



COLORADO  
Department of Revenue

# STATE OF COLORADO

State Capitol Annex  
P. O. Box 17087  
Denver, CO 80217-0087

John Hickenlooper  
Governor

Barbara J. Brohl  
Executive Director

GIL-16-015

August 5, 2016

XXXXXXXXXXXXXXXXXXXX  
Attn: XXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXX

Re: Credentialing Services

Dear XXXXXXXXXXXXXXX,

You submitted on behalf of XXXXXXXXXXXXXXXX ("Company") a request for guidance regarding the application of sales tax to credentialing services.

The Colorado Department of Revenue ("Department") issues general information letters and private letter rulings. A general information letter provides a general overview of the relevant tax issues, but is not binding on the Department. A private letter ruling provides a specific determination for a specific set of facts, is binding on the Department but not on the taxpayer, and requires payment of a fee. For more information about general information letters and private letter rulings, please see Department Rule 1 CCR 201-1, 24-35-103.5.

The Department treats this request as a general information letter. It is important to remember that general information letters, such as this one, are general discussions of tax law and are not binding on the Department. If Company would like the Department to issue a private letter ruling on the issue raised here, Company can submit a request and fee in compliance with Department Rule 1 CCR 201-1, 24-35-103.5.

### Issue

Are charges for credentialing activities engaged in by Company subject to sales tax?

### Background

Company is in the business of providing what is described as medical credentialing services. Company is engaged by hospitals and other health care providers to obtain the proper documentation and credentials needed to work with health insurance companies. Credentialing is the process of the medical provider obtaining for its billing staff the credentials required by insurance companies in order to bill the insurance companies for medical services provided to

patients insured by the insurance company. Company provides credentialing by collecting documentation, creating profiles, preparing applications, and obtaining credentials for staff. This credentialing is performed by Company's employee using a cloud-based computer software technology. Company charges a monthly fee to its customers for this credentialing.

### **Structure of Analysis**

To determine whether the charge is subject to sales and use tax, the Department will examine the following questions:

1. Is there a sale of tangible personal property under § 39-26-104, C.R.S.?

### **Discussion**

There is very little information provided by Company about the credentialing activities. Colorado imposes sales and use tax on the sale, use, storage, and consumption of tangible personal property and certain services.<sup>1</sup> Company has not described any tangible personal property that is sold or otherwise transferred to customers.<sup>2</sup> Computer software provided by an application service provider is not tangible personal property that is subject to tax.<sup>3</sup> The credentialing process, as described above, appears to be a service that is not subject to sales and use tax in Colorado.

### **Miscellaneous**

This letter represents the good faith opinion of Department personnel who are knowledgeable on state taxes issues. However, the Department does not make a specific determination here on any of the issues raised and the Department is not bound by this general information letter.

The Department administers state and state-administered local sales and use taxes. This letter does not address sales and use taxes administered by home-rule cities and home-rule counties. You may wish to consult with local governments which administer their own sales or use taxes about the applicability of those taxes. Visit our web site at [www.colorado.gov/tax](http://www.colorado.gov/tax) for more information about state and local sales taxes.

Enclosed is a redacted version of this letter. Pursuant to statute and regulation, this redacted letter will be made public within 60 days of the date of this letter. Please let me know in writing within that 60 day period whether you have any suggestions or concerns about this redacted letter.

Sincerely,

Neil Tillquist  
Colorado Department of Revenue  
Office of Tax Policy & Analysis

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<sup>1</sup> § 39-26-104, C.R.S. Taxable services include energy services and telephone service.

<sup>2</sup> § 39-26-102(15), C.R.S.

<sup>3</sup> § 39-26-102(15), C.R.S.