COLORADO
Department of Revenue
Taxation Division

Colorado Sales Tax Guide

Colorado Sales Tax Guide

COLORADO
Department of Revenue
Taxation Division

Colorado imposes sales tax on retail sales of tangible personal property. In general, the tax does not apply to sales of services, except for those services specifically taxed by law. However, in the case of a mixed transaction that involves a bundled sale of both tangible personal property and service (whether or not such service is specifically taxed), the entire purchase price may be taxable unless certain conditions exist.

The Colorado Department of Revenue administers not only state sales tax, but also the sales taxes imposed by a number of cities, counties, and special districts in Colorado. However, the Department does not administer and collect sales taxes imposed by certain home-rule cities that instead administer their own sales taxes. The information in this publication pertains only to state and local sales taxes administered by the Colorado Department of Revenue.

In general, any retailer making sales in Colorado is required to collect the applicable state and state-administered local sales taxes. The requirement to collect tax applies regardless of whether the sale is made at a retailer's location in Colorado or delivered to the customer at a location in Colorado. A retailer may be required to collect tax even if it has no physical presence in Colorado.

Any retailer that is required to collect Colorado sales tax must obtain and maintain a Colorado sales tax license. They must also file returns and remit collected taxes at regular intervals, generally on a monthly basis. Retailers must maintain all records necessary to determine the correct amount of tax and provide these records to the Department upon request.

This publication is designed to provide retailers with general guidance regarding sales tax licensing, collection, filing, remittance, and recordkeeping requirements prescribed by law. Additional information about license applications and renewals, filing options, forms, and instructions can be found online at Tax.Colorado.gov/sales-use-tax. Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Retailers are encouraged to consult their tax advisors for guidance regarding specific situations.

Table of Contents

Part 1: Retail Sales 2

Part 2: Taxable Sales 4

Part 3: Calculation of Tax 8

Part 4: Retailers Who Must Collect Tax 10

Part 5: Sales Tax Licensing 13

Part 6: Sales Tax Collection 16

Part 7: Filing and Remittance 19

Part 8: Local Sales Taxes 23

Part 9: Recordkeeping Requirements 26

Part 10: Refunds and Assessments 28

Part 11: Buying or Selling a Retail Business 30

Part 1: Retail Sales

Colorado imposes sales tax on retail sales of tangible personal property, prepared food and drink, and certain services, as well as the furnishing of rooms and accommodations. Wholesale sales are not subject to sales tax. This Part 1 outlines criteria for determining whether a particular transaction is a sale, whether a particular sale is a retail sale, and whether a retail sale is made in Colorado and therefore subject to Colorado tax.

Sales

A sale is any transaction whereby a person, in exchange for any consideration either:

1) transfers or agrees to transfer a full or partial interest in any taxable property to any other person; or

2) performs, furnishes, or agrees to perform or furnish any taxable service for any other person.

Whether a transaction is absolute or conditional, it is considered a sale if it transfers from a seller to a buyer the title or possession of any tangible personal property or service. The consideration exchanged in a sale may include money in any form, property, the rendering of a service, or the promise of any of these things. A transaction involving taxable property is a sale whether the seller acts on her own behalf or as the agent for another party. A transaction involving a taxable service is a sale whether the seller performs the service or contracts with another party to perform or furnish the service.

A bona fide gift of tangible personal property is not a "sale".

Retail & wholesale sales

Every sale that is not a wholesale sale is a retail sale. A wholesale sale is a sale by a wholesaler or jobber to a retail merchant, jobber, dealer, or other wholesaler for the purpose of resale. Sales of ingredients or component parts to manufacturers for incorporation into a product for sale to an end user or consumer are also regarded as wholesale sales (for additional information, please see Department publication Sales & Use Tax Topics: Manufacturing available online at Tax.Colorado.gov/sales-use-tax-guidance-publications). A sale by a wholesaler or jobber to an end user or consumer is a retail sale and not a wholesale sale.

If a wholesaler or retailer makes a tax-free wholesale purchase of an item for resale but subsequently withdraws that item from inventory for their own use, they will owe use tax on that item. Please see the Colorado Consumer Use Tax Guide for additional information.

Leases

In general, leases of tangible personal property are considered retail sales and are subject to Colorado sales tax. However, a lease for a term of 36 months or less (a "short-term lease") is tax-exempt if the lessor has paid Colorado sales or use tax on the acquisition of the leased property. A lessor may submit a completed Lessor Registration for Sales Tax Collection (DR 0440) to the Department to request permission to acquire tangible personal property tax-free for short-term lease on the condition that the lessor agrees to collect sales tax on all lease payments received on the property.

For additional information about sales tax on leased property, please see Department publication Sales & Use Tax Topics: Leases, accessible online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Sourcing sales

Any retail sale that is made in Colorado is subject to Colorado taxation. A retail sale is considered to be made in Colorado if it is sourced to Colorado in accordance with Colorado law. In general, a retail sale is sourced to the location where the purchaser takes possession of the purchased property ("destination sourcing").

The sourcing rules described in this section apply to both state and state-administered local sales taxes. Please see Part 4 and Part 8 of this publication for additional information regarding state and local sales tax collection requirements.

General destination sourcing rules

In general, a retail sale is made at the location to which it is sourced in accordance with the following rules:

1) If the purchaser takes possession of the purchased property or first uses the purchased service at the seller's business location, the sale is sourced to that business location.

2) If the property or service is delivered to the purchaser at a location other than seller's business location, the sale is sourced to the location where the purchaser receives the purchased property or first uses the purchased service.

3) If the purchaser requests delivery of the property or service to another person, as a bona fide gift from the purchaser, the sale is sourced to the location that person takes possession of the purchased property or first uses the purchased service.

If a sale cannot be sourced using the preceding rules, section 39-26-104(3)(a), C.R.S., provides additional guidelines for sourcing retail sales based upon the seller's records, the purchaser's payment instrument, or the location from which the property was shipped.

These sourcing rules do not apply to payments made on leased property. For sourcing rules for lease payments, please see Department publication Sales & Use Tax Topics: Leases, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales, retail sales, and the sourcing of sales. 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

- § 29-2-105, C.R.S. Contents of sales tax ordinances.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-104, C.R.S. Property and service taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- § 39-26-713, C.R.S. Tangible personal property.
- Rule 39-26-102(10).
- Rule 39-26-102(23).
- Rule 39-26-104-2. Sourcing Retail Sales.
- Rule 39-26-713-1.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-guidance-publications
- Colorado Consumer Use Tax Guide
- Sales & Use Tax Topics: Leases
- Sales & Use Tax Topics: Manufacturing

Part 2: Taxable Sales

Colorado imposes a sales tax on retail sales of tangible personal property except when such sales qualify for an exemption specifically authorized by law. Taxable sales of tangible personal property include, but are not limited to, the amount charged for mainframe computer access, photocopying, and packing and crating. Sales of services are generally not subject to Colorado sales tax. However, sales of the following services are specifically taxable under Colorado law:

- gas and electric service for commercial use
- telephone and telegraph services.

Additionally, sales tax applies to prepared food and drink sold by restaurants, bars, and other similar establishments. Short-term rentals of rooms and accommodations are also subject to Colorado sales tax.

This Part 2 discusses taxable sales and exemptions.

Tangible personal property

Tangible personal property subject to sales tax includes all goods, wares, merchandise, products, and commodities, and all tangible or corporeal things and substances that are dealt in and capable of being possessed and exchanged. However, Colorado law exempts several types of tangible personal property from sales tax. Additional information regarding exemptions can be found at the end of this Part 2.

Tangible personal property includes digital goods that are delivered or stored by digital means, including, but not limited to, video, music, or electronic books. The method of delivery does not impact the taxability of a sale of tangible personal property. Examples of methods used to deliver tangible personal property under current technology include but are not limited to compact disc, electronic download, and internet streaming.

