12-103(12) and (25), C.R.S.

²⁵ Sections 39-26-102(19)(e) and 35-12-103(30), C.R.S. (“Specialty fertilizer” means a commercial fertilizer distributed primarily for nonfarm use, such as home gardens, lawns, shrubbery, flowers, golf courses, parks, and cemeteries.”) While “nonfarm use” is not defined by section 35-12-103, C.R.S., the common meaning of “farm” is “a tract of land devoted to agricultural purposes.” See *Farm*, Merriam-Webster.com Dictionary, <https://www.merriam-webster.com/dictionary/farm> (last visited July 7, 2026). The marijuana cultivation operations here are tracts of land devoted to agricultural purposes. See section 39-26-102(19)(g)(II), C.R.S. (defining “agricultural commodities” to include marijuana products on or after July 1, 2025).

²⁶ Section 39-26-102(19)(f.5), C.R.S.

²⁷ Section 39-26-102(19)(f.5) and (19)(g)(II), C.R.S. House Bill 25-1296 amended section 39-26-102(19)(g), C.R.S., to include products regulated under article 10 of title 44, C.R.S., (marijuana) as agricultural commodities for purposes of the wholesale sales tax exemptions allowed in section 39-26-102(19), C.R.S.

²⁸ Section 39-26-716(1)(d), C.R.S.

the watering of land by artificial means to foster plant growth.²⁹ Company included “Irrigation Systems” in the detailed list of equipment purchased by Company for use in their marijuana cultivation operations. The “Irrigation Systems” are used to deliver precise water and nutrient quantities to all plants in cultivation spaces. Company’s description of its purchased irrigation systems meets the common understanding of irrigation as watering of land to promote plant growth.

The term “implement of husbandry” for purposes of the exemption for farm equipment includes equipment used solely for the application of liquid, gaseous, and dry fertilizers.³⁰ Per Company’s description of the items of equipment detailed above, the XXXXXXXXXX Sprayer and XXXXXXXXXX Sprayer are both used in its marijuana cultivation operations only for liquid fertilizers applications and, as such, meet the definition of implement of husbandry as being equipment used solely for the application of fertilizer.

Due to the specific nature of the definition of “farm equipment” in section 39-26-716(1)(d), C.R.S., no other items of equipment listed above purchased by Company for use in its marijuana cultivation operations qualify for the exemption as farm equipment. Therefore, Company’s purchase and use of the Irrigation Systems with a per unit purchase price of \$1000, the XXXXXXXXXX Sprayer, and the XXXXXXXXXX Sprayer as detailed above are exempt from Colorado sales and use tax pursuant to section 39-26-716(4)(e), C.R.S. This exemption applies to related state-administered local taxes except when the items of equipment are purchased or used in a locality that has not adopted the optional farm equipment exemption.³¹

Miscellaneous

This ruling is premised on the assumption that Company has completely and accurately disclosed all material facts, that all representations are true and complete, and that Company has otherwise complied with the requirements of section 24-35-103.5, C.R.S., and the rules promulgated pursuant thereto. The Department reserves the right, among others, to independently evaluate Company’s facts, representations, and assumptions. The ruling is null and void if any such fact, representation, or assumption is incorrect and has a material bearing on the conclusions reached in this ruling. This ruling is binding on the Department, and is subject to modification or revocation, in accordance with 1 CCR 201-1, Rule 24-35-103.5.

The Department administers state and state-administered local sales and use taxes. This letter does not address sales and use taxes administered by self-collected home-rule cities. You may wish to consult with those local governments that administer their own sales or use taxes about the applicability of those taxes. Visit our website at Tax.Colorado.gov for more information about state and local sales taxes.

Sincerely,

Office of Tax Policy
Colorado Department of Revenue

This ruling cannot be relied upon by any other taxpayer other than the taxpayer to whom the ruling is made.

²⁹ See *Irrigation*, Merriam-Webster.com Dictionary, <https://www.merriam-webster.com/dictionary/irrigation> (last visited June 12, 2026). When a statute does not define an integral term, one may refer to a dictionary to determine the common usage of the term. *Breckenridge v. Egencia, LLC*, 442 P.3d 969, 976 (Colo. App. 2018).

³⁰ Sections 39-26-716(1)(d) and 42-1-102(44)(a), C.R.S.

³¹ Section 29-2-105(1)(d)(I)(F), C.R.S.