

All sales of tangible personal property to housing authorities are exempt from sales and use tax. Colorado also allows a sales and use tax exemption for tangible personal property and otherwise taxable services purchased, acquired, stored, used, or consumed for qualifying affordable housing projects. For qualifying projects that are mixed use, the exemption is only partial and in proportion to the percentage of the project that is for occupancy by persons of low income.

This publication is designed to provide general guidance regarding sales and use tax exemptions for affordable housing projects and to supplement the guidance provided in the [Colorado Sales Tax Guide](#). Nothing in this publication modifies or is intended to modify Colorado's statutes and regulations authorizing these exemptions. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The information in this publication applies to state, city, county, and special district sales and use taxes administered by the Department. The information in this publication does not apply to sales taxes administered directly by home rule cities. Please contact any applicable home rule city directly for information about their sales and use taxes and exemptions. Contact information for home rule cities can be found at the end of Department publication [Colorado Sales/Use Tax Rates](#) (DR 1002).

Sales to housing authorities

Colorado law exempts from state and state-collected sales tax all sales of tangible personal property to housing authorities. Additionally, the storage, use, or consumption of tangible personal property by a housing authority is exempt from Colorado use tax. For additional information, please see Department publication Sales & Use Tax Topics: Governmental Entities, available online at [Tax.Colorado.gov/sales-use-tax-guidance-publications](https://tax.colorado.gov/sales-use-tax-guidance-publications).

Affordable housing projects exemption

Colorado allows a specific exemption from state, city, county, and special district sales and use taxes during the construction of any qualifying affordable housing project owned, leased, or constructed by a qualifying entity.

Qualifying entities

A qualifying entity is an entity that is wholly or partially owned by:

- A housing authority;
- An entity that is wholly owned by a housing authority; or
- An entity of which a housing authority is the sole member.

Housing authorities

The affordable housing project exemption applies only if the housing authority that holds an ownership interest, as described above, is:

- A city housing authority;
- A multijurisdictional housing authority; or
- A county housing authority.

Qualifying affordable housing projects

A qualifying project is an affordable housing project, as defined in section 29-4-203(12), C.R.S., that is wholly owned by, leased to, or under construction by a qualifying entity. A qualifying project will involve capitalizable expenditures. In the case of a mixed-use project, the exemption applies in proportion to the percentage of the project that is for occupancy by persons of low income.

The exemption for qualifying projects applies only to tangible personal property and otherwise taxable services purchased, acquired, stored, used, or consumed for qualifying projects during the construction period. Building materials, fixtures, and appliances qualify for the exemption. Purchases for ongoing, routine maintenance do not qualify for the exemption. Purchases of tangible personal property that is retained or reused after the completion of the project by either the qualifying entity or the contractor, such as tools or equipment, do not qualify for the exemption.

Qualifying entities and general contractors for qualifying projects should obtain exemption certificates, as described later in this publication, to make purchases tax-free.

Construction period

The exemption applies only during the construction period of a qualifying project. The housing authority shall determine and certify the beginning and ending dates for the construction of the qualifying project. This defined period of time is the construction period for the qualifying project.

Mixed use projects

Qualifying projects that are not entirely affordable housing for occupancy by persons of low income are known as “mixed use projects.” Mixed use projects are projects that may include, in addition to affordable housing, market rate housing or commercial space. These mixed use projects only qualify for a partial exemption. The exemption is allowed in proportion to the percentage of the qualifying project that is for occupancy by persons of low income.

The housing authority shall determine and certify the percentage of a project that is for occupancy by persons of low income on the basis of either cost or square footage.

Obtaining an exemption certificate

A qualifying entity, general contractor for the qualifying project, or both may request an exemption certificate from the Department for any qualifying project to make tax-free purchases for the qualifying project by completing and submitting the appropriate application.

To request an exemption certificate, qualifying entities must complete and submit the [Application for Exempt Entity Certificate](#) (DR 0715), and general contractors must complete and submit the [Contractor Application for Exemption Certificate](#) (DR 0172).

All applications must be accompanied by a statement from the housing authority that:

- 1) Details the housing authority’s ownership interest in the qualifying entity;
- 2) Certifies the percentage of the project that is for occupancy by persons of low income; and
- 3) Certifies the construction period determined by the housing authority.

Remitting tax for mixed use projects

Qualifying entities that own, lease, or construct a qualifying mixed use project for which an exemption certificate is issued must periodically file sales tax returns and remit payment of the sales tax for the percentage of the project that is not exempt.

Once an exemption certificate is obtained for a mixed use project, the qualifying entity must apply for a sales tax account by filing a [Colorado Sales Tax and Withholding Account Application](#) (CR 0100). The qualifying entity must then file the [Colorado Retail Sales Tax Return](#) (DR 0100) form and remit the tax due at least quarterly in accordance with all rules governing the filing and payment of sales tax generally. If the aggregate annual sales or use tax a qualifying entity must remit is less than \$5,000, the qualifying entity may request approval from the Department to file and remit sales tax on an annual filing basis.

Claiming a refund

Qualifying entities that have paid sales or use tax on purchases made for qualifying projects they own, lease, or construct may, subject to the calculated percentage of the project that is for occupancy by persons of low income, claim a refund of the tax paid.

A refund claim for a qualifying project must be submitted by the qualifying entity, not by a contractor performing work for the qualifying project.

Any refund claim submitted must meet the following requirements:

- The refund claim must be submitted on the [Claim for Refund of Tax Paid to Vendors](#) (DR 0137B);
- The refund claim must be accompanied by a statement from the housing authority certifying: (1) the housing authority's place in the ownership structure of the qualifying entity and (2) the percentage of the project that is for occupancy by persons of low income; and
- The refund claim must be accompanied by all necessary documentation, including receipts or invoices, required under Department rules, guidance, and instructions for refund claims generally.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to affordable housing projects. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-26-704, C.R.S. Miscellaneous sales tax exemptions.
- § 29-4-227, C.R.S. Tax exemptions.
- § 29-4-203, C.R.S. Definitions.
- § 29-1-204.5, C.R.S. Establishment of multijurisdictional housing authorities.
- § 29-4-502, C.R.S. Definitions.
- § 29-4-507, C.R.S. Exemption from special assessments - tax exemptions.
- Rule 39-26-704-2. Sales Tax Exemption for Housing Authorities.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)
- [Colorado Sales/Use Tax Rates \(DR 1002\)](#)
- Sales & Use Tax Topics: Governmental Entities
- [Application for Exempt Entity Certificate \(DR 0715\)](#)
- [Contractor Application for Exemption Certificate \(DR 0172\)](#)
- [Colorado Sales Tax and Withholding Account Application \(CR 0100\)](#)
- [Colorado Retail Sales Tax Return \(DR 0100\)](#)
- [Consumer Use Tax Return \(DR 0252\)](#)
- [Claim for Refund of Tax Paid to Vendors \(DR 0137B\)](#)