Colorado sales tax does not apply to subscriptions for cable television, satellite television, or satellite radio. The digital content delivered to the customer as part of these subscriptions is tangible personal property. However, these subscriptions are inseparably mixed transactions, including not only the digital content, but also the service of transmitting it to subscribers via satellite or fiber optic and coaxial cable. As inseparably mixed transactions, the taxability of these subscriptions is determined by application of the true object test. The true object of these subscriptions is the service provided. Therefore, these subscriptions are not taxable.

Colorado has specific rules regarding the taxability of computer software. For additional information, please see Department publication Sales & Use Tax Topics: Computer Software, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Mainframe computer access

Mainframe computer access that is subject to Colorado sales tax is the provision of access to computer equipment for the purpose of storing or processing data. However, sales tax does not apply under the conditions described below.

Taxable mainframe computer access does not include the provision of access to computer equipment for the purpose of examining or acquiring data maintained by the vendor.

Taxable mainframe computer access also does not include the provision of access to computer equipment incident to the electronic delivery of computer software.

Additionally, taxable mainframe computer access does not include the provision of computer access incident to the use of computer software hosted by an application service provider that retains custody over or hosts computer software for use by third parties.

Packing and crating

Packing and crating that is subject to Colorado sales tax is any tangible personal property furnished to prepare tangible personal property purchased at retail for delivery to a location designated by the purchaser.

Photocopying

Photocopying that is subject to Colorado sales tax is the sale of a document rendered on paper or other similar material by a machine that creates an accurate reproduction of the original. Taxable photocopying does not include the provision of a photocopy in connection with services if the purchaser is not charged separately for photocopying.

Non-taxable property

Real property and intangible personal property are not subject to Colorado sales tax. However, if intangible personal property is included with tangible personal property in a mixed transaction, the entire purchase price of the transaction may be subject to sales tax.

Intangible personal property

Intangible personal property constitutes mere rights of action with no intrinsic value. Examples of intangible personal property include contracts, deeds, mortgages, stocks, bonds, or certificates of deposit.

Real property

Land and buildings are real property. Real property also includes any tangible personal property that lost its identity as tangible personal property when it was incorporated into and became an integral and inseparable part of real property and that is removable only with substantial damage to the real property. If some part of real property is severed and removed, it once again becomes tangible personal property and may be subject to sales tax if sold.

Services

Colorado does not generally impose sales tax on services. However, sales tax is imposed specifically on telephone and telegraph services, as well as gas and electric service for commercial consumption. Additionally, charges for otherwise nontaxable services may be included in the taxable purchase price of a transaction involving the sale of tangible personal property. Please see Part 3 and Part 4 of this publication for additional information.

Telephone and telegraph service

Sales tax applies to all telephone and telegraph service. Taxable telephone services include mobile telecommunications services if the service is provided to a customer whose place of primary use is within Colorado, private line services, and Voice over Internet Protocol (VoIP). The service provider must charge and collect state and any applicable state-administered local sales taxes.

For additional information regarding sales tax on telephone and telegraph service, please see Department publication Sales & Use Tax Topics: Telecommunications.

Gas and electric service

Sales of gas and electric service for commercial consumption and not for resale are taxable. Tax also applies to sales of steam when consumed or used by the purchaser and not resold in its original form. Sales tax applies to such sales of steam and gas and electric service regardless of whether the seller or provider is a municipal, public, or private corporation or enterprise.

Colorado does not impose sales tax on sales of gas, electricity, or steam for use in any of the following activities:

- processing,
- manufacturing,
- mining,
- refining,
- irrigation,
- construction,
- telegraph communication,
- telephone communication,
- radio communication,
- street and railroad transportation services,
- all industrial uses, and
- all residential uses.

For additional information regarding sales tax on gas and electric service, please see the following forms and publications, available online at Tax.Colorado.gov:

- Sales & Use Tax Topics: Residential Energy Use
- Retail Food Established Computation Worksheet for Sales Tax Deduction For Gas and/or Electricity (DR 1465)
- Sales Tax Exempt Certificate Electricity & Gas for Industrial Use (DR 1666)

Prepared food and drink

Colorado sales tax applies to the sale of food and drink served or furnished in or by dining establishments and other like places of business at which prepared food or drink is regularly sold. Such establishments and businesses include the following:

- restaurants, cafes, and cafeterias,
- lunch counters, snack bars, and carryout shops,
- caterers, hotels, and resorts,
- social clubs, nightclubs, and cabarets,
- pushcarts, motor vehicles, and other mobile facilities.

For additional information, please see Department publication Sales & Use Tax Topics: Dining Establishments, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Rooms and accommodations

Colorado imposes sales tax on the entire amount charged for rooms and accommodations. In general, the tax applies to any charge paid for the use, possession, or the right to use or possess any room in a hotel, apartment hotel, inn, lodging house, motor hotel, motel, guest house, guest ranch, dude ranch, trailer coach, or mobile home and to any space in any auto camp or trailer court and park. Under certain circumstances, the rental of rooms and accommodations to a permanent resident for a period of at least 30 consecutive days is exempt from sales tax. For additional information, please see Department publication Sales & Use Tax Topics: Rooms & Accommodations.

Exemptions

Colorado exempts several types of property and sales from sales tax. While retailers will not collect tax on exempt sales, they must maintain appropriate records and report exempt sales on the applicable lines of the Colorado Retail Sales Tax Return (DR 0100) and associated Schedule A and Schedule B.

Some of these exemptions apply automatically to state-administered local sales taxes and are generally reported on Schedule A. For others, reported on Schedule B, each local jurisdiction may generally choose whether to adopt the exemption. Information about specific exemptions can be found in Department publication Colorado Sales/Use Tax Rates (DR 1002) and the Supplemental Instructions for Form DR 0100.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to taxable sales. 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

- § 29-2-105, C.R.S. Contents of sales tax ordinances.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-104, C.R.S. Property and service taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- § 39-26-704, C.R.S. Miscellaneous sales tax exemptions – hotel residents.
- § 39-26-713, C.R.S. Tangible personal property.
- § 39-26-715, C.R.S. Fuel and oil.
- Rule 39-26-102(10).
- Rule 39-26-102(11).
- Rule 39-26-102(15).
- Rule 39-26-102(23).
- Rule 39-26-713-1.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-forms
- Tax.Colorado.gov/sales-use-tax-guidance-publications
- Colorado Retail Sales Tax Return (DR 0100)
- Colorado Sales/Use Tax Rates (DR 1002)
- Retail Food Established Computation Worksheet for Sales Tax Deduction for Gas and/or Electricity (DR 1465)
- Sales Tax Exempt Certificate Electricity & Gas for Industrial Use (DR 1666)
- Sales Tax Topics: Computer Software
- Sales & Use Tax Topics: Dining Establishments
- Sales & Use Tax Topics: Residential Energy Use
- Sales & Use Tax Topics: Rooms & Accommodations
- Sales & Use Tax Topics: Telecommunications

Part 3: Calculation of Tax

Colorado state sales tax is imposed at a rate of 2.9%. Any sale made in Colorado may also be subject to state-administered local sales taxes. A sale may also be subject to self-collected home-rule city sales taxes, which are not administered by the Department. Tax rates for state-administered local sales taxes can be found online in Department publication Colorado Sales/Use Tax Rates (DR 1002). This Part 3 discusses the calculation of sales tax on the taxable purchase price.

Purchase price

Sales tax is calculated on the full purchase price. The purchase price includes the full amount paid, or promised to be paid, by the buyer at the time of purchase of the property, excluding only the following taxes and fees that may be imposed on the sale:

- any direct federal tax;
- any state and local sales tax; and
- any retail delivery fees imposed pursuant to section 43-4-218, C.R.S.

The taxable purchase price includes the gross value of all material, labor, and service, and the profit thereon included in the price charged to the user or consumer.

State income tax credits

The taxable purchase price is not affected by either the discount required for the Electric Bicycle Credit or the compensation provided to the purchaser or lessee for assignment of the Innovative Motor Vehicle Credit or Innovative Truck Credit. The applicable sales tax is calculated on the full purchase price without reduction for the required discount provided by the qualified retailer to the qualified purchaser.

Coupons

Retailers may accept coupons from their customers for a reduction in the amount paid by the customer. For tax purposes, coupons are classified as either manufacturer's coupons or store coupons.

