



**COLORADO**

**Department of Revenue**

Taxation Division

Office of Tax Policy  
P.O. Box 17087  
Denver, CO 80217-0087

DOR\_TaxPolicy@state.co.us

PLR 24-008

December 30, 2024

XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX  
XXXXXXXXXX

Via Electronic Mail: XXXXXXXXXXX

Re: Sourcing Sales When Customer Arranges for Third-party Shipping

Dear XXXXXXXXXXX:

You submitted a request for a private letter ruling on behalf of XXXXXXXXXXX (“Company”), to the Colorado Department of Revenue (“Department”) pursuant to 1 CCR 201-1, Rule 24-35-103.5. This letter is the Department’s private letter ruling. This ruling is binding on the Department to the extent set forth in 1 CCR 201-1, Rule 24-35-103.5. It cannot be relied upon by any taxpayer other than the taxpayer to whom the ruling is made.

**Issue**

Whether a sale is sourced, for sales tax purposes, to the business location of the seller or the known location of the purchaser when the purchaser arranged for and hired a third-party shipping company to take possession of the property at the business location of the seller and deliver it to the purchaser.

**Conclusion**

A sale is sourced to the known location of the purchaser when the purchaser arranged for and hired a third-party shipping company to take possession of the property at the business location of the seller and deliver it to the purchaser.

**Background<sup>1</sup>**

Company manufactures and sells goods in the state of Colorado and across the entire country. XXXXXXXXXXX. Customers may either have Company ship the goods or pick up the goods from the Company’s manufacturing location in XXXXXXXXXXX, Colorado.

When a customer elects for Company to ship, Company arranges for the shipping and uses one of the shipping industry standard incoterms, Delivered Duty Paid (DDP). With this DDP incoterm, Company assumes responsibility and costs of shipping to the named place of destination.

When a customer elects to pick up the goods, Company uses another one of the shipping industry standard incoterms, Exworks (EXW). This shipping term requires the Company to have the goods ready for collection at Company’s XXXXXXXXXXX dock. Company has no association with helping to arrange for a

---

<sup>1</sup> Paragraph (4)(b)(ii) of 1 CCR 201-1, Rule 24-35-103.5 requires the request for a private letter ruling to include a statement of facts. This section generally recites the statement of facts provided in the initial request or in any supplement or amendment thereto, which is not an indication that the Department found such facts relevant to its analysis. Some relevant facts may be redacted or omitted to ensure confidentiality as required by section 24-35-103.5(5), C.R.S. The terms used in this section to describe the factual background are generally those of the requester.

shipping company; arrangement for a shipping company lies completely with the customer. Title transfers at the time the goods are picked up. The customer is accountable for all subsequent costs and risks, including loading the goods into their shipping vehicle at the Company's location.

In the case of one of Company's customers ("Customer A"), purchases the goods and elects to receive the goods at Company's XXXXXXXXX facility. Company prepares the goods for Customer A, and Customer A arranges for a third-party logistics company to pick up the goods for delivery of the goods to Customer A's facilities outside of Colorado, per the Exworks incoterm.

Because Customer A receives the goods from the third-party logistics company that it hired, the final destination and first use of the goods is outside of Colorado.

### Discussion

A sale is sourced to the known location of the purchaser when the purchaser arranged for and hired a third-party shipping company to take possession of the property at the business location of the seller and deliver it to the purchaser. Colorado imposes a sales tax on the retail sale of tangible personal property, unless a specific sales tax exemption applies.<sup>2</sup> The term "tangible personal property" means "corporeal personal property" and generally embraces "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."<sup>3</sup>

A sequence of rules determines the location to which a sale of tangible personal property is sourced.<sup>4</sup> First, if the "tangible personal property, commodities, or services are received by the purchaser at a business location of the seller, the sale is sourced to that business location."<sup>5</sup> If a purchaser does not receive their tangible personal property at a business location of the seller, then the sale is sourced to the location where receipt occurs.<sup>6</sup> For the purposes of sourcing a sale, "receipt" and "receive" are defined such that their meaning "does not include possession by a shipping company on behalf of the purchaser."<sup>7</sup>

When a shipping company hired by a purchaser takes possession of transacted-for tangible personal property, it then takes possession of that property on behalf of the purchaser. In the case at issue, Customer A arranges for a third-party logistics company to receive and ship the purchased goods. Therefore, Customer A does not receive the goods at Company's Colorado facility; the third-party shipping company does. Thus, in this case, Customer A, does not take possession of transacted-for tangible personal property at a business location of the seller. Because the shipping company and not Customer A receives the goods at Company's Colorado facility, the sale would not be sourced to Company's Colorado facility under the provisions of Section 39-26-104(3)(a)(I), C.R.S.

If the goods are not received at Company's Colorado facility, then "the sale is sourced to the location where receipt by the purchaser occurs ... if that location is known to the seller."<sup>8</sup> In the case at issue, the goods are received by Customer A at a location outside Colorado where they are delivered to Customer A by the third-party shipping company. Note that, for the purposes of sourcing these sales, the place at which title transfers from the seller is not relevant. The crucial factor is the place at which the purchaser receives the transacted-for tangible personal property.<sup>9</sup> Therefore, the sale is sourced to the location at

---

<sup>2</sup> Section 39-26-104(1)(a), C.R.S.

<sup>3</sup> Section 39-26-102(15)(a)(I), C.R.S.

<sup>4</sup> Section 39-26-104(3)(a), C.R.S.

<sup>5</sup> *Id.* at (3)(a)(I).

<sup>6</sup> *Id.* at (3)(a)(II).

<sup>7</sup> *Id.* at (3)(d)(II).

<sup>8</sup> *Id.* at (3)(a)(II).

<sup>9</sup> *Id.* at (3)(a). The conclusion of this letter is contrary to the Colorado Court of Appeal's opinion in *Leggett & Platt, Inc. v. Ostrom*, 251 P.3d 1135 (Colo. App. 2010). In that case, the court held that sales like those at issue here are sourced to the seller's facility. *Id.* at 1142-43. *Leggett & Platt* predates the enactment in 2019 of House Bill 19-1240 which added the whole of Section 39-26-104(3),

which Customer A received the goods from their shipping company, in this case a location outside of Colorado.

### **Miscellaneous**

This ruling is premised on the assumption that Company has completely and accurately disclosed all material facts, that all representations are true and complete, and that Company has otherwise complied with the requirements of section 24-35-103.5, C.R.S., and the rules promulgated pursuant thereto. The Department reserves the right, among others, to independently evaluate Company's facts, representations, and assumptions. The ruling is null and void if any such fact, representation, or assumption is incorrect and has a material bearing on the conclusions reached in this ruling. This ruling is binding on the Department, and is subject to modification or revocation, in accordance with 1 CCR 201-1, Rule 24-35-103.5.

The Department administers state and state-administered local sales and use taxes. This letter does not address sales and use taxes administered by self-collected home-rule cities. You may wish to consult with those local governments that administer their own sales or use taxes about the applicability of those taxes. Visit our website at [Tax.Colorado.gov](http://Tax.Colorado.gov) for more information about state and local sales taxes.

Thank you for your request.

Sincerely,

Office of Tax Policy  
Colorado Department of Revenue

**This ruling cannot be relied upon by any other taxpayer other than the taxpayer to whom the ruling is made.**