

Declaration of Wholesale or Entity Sales Tax Exemption Instructions

Purpose of This Form

This form may be used by purchasers and sellers to document eligibility for certain sales tax exemptions. It may be applied to multiple purchases by the same purchaser claiming the same exemption. Do not send this form to the Department.

A purchaser may complete this form and give it to the seller as part of claiming a sales tax exemption.

Sellers generally have the burden of proving that otherwise taxable sales of tangible personal property, commodities, and services were properly exempted. A seller may:

- Accept this form as part of its due diligence in verifying the purchaser's eligibility for a sales tax exemption; or
- Obtain and retain this information in its records in another format, including the Uniform Sales & Use Tax Resale Certificate developed by the Multistate Tax Commission.

When To Use This Form

This form is primarily designed for two types of point-of-sale exemptions: wholesale and exempt entity purchases. Use the following forms to document proper exemption of other types of purchases:

Exemption	Form
Energy for Industrial or Residential Use	DR 1464
Farm Equipment	DR 0511
General Motor Vehicle Exemptions	DR 0780
Low-Emitting Heavy Vehicles	DR 1369
Pine or Spruce Beetle Wood	DR 1240

What's New?

The Department recently evaluated its forms for documenting various sales tax exemptions. As a result of this evaluation, several forms have been consolidated or discontinued. Specifically, this form replaces DR 0563, DR 1367, DR 1191, and DR 1192. Exemptions previously documented using those forms may now be documented using this form DR 5002. Purchasers no longer need to submit copies to the Department when purchasing machinery and machine tools for use in manufacturing.

Purchaser Instructions

Line 1 Purchaser Information

Enter the name and mailing address of the business or exempt entity making the purchase. Use the trade name if it differs from the legal name or the sole proprietor's name. Abbreviations such as "Dept." are acceptable, but do not use acronyms.

Also enter the number, state, and expiration date of the sales tax license or exemption certificate or card of the purchaser.

- For a Colorado sales tax license, enter only the 8-digit Colorado account number, and not the 12-digit location ID.
- For a diplomatic exemption card, enter the state as FM for the Office of Foreign Missions.
- For a tribal membership card, enter the state as SU for the Southern Ute Indian Tribe or UM for the Ute Mountain Ute Tribe.

Line 2 Wholesale Exemption

If you are claiming a wholesale exemption, mark the type of exemption, and describe the ordinary course of your business, including the product(s) being manufactured and/or sold.

Purchase for Resale. Mark this box if you are claiming a purchase for resale. A purchase for resale means the purchaser plans to resell the item in an unaltered or unused state in the ordinary course of the purchaser's business. You cannot claim this exemption if you sell to the ultimate user or consumer of the item. This exemption applies only to goods that would be reasonably purchased for resale in the ordinary course of the purchaser's business. For more information, see Department guidance publication *Colorado Sales Tax Guide*.

Manufacturing. Mark this box if you are claiming a manufacturing exemption, and also mark one of the boxes below that corresponds with the intended use of the purchased items. For more information, see Department guidance publication *Sales and Use Tax Topics: Manufacturing*.

Ingredients and Component Parts. This exemption applies to tangible personal property that becomes an essential constituent part of the finished product. This includes any container, label, or the furnished shipping case for the finished product.

Machinery, Machine Tools, and Parts. This exemption applies to items used directly and predominantly to manufacture tangible personal property in Colorado for sale or profit.

Testing, Modification, or Inspection. This exemption applies to property used in manufacturing or similar type of activities outside of Colorado that is initially delivered to Colorado for testing, modification, or inspection for a period not to exceed 90 days.

Line 3 Entity Exemption

If you are claiming an exemption based on your organization's tax-exempt status, mark the type of entity, and enter any required description.

Charitable Organization. This exemption applies to goods or services that would be reasonably used in the conduct of a charitable organization's regular charitable functions and activities. Charitable organizations generally include section 501(c)(3) organizations and section 501(c)(19) veteran's organizations.

For more information, see Department guidance publication *Sales and Use Tax Topics: Charitable Organizations*.

Colorado State or Local Government, or U.S.

Government. This exemption applies to the purchases made by the U.S. government; the State of Colorado; any Colorado local government including a county, city, school district, or special district; and any department, institution, or agency of these governments.

The purchase must be for goods or services reasonably used exclusively in a governmental capacity. For more information, see Department guidance publication *Sales and Use Tax Topics: Governmental Entities*.

Affordable Housing Project. A qualifying entity must own, lease, or construct a qualifying affordable housing project. This exemption applies only to purchases made directly by the qualifying entity for use in the qualifying project. For more information, see Department guidance publication *FYI Sales 95: Sales/Use Tax Exemption for Affordable Housing Projects*.