A manufacturer's coupon is issued by the manufacturer and allows the customer a reduction in the sales price of the product upon presentation of the coupon to the retailer. Because the retailer is reimbursed by the manufacturer for the amount of the reduction, sales tax applies to the full selling price before the deduction for the manufacturer's coupon.

A store coupon is issued by the retailer for a reduction in the sales price when the coupon is presented to the retailer by the customer. Because there is no reimbursement to the retailer for such reduction, the sales tax applies to the reduced selling price of the item.

Exchanged property

Under certain conditions, the fair market value of tangible personal property exchanged by the purchaser as part of a taxable sale is excluded from the taxable purchase price. The fair market value of the tangible personal property exchanged by the purchaser is excluded from the taxable purchase price, if either:

- such exchanged property is to be sold thereafter in the usual course of the retailer's business; or
- such exchanged property is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under the laws of this state, including, but not limited to, vehicles operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft.

If the purchaser transfers intangible property or performs services in exchange for tangible personal property, the fair market value of the intangible property or service is not excluded from the purchase price.

Associated service charges

Service charges associated with the sale of tangible personal property, such as charges for installation or delivery, are generally included in the taxable purchase price, regardless of whether the service is performed by the seller or a third party, unless two conditions are met. To be excluded from the taxpayer purchase price, associated service charges must be both separable from the sale of the property and separately stated from the price of the property sold on the invoice or receipt.

An associated service charge is separable from the sale of the property if the service is performed after the taxable property is offered for sale and the purchaser has the option not to purchase the associated service. For example, if delivery is optional and the purchaser may elect to pick up the property at the seller's store, without paying the delivery charge, the delivery charge is separable.

An associated service charge is separately stated if it appears as a distinct line item on a written sales contract, retailer's invoice, or other written document issued in connection with the sale, apart from the price of the property sold. However, the statement of a charge as a separate line item does not necessarily indicate that the charge is also separable.

A service charge that is overstated or intended to shift cost and avoid the proper taxation of the property sold is not excluded from the purchase price, even if the service charge is both separable and separately stated.

Maintenance agreements and warranties

The taxability of maintenance agreements and warranties sold along with tangible personal property is generally determined under the same rules as other associated service charges. If the charge for the maintenance agreement or warranty is both separately stated and separable, the charge is not subject to tax. Otherwise, the charge for the maintenance agreement or warranty is included in the taxable purchase price. Please see Department publication Sales & Use Tax Topics: Leases for information about maintenance services included in lease contracts.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the calculation of tax on sales of tangible personal property. 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

- § 39-26-102, C.R.S. Definitions.
- § 39-26-104, C.R.S. Property and service taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- Rule 39-26-102(7)(a).
- Rule 39-26-102(12).
- Rule 39-26-104-3. Exchanged Tangible Personal Property.
- Rule 39-26-105-4.
- Special Rule 11. Coupons.
- Special Rule 18. Transportation Charges.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-forms
- Colorado Sales/Use Tax Rates (DR 1002)

Part 4: Retailers Who Must Collect Tax

COLORADO
Department of Revenue
Taxation Division

A retailer is required to obtain a sales tax license and collect sales tax on any retail sale of tangible personal property or taxable service made in Colorado if the retailer is "doing business in Colorado," as defined below. Please see Part 1 of this publication for guidance in determining whether a sale is made in Colorado. Sales tax licensing and collection requirements apply not only to for-profit businesses, but also to charitable organizations and state and local governmental entities that make retail sales of tangible personal property or taxable services.

A retailer who makes sales only through a marketplace may be exempt from sales tax licensing, collection, and filing requirements if the marketplace facilitator collects all applicable state and state-administered local sales taxes on the retailer's behalf. For additional information about marketplaces, please see Department publication Sales & Use Tax Topics: Marketplaces, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Any retailer that is subject to licensing and collection requirements is liable and responsible for the applicable sales tax, whether or not the retailer actually collected such tax at the time of the sale.

Doing business in Colorado

In general, a retailer is doing business in Colorado if the retailer sells, leases, or delivers tangible personal property or taxable services in Colorado or engages in any activity in Colorado in connection with the selling, leasing, or delivering of tangible personal property or taxable services for use, storage, distribution, or consumption in Colorado. Whether a retailer is deemed to be doing business in Colorado depends in part on whether the retailer maintains a physical location in Colorado and, if not, on the aggregate total of retail sales the retailer makes into Colorado in the current and previous calendar years.

Retailers with physical locations in Colorado

A retailer is doing business in Colorado and subject to all sales tax licensing and collection requirements if the retailer maintains any place of business in Colorado directly, indirectly, or by a subsidiary. Such a place of business may include an office, distribution facility, salesroom, warehouse, storage place, or home office of a Colorado resident employee.

A retailer who maintains a place of business in Colorado is subject to all Colorado sales tax licensing and collection requirements for as long as the retailer maintains that place of business. If a retailer ceases to maintain any place of business in Colorado, the retailer may no longer be doing business in Colorado, depending on its other activities within Colorado, as described below.

A retailer that makes sales or takes orders at special events located in Colorado is deemed to maintain a place of business in Colorado at the location of the special event for the duration of the special event.

Retailers with no physical location in Colorado

A retailer may be doing business in Colorado even if that retailer maintains no physical location in the state, but not if the retailer meets the small retailer exception described below. A retailer is doing business in Colorado if the retailer solicits business and receives orders from Colorado residents by any means whatsoever. Solicitation may be done by:

1) direct representatives, indirect representatives, or manufacturers' agents;
2) distribution of catalogues or other advertising;
3) use of any communication media; or
4) use of the newspaper, radio, or television advertising media.

Small retailer exception

Any retailer who does not maintain a physical location in Colorado is exempted from state sales tax licensing and collection requirements if the retail sales of tangible personal property, commodities, and/or services made annually by the retailer into Colorado in both the current and previous calendar years are less than $100,000. All retail sales are considered for the purpose of the $100,000 threshold, regardless of whether those sales would be subject to Colorado tax. Please see Part 1 of this publication for rules for determining the location of a sale.

If the retailer's retail sales in Colorado in the previous year were less than $100,000, then the retailer must begin collecting sales tax if its retail sales into Colorado during the current calendar year exceed $100,000. The retailer must apply for and obtain a sales tax license and begin collecting Colorado sales tax by the first day of the first month commencing at least 90 days after the retailer's aggregate Colorado sales in the current year exceed $100,000. If a retailer fails to obtain a sales tax license and begin collecting sales tax within the prescribed period of time, the retailer is nonetheless liable for all applicable state and state-administered sales taxes for any subsequent sale made into Colorado.

If the retailer's Colorado sales in the previous year exceed $100,000, the retailer is subject to Colorado sales tax licensing and collection requirements for the entire calendar year.

The following examples demonstrate the application of the small retailer exception for retailers who maintain no physical location in Colorado.

Example #1

A retailer maintains no physical location in Colorado. During the previous calendar year, the retailer's retail sales in Colorado exceeded $100,000. As a result, the retailer is doing business in Colorado and is required to obtain a Colorado sales tax license and collect sales tax on all sales made in Colorado during the entire current calendar year.

Example #2

A retailer maintains no physical location in Colorado. During the previous calendar year, the retailer's retail sales in Colorado were less than $100,000. As a result, the retailer is not considered to be doing business in Colorado and is not required to collect sales tax as the current year begins.

On June 15th of the current year, the retailer's cumulative retail sales in Colorado for the current year exceed $100,000. The retailer must apply for and obtain a sales tax license and begin collecting Colorado sales tax by the first day of the first month commencing at least 90 days after the retailer's aggregate Colorado sales in the current year exceed $100,000. Consequently, the retailer must obtain a Colorado sales tax license and begin collecting sales tax on any retail sale the retailer makes in Colorado no later than October 1st of the current year.

Since the retailer's sales in Colorado in the current year exceed $100,000, the retailer will be required to maintain a sales tax license and collect sales tax on all sales made in Colorado in the following year.

