

Colorado generally imposes sales and use taxes on sales made through vending machines, while exempting certain sales. Retailers selling tangible personal property through vending machines may include the applicable state and state-administered local sales taxes in the sales price and are not required to show the sales tax to purchasers as a separate and distinct item. The vending machine operator is, however, required to collect, report, and remit the applicable state-administered sales taxes to the Department.

This publication is designed to provide general guidance regarding the collection of sales and use taxes for sales made through vending machines and to supplement guidance provided in the [Colorado Sales Tax Guide](#). Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

Local sales and use taxes

The information in this publication applies to state and local sales taxes administered by the Department, except that the applicability of the exemption for food sold through vending machines varies for state-administered local taxes. Please see Department publication [Colorado Sale/Use Tax Rates \(DR 1002\)](#) and the [Supplemental Instructions for Form DR 0100](#) for information about exemptions allowed for other state-administered local taxes.

The information in this publication does not apply to the sales taxes of any home rule cities that the Department does not administer. Please contact any applicable home rule city directly for information about their sales and use taxes. Contact information for home rule cities can be found in Department publication [Colorado Sales/Use Tax Rates \(DR 1002\)](#).

Inclusion of sales tax in price

Individual items of tangible personal property sold through vending machines are generally subject to sales and use taxes. However, retailers making sales through vending machines that satisfy several requirements may include the applicable state-administered sales taxes in the sales price and are not required to show the sales tax to purchasers as a separate and distinct item. To qualify, the retailer must meet the following conditions:

- They must have an active sales tax license issued by the Department and [add a non-physical location](#) for each vending machine location. For more information about obtaining a sales tax license, see the [Colorado Sales Tax Guide](#).
- Within 60 days of commencing business, they must apply to the Department for identification number details that are affixed to the vending machine. To apply for decals, retailers must submit a [Request for Vending Machine Decals](#) (DR 0235), attach a list of identification numbers, ownership, and location of every vending machine used by the retailer, and pay the applicable fee. Every vending machine must have a decal.
- They must maintain a record of the identification number, ownership, location, and disposition of every vending machine used by the retailer.

Identification numbers

The Department may seize any unregistered vending machines used to make retail sales that does not have an identification number decal issued by the Department.

At the time of seizure, a written notice of seizure will be given to the proprietor or person in charge of the business, or to the agents or employees of the business, where the vending machine is seized.

The Department will also send the notice by mail to the person whose name and mailing address appears on the vending machine.

In addition to other penalties, the Department can collect a penalty of \$25 for each unregistered vending machine.

Upon proof of ownership, the Department will deliver the seized vending machine to the owner after payment of the \$25 penalty, seizure costs, any applicable sales and use taxes, and registration of the machine. After 60 days of the date of notice, any unregistered vending machine and the contents still in the possession of the Department may be sold at public auction. A notice of sale will be sent by mail 10 days prior to the public auction.

Sales tax calculation

If a retailer includes sales tax in the sales price for items they sell through vending machines, the computation of the gross sales and tax they must report on their sales tax return is illustrated with the following example.

The total collections from the retailer's vending machine in Idaho Springs for the tax period were \$500. The computation of taxable sales and tax would be as follows (based on tax rates in effect at the publishing date of this publication): Colorado sales tax is 2.9%, Clear Creek County sales tax is 2.65%, and Idaho Springs sales tax is 5%, for a total of 10.55%. $\$500 \div 1.1055 = \$452.28$.

The taxable sales for this vending machine, not including tax, would be \$452.28. The remaining \$47.72 included in the \$500 of total collections would be the Colorado, Clear Creek County, and Idaho Springs sales taxes collected on those taxable sales.

Exempt food sales

Food purchased through vending machines is generally exempt from state sales and use tax, except that the following types of food and drink do not qualify for exemption:

- Carbonated water marketed in containers;
- Chewing gum;
- Seeds to grow foods;
- Packaged and unpackaged cold sandwiches;
- Prepared salads;
- Hot or cold beverages served in unsealed containers or cups;
- Hot foods and hot food products ready for immediate consumption.
- Candy; and
- Soft drinks.

For city and county sales taxes, the vending machine food exemption is effective only if the local government adopts the exemption by ordinance or resolution. Please see Department publication [Colorado Sale/Use Tax Rates \(DR 1002\)](#) and the [Supplemental Instructions for Form DR 0100](#) for information about exemptions allowed for other state-administered local taxes.

Other exempt items

Some other items of tangible personal property commonly sold through vending machines that are exempt from sales and use taxes are:

- Newspapers; and
- Period products.

Retailers are not required to collect or remit sales tax on sales of these exempt items.

Filing and remittance

Please see Part 7 of the [Colorado Sales Tax Guide](#) for information about filing requirements and the remittance of collected sales taxes.

Retailers must add each vending machine location as a [non-physical location](#) to their state sales tax license and remit all applicable state and state-administered local sales taxes for that location.

Exemptions from tax liens

The state has a first and prior lien with respect to any state sales or wage withholding taxes for which a business is liable. The lien applies to all property, business fixtures, and equipment owned or used by the business.

If a vending machine is placed on the premises of a business other than that of the machine owner, under the terms of a lease or other agreement under which the business is given no right to take ownership of the machine, the vending machine is exempt from any lien with respect to the state sales, use, or withholding taxes owed by the business where the machine is located. The exemption applies only to machines registered with the Department using [form DR 0235](#). The machine must be plainly marked in a location accessible to the Department with sufficient information to permit identification of the vending machine owner.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to vending machines. 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

- § 39-22-604, C.R.S. Withholding tax - requirement to withhold - tax lien - exemption from lien - annual statement - notice - definitions - repeal.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-103, C.R.S. Licenses - fee - revocation - definition.
- § 39-26-117, C.R.S. Tax lien - exemption from lien.
- § 39-26-205, C.R.S. Tax constitutes lien - exemption from lien.
- § 39-26-714, C.R.S. Vending machines - definitions.
- § 39-26-717, C.R.S. Drugs and medical and therapeutic devices - legislative declaration - definitions - repeal.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)
- [Request for Vending Machine Decals](#) (DR 0235)
- [Retail Sales Tax Return](#) (DR 0100)
- [Supplemental Instructions for Form DR 0100](#)
- [Colorado Sale/Use Tax Rates](#) (DR 1002)