



Origin to Destination Sourcing

Colorado Department of Revenue: Origin to Destination Sourcing

Businesses Located Within Colorado

HB19-1240 provides a temporary exception to destination sourcing for small businesses physically located in the state of Colorado that have less than \$100,000 in retail sales during the previous calendar year. Such sellers may source their sales to the business location of the seller and collect all applicable state-administered and special district taxes for the business's jurisdiction. This is called *origin sourcing*. Should the small business exceed \$100,000 in retail sales during a calendar year, the business must transition to using *destination sourcing*. Businesses will have until the first of the month, 90 days following the date they exceed the \$100,000 threshold to begin using destination sourcing. The temporary small business exception is effective until a new Geographic Information System (GIS) from the Department of Revenue is available online. After the launch of the GIS, all businesses will have 90 days to transition to *destination sourcing*. The small business exception was extended through January 31, 2022 by **SB21-282**.

The GIS launched April 1, 2021. All businesses are required to transition to destination sourcing by February 1, 2022.



Businesses Located Outside of Colorado

If a business that does not maintain a physical location in Colorado and does not have more than \$100,000 of retail sales into the state of Colorado in the past calendar year, they are not initially required to collect and remit state sales tax at the beginning of the year. If the retail sales the business makes in Colorado in the current calendar year exceed \$100,000, the business must begin collecting all Colorado state and state-administered sales taxes after aggregate sales exceed the \$100,000 threshold. The out-of-state business must transition from not collecting to collecting by the first day of the month commencing 90 days after exceeding the \$100K threshold. Please refer to [Tax.Colorado.gov/use-tax-retailer-reporting-requirements](https://tax.colorado.gov/use-tax-retailer-reporting-requirements) for information about notice and reporting obligations that apply to retailers who do not collect Colorado sales tax.



How to Calculate Sales Tax

Sales Tax is calculated using the delivery address of goods that are being shipped or delivered to customers. The GIS has an address lookup feature. When you enter the address, the GIS will return the location code and total tax rate based on the delivery location. Also, if your internal point of sale system supports it, the GIS information can be accessed through an Application Programming Interface (API). This API can automatically reference current tax information directly from the CDOR. Please note that the Department will need to verify that you have registered for an account for the Sales and Use Tax System (SUTS) Remittance Portal before using the API.



General Destination Sourcing Rules

Sales tax collection for the State of Colorado changed in 2019. Sales tax is generally calculated based on where the purchaser received the taxable product or service. This is called destination sourcing. Businesses are required to collect and remit sales taxes for all retail sales to Colorado consumers.

NOTE: Generally, out-of-state retailers that are doing business in Colorado, but do not maintain a place of business in Colorado either directly, indirectly, or by a subsidiary, are not required to collect and remit Colorado sales tax until their retail sales made into Colorado meet or exceed the \$100,000.00 threshold.

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 the location other than the seller's business location, the sale is sourced to the location the purchaser receives the purchased property or first used the purchased service.



3

If the purchaser requests delivery of the property or service to another recipient (i.e. the purchase is a gift), the sale is sourced to the location where the recipient takes possession of the purchased property or first uses the purchased service.



Seller Responsibilities

1

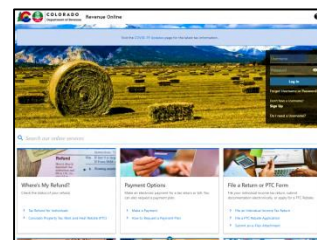
Determine the appropriate tax rate for the sale based on sourcing criteria. You can use the [DR 1002](#) to find this information. This document may be updated in January and June of each year. A new Geographic Information System (GIS) is available at Colorado.gov/Revenue/GIS. This system will make determining the appropriate tax rate easier.



The screenshot shows the 'Colorado Sales/Use Tax Rates' document. It includes a table with columns for 'Sales Tax Rate', 'Use Tax Rate', and 'Effective Date'. The table lists various tax rates for different categories of goods and services, such as 'Retail Sales Tax' and 'Use Tax'. The document also includes sections for 'Special Use Tax Rates' and 'Regional Transportation District (RTD)'.

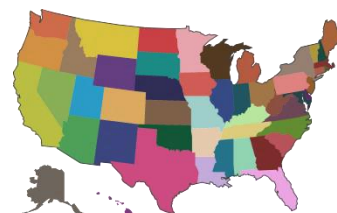
2

Set up non-physical sites for each location in [Revenue Online](#) for CO filing.



3

If product is being sold in other states, contact that state for their specific sales tax licensing and collection requirements.



4

NOTE: Contact home-rule jurisdictions. You can use the [DR 1002](#) to find this information. This document may be updated in January and July of each year.



IMPORTANT

Additional Resources:

Taxpayer Helpline: (303) 238-7378

GIS: Colorado.gov/Revenue/GIS

GIS Help: Tax.Colorado.gov/GIS-help

Email: DOR_TaxpayerService@state.co.us

Tax.Colorado.gov/destination-sourcing