Example #3

A retailer maintains no physical location in Colorado. During the previous calendar year, the retailer's retail sales in Colorado were less than $100,000. As a result, the retailer is not considered to be doing business in Colorado and is not required to collect sales tax on sales made in Colorado as the current year begins.

On November 15th of the current year, the retailer's cumulative retail sales in Colorado for the current year exceed $100,000. Since there are less than 90 days remaining in the current year after the retailer's cumulative sales in Colorado exceeded $100,000, the retailer is not required to collect sales tax on any sale made in Colorado during the current year.

However, since the retailer's retail sales in Colorado in the current year exceed $100,000, the retailer must obtain a Colorado sales tax license before January 1 of the following year and collect sales tax on all sales made in Colorado during the following year.

Retailer agents

The Department may treat any salesperson or representative as a retailer's agent and hold that person jointly liable with the retailer for the collection and payment of sales tax if he or she:

1) operates under the retailer's direction;
2) obtains tangible personal property from the retailer to sell on the retailer's behalf; or
3) solicits business on behalf of the retailer.

Service enterprises

Anyone engaged in the business of rendering services to customers is generally considered the consumer, and not the retailer, of any tangible personal property that they use incidentally in rendering the service. Consequently, service enterprises are generally required to pay sales tax when they acquire such tangible personal property and are not required to collect sales tax from their customers. If, in addition to rendering services, the service enterprise regularly sells tangible personal property to consumers, then the service enterprise is a retailer with respect to such sales and must comply with the licensing, collection, and filing requirements applicable to retailers.

Mobile food vendors

Mobile food vendors making food sales in Colorado from pushcarts, motor vehicles, or other mobile facilities are retailers, subject to sales tax licensing, collection, and filing requirements. They must collect and remit all state and state-administered local sales taxes applicable to the point of sale for each taxable transaction. Additional information regarding licensing and filing requirements for mobile vendors can be found online at Tax.Colorado.gov/sales-use-tax.

Flea markets and farmers markets

Anyone making sales at a flea market or farmers market in Colorado is a retailer and is subject to sales tax licensing, collection, and filing requirements with respect to each market at which they make sales. Please see Part 5 and Part 6 of this publication for additional information about licensing and collection requirements.

Additional resources

The following is a list of statutes, regulations, forms, and guidance relevant in evaluating a retailer's obligation to collect Colorado sales tax. 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

- § 39-21-112, C.R.S. Duties and powers of executive director.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-104, C.R.S. Property and service taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- Rule 39-26-102(3). Doing Business in This State.
- Rule 39-26-103. Sales Tax Licensing.
- Rule 39-21-112(3.5). Notice and Reporting Requirements for Non-Collecting Retailers.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax

Part 5: Sales Tax Licensing

Any person or entity that will engage in the business of selling at retail must first obtain a sales tax license, unless that person or entity is specifically exempted from licensing requirements. Licensing requirements apply not only to traditional retailers, but also to charitable organizations (with certain exceptions) and individuals making regular sales out of their homes. Information about license applications and renewals is available online at Tax.Colorado.gov/sales-tax-account-license.

Standard retail sales tax licenses

Any retailer that is required to collect sales tax, as discussed in Part 4 of this publication, must apply for and obtain a sales tax license prior to making any sales. Licenses are non-transferable. Anyone who starts a new retail business or purchases an existing retail business must apply for and obtain a new sales tax license. A retailer is not required to obtain a license if the retailer is engaged exclusively in the business of selling commodities that are exempt from all otherwise applicable state and state-administered local sales taxes.

Retailers must remit a license fee of $16, prorated depending on the date of issuance, and a deposit of $50 at the time of application. The Department will refund the deposit after the retailer has commenced operations, filed the required sales tax return(s), paid the applicable tax, and the state sales tax remitted, in aggregate, exceeds $50. A retailer who sells only products that are exempt from state tax, but subject to state-administered local sales tax, may request a waiver of the $50 deposit requirement.

Retailers must display the license in a conspicuous place at their business locations. If a retailer maintains multiple business locations in Colorado, a separate license is required for each business location.

Licenses expire on December 31st of odd-numbered years (e.g., 2023, 2025, 2027), unless revoked sooner by the Department.

Wholesaler licenses

Any business operating exclusively as a wholesaler may apply to the Department for a license to engage in the business of selling at wholesale. A wholesaler is a person or company conducting a regularly organized wholesale or jobbing business, known within the trade as a wholesaler, and selling to retail merchants, jobbers, dealers, or other wholesalers, for the purpose of resale.

Applicants for a wholesale license must pay a fee of $16, prorated depending on the date of issuance. Wholesale licenses expire on December 31st of odd-numbered years (e.g., 2023, 2025, 2027), unless revoked sooner by the Department.

Charitable organizations

Charitable organizations that make retail sales are subject to the same licensing requirements as other retailers unless all of the organization's sales are exempt from all state and state-administered local sales taxes. Sales made by a charitable organization are exempt from state sales tax if all three of the following conditions are met:

1) the funds raised through the sales are retained by the organization to be used in the course of the organization's charitable service;

2) the net proceeds from the charitable organization's otherwise taxable sales in the preceding calendar year were less than $45,000; and

3) the net proceeds from the charitable organization's otherwise taxable sales in the current calendar year are less than $45,000.

This exemption applies to some state-administered local sales taxes, but not others. For additional information, please see Department publication Sales & Use Tax Topics: Charitable Organizations, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Special event licenses

Anyone making retail sales at one or more special sales events must obtain a special event license, unless the event organizer has obtained a license to file returns and remit tax on behalf of sellers participating in the event. A special sales event is an event where retail sales are made by more than three sellers at a location other than their normal business location(s) and that occurs no more than three times in any calendar year. Special event license requirements apply to sellers participating in the event regardless of whether such sellers have been issued a standard retail sales tax license for their regular business location.

Special event licenses apply only to retail sales made at the special sales event by the seller to whom the license is issued. The license does not apply to sales made at the seller's regular business location or at any other location.

Event organizers

Special event organizers bear various responsibilities in relation to the special event. The organizer must inform each seller participating in the event of the various taxes and tax rates that apply to retail sales made at the event. Additionally, the organizer must provide a list of the sellers participating in the event to the Department. The list must include the names, addresses, and special sales event license number, if any, of each seller participating in the event. The organizer must submit such list to the Department within ten days of the last day of the event.

A special event organizer may elect to obtain a special event license in order to file and remit taxes on behalf of some or all of the sellers participating in the event. The license will only apply to the event for which it is issued and cannot be used for any other event.

Any seller participating in the event must collect the applicable state and state-administered local sales taxes due but may elect to remit such taxes to the event organizer if the organizer has obtained a special event license. A seller participating in the event may make this election even if the seller has obtained a special event license of their own.

Special event filing

Any seller participating in a special event must file a return and remit payment of sales taxes for the event, unless the seller has remitted the taxes to the event organizer who has obtained a license as described above. If the event organizer has obtained a license, the organizer must file a return and remit payment for all sellers that have elected to remit taxes to the organizer. The seller's or organizer's return and payment must be filed and remitted by the 20th day of the month following the month in which the special event began. If the 20th falls on a Saturday, Sunday, or legal holiday, the return and tax remittance is due the next business day.

A licensed organizer must maintain records regarding all taxes remitted to the organizer. The records must include, for each participating seller that has remitted taxes to the organizer:

- the seller's name and address;
- the amount of gross retail sales made by the seller at the event; and
- the amount of sales tax collected by the seller at the event.

Any retailer who makes sales as a participant in a special event and also maintains a regular business location cannot simply include their special event sales in their sales tax return for their regular business location. The retailer must either file a separate return for their sales at the special event or remit the tax for such sales to the event organizer, as described above.