Federal Credit Union or Farm Credit Bank. This exemption applies only to goods or services that are purchased directly from the funds of the financial institution.

Foreign Diplomat. Mark the type of exemption card, and describe the restrictions stated on the card. For more information, see Department guidance publication *Sales and Use Tax Topics: Governmental Entities*.

Tribe or Member. Mark the type of qualifying purchaser. This exemption applies only to sales made on or delivered to a Colorado reservation. For more information, see Department guidance publication *Sales and Use Tax Topics: Tribal Exemption*.

Line 4 Other Statutory Exemption

Describe the exemption claimed and your qualifications for making purchases under this exemption.

Line 5 Qualifying Payment for Entity Exemption

Mark the type of payment. This line is only required for purchases made by charitable and governmental organizations. The seller must verify that the purchase is made directly from the funds of the organization claiming the exemption.

Line 6 Purchaser Signature

This form must be signed by the purchaser, or a person authorized to execute this form on behalf of the purchaser. The purchaser remains directly liable for the reporting and payment of sales or use tax, plus interest and any applicable penalties, for any purchase that is found to not qualify for the exemption or used in a manner that does not qualify for the exemption.

Seller Instructions

A seller should follow these steps to obtain and retain sufficient information and documentation from the purchaser to verify their eligibility for the exemption. This usually includes checking a sales tax license or exemption certificate. If you cannot resolve a doubt about the purchaser's eligibility, collect the applicable tax.

Document

Collect and keep the required documentation using this form DR 5002, the Uniform Sales & Use Tax Resale Certificate developed by the Multistate Tax Commission, or in another format in your records.

Verify

Verify the validity of any resale licenses or exemption certificates in one of the following ways:

- Go to [Colorado.gov/RevenueOnline](https://colorado.gov/revenueonline) and click the link to "Verify a License or Certificate."
- Inspect a physical copy of the license or certificate to ensure it is complete and has not expired and keep a copy of it.

When required, consider whether the goods or services would reasonably be used for a qualifying purpose. If applicable, verify and document that the purchase is made directly from the funds of the entity claiming the exemption.

Update

Re-check the validity of any resale license or exemption certificate after the expiration of the license or certificate, or if you have reason to doubt whether the previous verification is valid or applicable.

Declaration of Wholesale or Entity Sales Tax Exemption

1. Purchaser Information			
Name	Sales Tax License or Exemption Number	State	Expiration Date
Mailing Address			
City	State	ZIP Code	
2. Wholesale Exemption. Mark the type of exemption, and describe the ordinary course of business.			
<input type="checkbox"/> Purchase for Resale <input type="checkbox"/> Manufacturing - Mark one of the following: <input type="checkbox"/> Ingredients or Component Parts <input type="checkbox"/> Machinery, Machine Tools, and Parts <input type="checkbox"/> Testing, Modification, or Inspection	Description of Ordinary Course of Business, including the product(s) manufactured and/or sold:		
3. Entity Exemption. Mark the type of entity.			
<input type="checkbox"/> Charitable Organization <input type="checkbox"/> Colorado State or Local Government <input type="checkbox"/> U.S. Government <input type="checkbox"/> Foreign Diplomat – Mark the type of exemption card, and describe the restrictions stated on the card on Line 4. <input type="checkbox"/> Mission Exemption <input type="checkbox"/> Personal Exemption <input type="checkbox"/> Tribe or Member – For sales on or delivered to a Colorado reservation. Mark the type of qualified purchaser: <input type="checkbox"/> Tribal Government <input type="checkbox"/> Enrolled Tribal Member <input type="checkbox"/> Entity owned by tribe or member – Describe on Line 4.			
Description (as required above):			
4. Other Statutory Exemption. Describe the exemption and your qualifications.			
5. Qualifying Payment for Entity Exemption. Mark the type of payment.			
<input type="checkbox"/> Purchase Order only - to be paid later <input type="checkbox"/> Cash - with a purchase order from the entity <input type="checkbox"/> Check - issued by the entity <input type="checkbox"/> U.S. Government GSA SmartPay3 Card <input type="checkbox"/> Colorado State or Local Government Credit Card <input type="checkbox"/> Non-Government Credit Card – bearing the entity name or branded for commercial use			
6. Purchaser Signature			
I declare that the purchases using this form qualify for the exemption entered above, and that I am the purchaser or have the authority to execute this form on behalf of the purchaser.			
Signature	Title	Signature Date (MM/DD/YY)	