Governmental entities

Any state or local government department, agency, or institution that makes retail sales in Colorado is a retailer subject to sales tax licensing and collection requirements. For information about sales made by schools and school organizations, please see Department publication Sales & Use Tax Topics: School Exemptions.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to Colorado sales tax licensing requirements. 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

- § 39-21-119, C.R.S. Filing with executive director – when deemed to have been made
- § 39-26-102, C.R.S. Definitions
- § 39-26-103, C.R.S. Licenses
- § 39-26-718, C.R.S. Charitable organizations
- Rule 39-26-103. Sales Tax Licensing.
- Rule 39-26-718. Charitable and Other Exempt Organizations.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-tax-account-license
- Tax.Colorado.gov/sales-use-tax-guidance-publications
- Sales & Use Tax Topics: Charitable Organizations
- Sales & Use Tax Topics: School Exemptions

Retailers must add the state sales tax, along with any state-administered local sales taxes, to the sale price or charge for any taxable sale. If the purchased property or taxable service is delivered to the purchaser at a location in Colorado, the retailer must collect all state and state-administered local sales taxes applicable to the point of delivery. The tax due constitutes a part of the price or charge and, until paid by the purchaser to the retailer, is a debt from the purchaser to the retailer that is legally recoverable in the same manner as other debts.

All sums of money paid by the purchaser to the retailer as sales taxes are and remain public money and the property of the State of Colorado, or the appropriate local jurisdiction, in the hands of such retailer. The retailer must hold such monies in trust for the sole use and benefit of the State of Colorado, or the appropriate local jurisdiction, until remitted to the Department. Failure to remit such taxes to the Department is punishable as provided by law.

Tax disclosure requirements

It is illegal for any retailer to advertise, hold out, or state to the public or to any customer, directly or indirectly, that the sales tax due:

- will be assumed or absorbed by the retailer;
- will not be added to the selling price of the property sold; or
- will be refunded to the purchaser, in full or in part.

The retailer must disclose the sales tax as a separate and distinct item. The amount of tax must be separately stated as a dollar amount. A statement of the tax rate only is not sufficient. If the retailer issues the buyer a receipt, invoice, or other document setting forth the purchase price, the retailer must separately state the tax on such document. If the retailer does not issue a document that sets forth the purchase price, then the retailer must disclose the tax of each item on signage clearly visible to the purchaser.

Failure to collect

Retailers who fail to collect the required tax are nonetheless liable for the full amount of tax due on all sales, except for any sale that is tax-exempt. A retailer is liable for the tax due even if the retailer has failed or refused to obtain a Colorado sales tax license.

Direct pay permits

Purchasers who meet certain qualifications may apply for a direct payment permit. A purchaser who holds a direct payment permit (a “qualified purchaser”) assumes responsibility for remitting all applicable sales taxes directly to the Department and not to the retailer. Retailers will not be liable for the collection of sales taxes from a qualified purchaser if both of the following conditions are met:

- the qualified purchaser presents their direct pay permit at the time of the sale; and
- payment is made from the qualified purchaser’s funds and not from the funds of any other party, including the personal funds of any individual.

Direct pay permits issued by the Department have the words “Direct Pay Permit” in the upper left corner. The retailer must retain a copy of the qualified purchaser’s direct pay permit.

Exempt sales

A retailer must exercise due diligence with respect to any sale for which the purchaser claims exemption from sales tax. If evidence readily discernible to the retailer at the time of the sale provides reason to doubt the purchaser's eligibility for the exemption claimed, the retailer must either obtain and retain sufficient information and documentation from the purchaser to resolve the doubt or must collect the applicable tax.

Exemption verification

If the purchaser is claiming exemption as a retailer, wholesaler, or tax-exempt organization, or as a contractor purchasing building materials for a tax-exempt construction project, the retailer must verify that the purchaser's sales tax license or exemption certificate is current and valid at the time of the sale and can do so online at Colorado.gov/RevenueOnline. Alternately, a retailer may inspect a physical copy of the purchaser's license or certificate, issued by the Department or the comparable tax administration agency of another state, to verify that it is current and valid and retain a copy for their records. A retailer may also accept from an out-of-state purchaser a fully completed Declaration of Wholesale or Entity Sales Tax Exemption (DR 5002) or Multistate Tax Commission Uniform Sales & Use Tax Exemption/Resale Certificate. The retailer must retain a copy of the completed exemption form.

Retailers must consider whether the nature of goods or services sold is consistent with the purchaser's claim that the sale is exempt from sales tax. The retailer must collect the tax if the retailer has reason to doubt that a purchase is:

- made for resale;
- made in the conduct of exempt organization's charitable functions and activities;
- made in the governmental capacity of U.S. government, the State of Colorado, or any of its departments, institutions, or political subdivisions; or
- otherwise exempt.

In the case of a sale to a tax-exempt organization or governmental entity, the retailer must also verify that the purchase is made directly from the funds of the organization or entity claiming the exemption. This requirement is satisfied if payment is made with a credit card or check in the name of the tax-exempt organization or governmental entity claiming exemption. This requirement does not apply to purchases made by charitable organizations for less than $250.

Disputes about exemptions

Retailers bear the burden of proof for the proper exemption of any sale upon which the retailer did not collect sales tax. If there is disagreement between the retailer and the purchaser about whether or not a sale is exempt, the retailer must collect the tax and the purchaser is obligated to pay it. In the case of such disagreement, the retailer must issue to the purchaser a receipt or certificate showing the names of the retailer and purchaser, the item(s) purchased, the date, price, amount of tax paid, and a brief statement of the claim of exemption. The purchaser may request a refund from the Department of the tax paid using the applicable Department form.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales tax collection. 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

- § 29-2-105, C.R.S. Contents of sales tax ord.
- § 29-2-106, C.R.S. Collection – administration.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-103.5, C.R.S. Qualified purchaser – direct pay permit.
- § 39-26-104, C.R.S. Property and services taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- § 39-26-108, C.R.S. Tax cannot be absorbed.
- § 39-26-118, C.R.S. Recovery of taxes.
- § 39-26-703, C.R.S. Disputes and refunds.
- § 39-26-704, C.R.S. Miscellaneous sales tax exemptions – governmental entities.
- Rule 39-26-102(9). Retail Sales.
- Rule 39-26-103. Sales Tax Licensing.
- Rule 39-26-103.5. Direct Payment Permit.
- Rule 39-26-105-3. Documenting Exempt Sales.
- Rule 39-26-106-1. Separately Stated Tax.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-forms
- Colorado.gov/RevenueOnline
- Declaration of Wholesale or Entity Sales Tax Exemption (DR 5002)
- Multistate Tax Commission Uniform Sales & Use Tax Exemption/Resale Certificate
- Sales & Use Tax Topics: Governmental Entities

Part 7: Filing and Remittance

Retailers must file sales tax returns reporting all sales made, whether taxable or exempt, at regular intervals in accordance with prescribed filing schedules. If the retailer maintains a physical location in the state from which sales are made, but makes no retail sales during the tax period, the retailer must nonetheless file a return to report that no sales were made and no tax is due. The retailer's return must properly account not only for all state sales tax, but also for all sales tax collected and due for each applicable state-administered local jurisdiction. Forms, filing instructions, and electronic filing options are available online at Tax.Colorado.gov/sales-tax-filing-information.

Filing frequency and due dates

A retailer's filing frequency is determined initially when the retailer's license is issued, but may be subsequently adjusted by the Department or at the retailer's request. In general, retailers must file monthly sales tax returns reporting and remitting all tax due. If the retailer's average or estimated monthly Colorado sales tax collection is less than $1,100, but more than $50, the retailer may file returns and remit tax on a quarterly basis. If the retailer's average or estimated monthly Colorado sales tax collection is $50 or less, the retailer may file on an annual basis. For the purpose of determining a retailer's required filing frequency, their "Colorado sales tax collection" includes the Colorado and state-administered sales taxes that they are required to collect.

The Department will, on an annual basis, calculate the retailer's average monthly sales tax collection and adjust the retailer's filing schedule to increase the retailer's required filing frequency if necessary. Any such adjustment will be made effective January 1. The Department will not make any automatic adjustment to a retailer's filing schedule to decrease the frequency of filing, but a retailer may, based upon reduced sales tax collection, request a change to their filing schedule.

Regardless of the retailer's filing frequency (monthly, quarterly, or annually), the retailer must file its sales tax return and remit all applicable tax by the 20th day of the month following the close of the tax period. For example, a monthly filer's June return is due July 20th and a quarterly filer's 3rd quarter return is due October 20th. If the 20th falls on a Saturday, Sunday, or legal holiday, the retailer's return and tax remittance is due the next business day.

Seasonal businesses

If a retailer is engaged in a seasonal business (a business that the retailer does not operate in Colorado during certain months of the year), the retailer may request permission to file returns and remit tax only for the months of the year that the business operates. The retailer may make such request with its license application or by submitting such request to the Department in writing. The retailer must immediately notify the Department if the retailer operates its business in any month outside of the previously established period of seasonal operation.

Alternate filing schedules

If a retailer regularly employs accounting methods involving reporting periods other than calendar months (such as thirteen four-week periods over the course of the year), the retailer may request permission to file returns and remit tax on a filing schedule consistent with such accounting methods. Any retailer requesting such permission must make such request to the Department in writing.

Wholesalers

Wholesalers that make no retail sales must file returns on an annual basis to report their gross sales and allowable subtractions. A wholesaler that makes retail sales in addition to wholesale sales is subject to the same filing requirements as retailers and must file returns and remit tax monthly or quarterly, as applicable, unless the wholesaler has received permission to file less frequently.

Electronic filing requirements

If a retailer's annual gross sales exceed certain thresholds, they must file their sales tax returns for tax periods in calendar years 2026 and 2027 electronically. Once a retailer is required to file electronically, they are required to file all future returns electronically, even if their annual gross sales fall below the threshold in a subsequent calendar year. All returns that report sales made in January 2028 or later must be filed electronically. A penalty of $50 or 5% of the tax due, whichever is greater, is imposed if a retailer fails to file electronically as required.

Annual gross sales thresholds

A retailer must electronically file returns for filing periods January 2026 and later if their annual gross sales in the prior calendar year were $500,000 or more.

A retailer must electronically file returns for filing periods January 2027 and later if their annual gross sales in the prior calendar year were $50,000 or more.

In applying these thresholds, a retailer's annual gross sales are the total dollar amount of all goods and services the retailer sold in Colorado in a calendar year. No deductions, such as deductions for wholesale sales, returned goods, or tax-exempt sales, are allowed in determining a retailer's annual gross sales.

Failure to file

If a retailer neglects or refuses to file a sales tax return for any period for which the retailer has an open sales tax account, the Department will estimate the tax due based upon the best available information. The Department will issue a notice of deficiency to the retailer based upon this estimate. When such estimate and notice of deficiency have been made, the retailer may prepare and file a return for the tax period in question or otherwise protest the notice of deficiency as provided by law.

Remittance requirements

Retailers are liable and responsible for state sales tax equal to 2.9% of their total taxable sales, regardless of whether the retailer actually collected such tax, as well as any tax collected in excess of this amount. Retailers are required to remit, with the filing of each return, all tax reported on such return, minus any service fee allowed to the retailer. Any tax a retailer fails to pay by the applicable due date is subject to penalties and interest.

Retailer's service fee

Under certain conditions and for certain tax periods, a retailer may deduct and retain a service fee from the collected tax to cover the retailer's expenses in the collection and remittance of the tax. No service fee is allowed if a retailer is delinquent in remitting the tax due. Different rules apply at different times for calculating the amount of the service fee a retailer may retain.

Beginning January 1, 2026, no service fee is allowed for state sales taxes, but a service fee may be allowed with respect to state-administered local sales taxes.

State service fee for 2022 through 2025

The state service fee allowed for calendar years 2022 through 2025 is computed at varying rates and subject to different limits. In general, the state service fee is equal to 4% of the state sales tax due for the period, but the total amount a retailer is allowed to retain for any filing period is limited to $1,000. The total state service fee a retailer may retain for any filing period may not exceed $1,000, even if the retailer has multiple business locations or makes sales at different locations in the state. Additionally, a retailer is not permitted to retain any state service fee for any filing period that the retailer's total taxable sales were greater than $1,000,000.

For sales made during calendar year 2023 only, if the retailer's total taxable sales for the filing period are less than or equal to $100,000, the state service fee is equal to 5.3% of the state sales tax due for the period.

If the retailer is delinquent in remitting the tax due, the retailer is not allowed to deduct and retain any service fee. However, if a retailer has appropriately retained a service fee and, subsequent to the applicable due date, owes additional tax for the filing period as the result of an amended return or an adjustment made by the Department, the retailer is not allowed to retain a service fee for the additional tax, but the retailer is allowed to retain the service fee associated with the original return, so long as the retailer filed the original return in good faith.

State-administered local service fees

State-administered local jurisdictions may also allow retailers to retain a service fee from the collected local taxes, although service fee percentages vary by jurisdiction. For service fee percentages for state-administered local sales taxes, please see Department publication Colorado Sales/Use Tax Rates (DR 1002).

Electronic funds transfer (EFT)

A retailer is required to remit all state and state-administered local sales tax via electronic funds transfer (EFT) if the retailer's annual state sales tax liability for the prior calendar year exceeded $75,000. Any local sales taxes the retailer collected in the prior year are not considered in determining whether the retailer exceeded the $75,000 threshold. Retailers whose prior year state sales tax collection did not exceed the $75,000 threshold may nonetheless elect to remit sales taxes via EFT. See Electronic Funds Transfer and "Payment Options" at Revenue Online for information about electronic payment options.

In general, payments made by EFT must be made by the end of the day on the due date. Please see 1 CCR 201-1, Rule 39-21-119.5 for additional information regarding the timeliness of payments made via EFT.

Penalties and interest

A retailer will owe a penalty if they neglect or refuse to:

- file a return by the due date;
- pay the tax due by the due date; or
- correctly account, within their return, for all state and state-administered local sales tax due.

The penalty is imposed at a rate of 10% of the unpaid tax, plus an additional 0.5% for each month the tax remains unpaid, not to exceed a total of 18%. Additional penalties may be imposed for negligence or fraud.

Interest accrues on any late payment of tax from the original due date of the tax to the date the tax is paid. The rate of interest accrual depends on the calendar year(s) over which the deficiency continues. Additionally, a discounted rate is allowed if:

- the retailer pays the tax in full prior to the issuance of a notice of deficiency;
- the retailer pays the tax in full within 30 days of the issuance of a notice of deficiency; or
- within 30 days of the issuance of a notice of deficiency, the retailer enters into an agreement to pay the tax in monthly installments.

The discounted and non-discounted, regular interest rates for recent years are listed in the following table.

Annual Interest Rates

Calendar year	*Discounted rate*	*Regular rate*
2023	5%	8%
2024	8%	11%
2025	9%	12%
2026	8%	11%

Items removed from inventory

If a wholesaler or retailer makes a tax-free wholesale purchase of an item for resale but subsequently withdraws that item from inventory for their own use, they will owe use tax on that item. Please see the Colorado Consumer Use Tax Guide for additional information about filing and remittance requirements for consumer use tax.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales tax filing and remittance. 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

- § 39-21-103, C.R.S. Hearings.
- § 39-21-109, C.R.S. Interest on underpayment.
- § 39-21-110.5, C.R.S. Rate of interest.
- § 39-21-119, C.R.S. Filing with executive director – when deemed to have been made.
- § 39-21-119.5. Mandatory electronic filing of returns - mandatory electronic payment.
- § 39-21-120, C.R.S. Signature and filing alternatives.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-105.5, C.R.S. Remittance of sales tax – electronic funds transfer.
- § 39-26-109, C.R.S. Reports of vendor.
- § 39-26-112, C.R.S. Excess tax – remittance.
- § 39-26-115, C.R.S. Deficiency due to negligence.
- § 39-26-118, C.R.S. Recovery of taxes.
- § 39-26-122, C.R.S. Administration.
- Rule 39-21-119.5-1. Requirements for Electronic Filing and Electronic Payment.
- Rule 39-21-119.5-2. Mandatory Electronic Filing of the Retail Sales Tax Return.
- Rule 39-26-105-1. Remittance of Sales Tax.
- Rule 39-26-106-1. Separately Stated Tax.
- Rule 39-26-109. Sales Tax Filing Schedules.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-tax-filing-information
- Tax.Colorado.gov/sales-use-tax-forms
- Tax.Colorado.gov/pay-sales-use-tax
- Colorado.gov/RevenueOnline
- Colorado Retail Sales Tax Return (DR 0100)
- Colorado Sales/Use Tax Rates (DR 1002)

Part 8: Local Sales Taxes

Cities, counties, and special districts in Colorado can also impose tax on sales made within their boundaries. The Colorado Department of Revenue administers and collects sales taxes imposed by many cities, most counties, and a number of special districts. However, the Department does not administer and collect sales taxes imposed by certain home-rule cities, which instead administer their own sales taxes. Department publication Colorado Sales/Use Tax Rates (DR 1002) provides detailed information about local sales taxes and exemptions.

Retailers required to collect Colorado sales tax are also required to collect any applicable state-administered local sales taxes on any sales made at the retailer's location in Colorado, as well as on any sales delivered in Colorado. The criteria for determining whether a sale takes place within the boundaries of a particular state-administered local taxing jurisdiction are the same as for determining whether a sale takes place in Colorado. In general, a sale takes place within a state-administered local taxing jurisdiction if it is delivered to the purchaser at a location within that jurisdiction. Please see Part 1 of this publication for guidance in determining the location of a sale.

Local sales tax exemptions

In general, the local sales taxes administered by the Department apply to the same sales of tangible personal property and selected services as the state sales tax. However, the sales tax exemptions allowed by the state and state-administered local jurisdictions are not entirely identical. For detailed information about state-administered local sales tax exemptions, please see the Supplemental Instructions for Form DR 0100 and Department publication Colorado Sales/Use Tax Rates (DR 1002).

Geographic information system (GIS)

Retailers can use the geographic information system (GIS) database, accessible through the Department's website, to determine the local taxing jurisdictions to which taxes are owed and to calculate appropriate sales and use tax rates for individual addresses. Additional information about the GIS database can be found online at Tax.Colorado.gov/GIS-info.

If a retailer properly uses the GIS database—or a third-party database that is verified to use the most recent information provided by the GIS database—to determine the local jurisdictions to which tax is owed for a given sale, the retailer will not be held liable for any local sales tax the retailer failed to properly collect solely as a result of an error or omission in the database. In order to be relieved of liability with respect to any particular sale, a retailer must collect, retain, and produce, upon request, documentation sufficient to demonstrate proper use of and reliance on a certified database at the time of the sale. Please see Part 9 of this publication for information about recordkeeping requirements related to the use of the GIS database.

Filing and remitting local taxes

State-administered local sales taxes are reported and remitted on the same form and at the same time as state sales taxes. For additional information, please see Part 7 of this publication and the Colorado Retail Sales Tax Return (DR 0100). Many cities, counties, and special districts allow retailers to deduct and retain a service fee from collected taxes to cover the retailer's expenses in the collection and remittance of the tax. However, the allowable percentage for local service fees varies by jurisdiction. For additional information about retailer service fees, please see Part 7 of this publication and Department publication Colorado Sales/Use Tax Rates (DR 1002).

Motor vehicles and building materials

Specific rules govern the imposition of state-administered local sales taxes on motor vehicles and building materials. Under certain circumstances, motor vehicles and building materials are subject to local use taxes, rather than sales taxes. The Colorado Department of Revenue does not administer use taxes for any city or county. Instead, any applicable city and county use taxes are generally paid directly to the city or county with the application for either motor vehicle titling or construction permitting. For additional information about local use taxes, please see Department publication Colorado Sales/Use Tax Rates (DR 1002).

Motor vehicles

The sale of a motor vehicle is exempt from state-administered local sales tax if both of the following conditions are met:

- the purchaser is a nonresident of the city, county, or special district or, if the purchaser is a business, the purchaser's principal place of business is outside of the city, county, or special district; and
- the motor vehicle is registered or required to be registered outside of the city, county, or special district.

If the sale of a motor vehicle is exempt from any state-administered local sales tax, based upon these conditions, the purchaser may be required to pay use tax to the county clerk at the time of registration for the city, county, and/or special district in which the vehicle is registered.

For additional information about motor vehicle sales, please see Department publication Sales & Use Tax Topics: Motor Vehicles, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Construction and building materials

The sale of construction and building materials are exempt from state-administered city or county sales tax if both of the following conditions are met:

- the purchaser presents to the seller a building permit or similar documentation; and
- the building permit or similar documentation shows that local use tax has been paid or is required to be paid.

For additional information, please see Department publication FYI Sales 6: Contractors and Retailer-Contractors, available online at Tax.Colorado.gov/sales-use-tax-guidance-publications.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to state-administered local sales tax. 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

- § 29-1-204.5, C.R.S. Establishment of multijurisdictional housing authorities.
- § 29-2-102, C.R.S. Municipal sales or use tax.
- § 29-2-103, C.R.S. Countywide sales or use tax.
- § 29-2-103.5, C.R.S. Sales tax for mass transit.
- § 29-2-105, C.R.S. Contents of sales tax ordinances.
- § 29-2-106, C.R.S. Collection – administration.
- § 29-2-109, C.R.S. Contents of use tax ordinances.
- § 30-11-107.9, C.R.S. County tax for public safety.
- § 30-20-604.5, C.R.S. District sales tax.
- § 32-1-1106, C.R.S. Special financial provisions.
- § 32-9-119, C.R.S. Additional powers of district.
- § 32-13-107, C.R.S. Sales and use tax imposed.
- § 32-19-111, C.R.S. Financial powers.
- § 32-19-112, C.R.S. Sales tax imposed.
- § 32-21-110, C.R.S. Financial powers.
- § 32-21-111, C.R.S. Sales and use tax imposed.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-104, C.R.S. Property and services taxed.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-105.3, C.R.S. Remittance of tax – electronic database.
- § 39-26-106, C.R.S. Schedule of sales tax.
- § 43-4-605, C.R.S. Powers of the authority.
- Rule 39-26-105.3. Electronic Address Databases.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-forms
- Tax.Colorado.gov/GIS-info
- Tax.Colorado.gov/sales-use-tax-guidance-publications
- Colorado.gov/RevenueOnline
- Colorado Sales/Use Tax Rates (DR 1002)
- Colorado Retail Sales Tax Return (DR 0100)
- Sales & Use Tax Topics: Motor Vehicles
- FYI Sales 6: Contractors and Retailer-Contractors

Retailers are required to keep and preserve any books, accounts, and records as may be necessary to determine the correct amount of tax for a minimum of three years. Such books, accounts, and records must include records of all sales and all information necessary to determine the correct amount of state and state-administered local sales taxes for which the retailer is liable. Additionally, every retailer must keep and preserve for a period of three years all invoices of goods and merchandise purchased for resale.

A retailer must produce all such books, accounts, invoices, and records upon request from the Department.

Documenting exempt sales

With respect to any tax-exempt sale, the retailer must obtain and retain sufficient information and documentation from the purchaser to verify the eligibility of the sale for exemption.

For any purchaser claiming exemption as a retailer, wholesaler, or tax-exempt organization, the retailer must verify that the purchaser's sales tax license or exemption certificate is current and valid at the time of the sale. The Department recommends that retailers verify the validity of such purchasers' licenses or certificates online at Colorado.gov/RevenueOnline.

In lieu of verifying a purchaser's license or certificate through the Department's online verification system, the seller may inspect a physical copy of the license or certificate for completeness and to ensure that the license or certificate has not expired. If the seller relies on a physical copy of the license or certificate for verification, the seller must retain a copy of the document for their records.

A retailer must also retain copies of any Declaration of Wholesale or Entity Sales Tax Exemption (DR 5002) or Multistate Tax Commission Uniform Sales & Use Tax Exemption/Resale Certificate the retailer has accepted from an out-of-state purchaser.

Direct pay permits

If a retailer does not collect tax on a sale because the purchaser holds a direct payment permit, the retailer must retain a copy of the direct pay permit. Direct pay permits issued by the Department have the words "Direct Pay Permit" in the upper left corner. Please see Part 6 of this publication for additional information about direct pay permits.

Geographic information system (GIS)

A retailer that relies on the Department's GIS database or a third-party database that is verified to use the most recent information provided by the GIS database and claims relief from liability based upon such reliance must retain records sufficient to demonstrate proper use of and reliance on the database. Additional information about the GIS database can be found online at Tax.Colorado.gov/GIS-info.

Evidence of proper use

A retailer will be relieved of liability for a failure to collect the correct tax only if such failure resulted solely from an error or omission in the GIS database. A retailer must retain records sufficient to demonstrate that the address the retailer checked through the database was complete and free of errors. If the address the retailer checked with the database was incomplete or contained errors, any resulting failure to collect the correct tax will not be considered a result of an error or omission in the database and the retailer will not be relieved of liability.

Evidence of reliance

If a retailer contracts with a third-party database that is verified to use the most recent information provided by the Department's GIS database for a "hosted" or "on premise" solution that integrates database utilization into the retailer's billing system, the contract in effect at the time of the sale will demonstrate the retailer's reliance on the database with respect to the sale.

If a retailer has no such contract for integrated database utilization, but instead accesses the database remotely for occasional use, the retailer must collect and retain documentation sufficient to demonstrate such use. Such documentation must reflect the physical address in question, the jurisdiction(s) identified by the database for the address, and the date that such information was accessed. A screen print of the database response will be sufficient to document reliance so long as the screen print reflects the address, the jurisdiction(s), and the date of use.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to recordkeeping requirements. 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

- § 29-2-106, C.R.S. Collection – administration.
- § 39-21-113, C.R.S. Returns and reports.
- § 39-26-103.5, C.R.S. Qualified purchaser – direct payment permit number.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-105.2, C.R.S. Remittance of tax – GIS.
- § 39-26-105.3, C.R.S. Remittance of tax – electronic database.
- § 39-26-116, C.R.S. Record of sales.
- House Bill 20-1023 - Concerning certain address database systems used for sales and use tax collection.
- Rule 39-26-103.5. Direct Payment Permit.
- Rule 39-26-105-3. Documenting Exempt Sales.
- Rule 39-26-105.3. Electronic Address Databases.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/GIS-info
- Colorado.gov/RevenueOnline

Part 10: Refunds and Assessments

Retailers may claim either a refund or credit for an overpayment of tax made with a previously filed return and the Department may assess any additional tax due but not previously reported and paid. State law prescribes the period of time allowed for a retailer to claim a refund or credit and for the Department to issue an assessment. The statute further permits the extension of such time by written agreement between the Department and the retailer. This Part 10 provides information regarding refund claims, assessments, and the period of time allowed by law for both.

Refund claims

If a retailer overpays any tax due, the retailer may either claim a credit on a subsequent return or request a refund for the overpayment. Any claim for refund or credit must be made using the applicable Department form(s) and submitted to the Department within three years from the due date of the return on which the overpayment was made or within one year of the date of overpayment, whichever is later. Any claim for credit must be made with the Colorado Retail Sales Tax Return (DR 0100) and any refund claim must be made with the Claim for Refund (DR 0137).

If a purchaser asserts that the sale qualified for exemption and the tax was collected by the retailer in error, the retailer may claim a refund or credit on behalf of the purchaser, but is not required to do so. In making any such claim, the retailer must demonstrate that the amount claimed, including any interest on the refund, has been or will be paid by the retailer to the purchaser.

A retailer submitting a refund claim bears the burden of proving the appropriate exemption of any sales that are the subject of the claim. For information about the documentation required with refund claims, please see Claim for Refund (DR 0137) and the associated instructions.

Assessments

If, upon examination of a filed return, the Department determines the correct amount of tax has not been paid, the Department will issue a notice of deficiency to the retailer. In general, the Department may issue such notice no later than three years after the return was filed or three years after the return was due, whichever is later. In the case of a false or fraudulent return with intent to evade tax, there is no limit on the time for the Department to issue a notice of deficiency.

If a retailer neglects or refuses to file a return, the Department may estimate the tax due, based upon the information that may be available. The Department will issue a written notice to the retailer of the estimated taxes due, along with any applicable penalty and interest. If a retailer does not file a required return, there is no limit on the time for the Department to estimate the tax due and issue a notice of the estimated tax due to the retailer.

Please see Part 7 of this publication for information about penalties and interest.

Protests and appeals

A retailer who receives a notice of deficiency or notice of refund rejection may submit a written protest and request a hearing to dispute the notice. Any protest or request for hearing must be submitted within 30 days of the date of the notice. The protest or request for hearing must contain at least the following information:

- the retailer's name, address, and account number;
- the tax period(s) involved;
- the type and amount of tax in dispute; and
- a summary statement of findings with which the retailer does not agree and the grounds upon which the retailer relies for the purpose of showing the tax is not due.

The protest or request for hearing must be signed by the retailer.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to refund claims and assessments. 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

- § 39-21-103, C.R.S. Hearings.
- § 39-21-104, C.R.S. Rejection of claims.
- § 39-21-107, C.R.S. Limitations.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-118, C.R.S. Recovery of tax.
- § 39-26-703, C.R.S. Disputes and refunds.
- Rule 39-21-103-1. Hearings.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-tax-filing-information
- Tax.Colorado.gov/sales-use-tax-forms
- Colorado Retail Sales Tax Return (DR 0100)
- Claim for Refund (DR 0137)

Part 11: Buying or Selling a Retail Business

Whenever a retailer sells their retail business to another retailer, both the buyer and the seller of the business bear certain obligations and liabilities with respect to the sale of the business. The seller must collect all applicable state and state-administered sales taxes for any tangible personal property, other than inventory, transferred to the purchaser as part of the sale. The purchaser must ensure that the seller has satisfied all sales tax liabilities of the business and assumes the liability for any unpaid sales taxes. This Part 11 provides additional information regarding the responsibilities of the buyer and the seller related to the sale of a retail business.

Selling a retail business

Any retailer who sells their retail business to another retailer must collect all applicable state and state-administered sales taxes from the purchaser on any tangible personal property, other than inventory, transferred to the purchaser as part of the sale. The sales taxes are based on the full purchase price of all tangible personal property included in the sale. If the written agreement to sell the business is a lump sum transaction that does not separately state the purchase price for the tangible personal property included in the sale, the sales taxes are based on the book value set up by the purchaser for income tax depreciation purposes or, if no such value is established, the fair market value.

Any retailer who sells out their retail business or stock of goods, or quits business, is required to prepare and file a sales tax return within ten days after the date the retailer sells or quits the business. The retailer must include with their return the sales taxes due for any tangible personal property, other than inventory, transferred to the purchaser as part of the sale of the business.

Purchasing a retail business

Anyone who purchases an existing retail business must withhold from amounts paid to the seller sufficient purchase money to cover any and all outstanding state and state-administered local sales taxes the seller owes unless and until the seller provides a tax status letter from the Department showing that all taxes due have been paid. The seller can request a tax status letter by submitting a completed form DR 0096, Request for Tax Status Letter, to the Department. The retailer purchasing the business assumes the liability for any sales taxes due but not paid by the prior owner.

If a retailer selling their business does not collect and remit the required sales taxes due for any tangible personal property, other than inventory, transferred to the purchaser as part of the sale, the retailer purchasing the business assets assumes the liability for the unpaid sales taxes. The retailer who purchases the business may file form DR 0155, Sales Tax Return for Unpaid Tax from the Sale of a Business, to remit the sales taxes due for the tangible personal property acquired as part of the sale. The sales taxes are due by the 20th day of the month following the month in which the business assets were sold.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the sale of a retail business. 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

- § 39-21-117, C.R.S. Tax lien – exemption from lien.
- Rule 39-26-117.

Forms and guidance

- Tax.Colorado.gov/sales-use-tax
- Tax.Colorado.gov/sales-use-tax-forms
- Request for Tax Status Letter (DR 0096)
- Sales Tax Return for Unpaid Tax from the Sale of a Business (DR 0155)