

Motor vehicles are tangible personal property and are therefore subject to Colorado sales and use taxes. However, special rules apply to the taxation of motor vehicles in Colorado. This publication describes the various rules governing the sales tax treatment of motor vehicle sales. For information about the sales tax treatment of motor vehicles leases, please see Department publication [Sales & Use Tax Topics: Motor Vehicle Leases](#).

This publication is designed to provide general guidance regarding sales and use taxes on motor vehicle sales and to supplement the guidance provided in the [Colorado Sales Tax Guide](#). Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The information in this publication applies generally to all state and local sales and use taxes administered by the Department. The information in this publication does not apply to any city sales and use taxes administered by any self-collecting home-rule cities. Please contact these home-rule cities directly for information about their sales and use taxes. Contact information for home-rule cities can be found at the end of Department publication [Colorado Sale/Use Tax Rates \(DR 1002\)](#).

The taxing requirements discussed in this publication apply to motor vehicles that are subject to registration requirements in Colorado. These registration requirements apply to every self-propelled vehicle that is designed primarily for travel on public roads and is generally and commonly used to transport people or property. Cars, trucks, and motorcycles are all generally subject to these requirements.

This publication does not address the taxation of low-powered scooters, farm tractors, and any other vehicle that is not subject to vehicle registration requirements.

State and local taxes

Motor vehicle sales in Colorado are subject to state and state-administered local sales and use taxes. Which local taxes apply depends on the city, county, and special district(s) in which the vehicle will be registered, the purchaser's residence, and the location of the sale.

In general, a motor vehicle sale is subject to all state and state-administered local sales taxes that apply to the location of the sale. For sales tax purposes, a motor vehicle sale generally takes place at the location the purchaser takes possession of the vehicle. If the seller delivers the vehicle to the purchaser at the purchaser's location, the sale takes place at that location.

However, a motor vehicle sale is exempt from any sales tax imposed by the city, county, and/or special district(s) in which the sale takes place if both:

- the purchaser is a nonresident of the city, county, and/or special district(s) or has their principal place of business outside of the city, county, and/or special district(s); and
- the vehicle is registered or required to be registered outside of the city, county, and/or special district(s).

If the vehicle sale is exempt from any city, county, or special district sales tax, as described above, the purchaser must pay any applicable use tax imposed by the city, county, and/or special district in which the vehicle is registered or required to be registered. Any applicable use tax for motor vehicles must be paid to the county clerk prior to titling and registration.

The following examples illustrate the appropriate collection and payment of sales and use tax on motor vehicle sales.

Motor vehicle sales examples

In each of these examples, the motor vehicle was sold at a dealership in the City of Erie, in Boulder County, within the Regional Transportation District (“RTD”) and Scientific and Cultural District (“SCFD”), and the purchaser took possession of the vehicle at the dealership.

Example #1

The purchaser’s residence and location for registering the vehicle is, like the dealership, in Erie, in Boulder County, and within RTD and SCFD.

The dealer must collect Colorado, Erie, Boulder County, RTD, and SCFD sales taxes at the time of the sale. The dealer must remit the collected sales taxes with its monthly [Colorado Retail Sales Tax Return \(DR 0100\)](#).

Because all of the applicable state and local sales taxes were collected by the dealer, no use taxes will be collected by the county clerk at the time of registration.

Example #2

The purchaser’s residence and location for registering the vehicle is, like the dealership, in Boulder County and within RTD and SCFD. However, unlike the dealership, the purchaser’s residence and location for registering the vehicle is in the City of Superior.

The dealer must collect Colorado, Boulder County, RTD, and SCFD sales taxes at the time of the sale. The dealer must remit the collected sales taxes with its monthly [Colorado Retail Sales Tax Return \(DR 0100\)](#).

Because no city sales tax was due or collected by the dealer and because the City of Superior imposes a use tax, the applicable city use tax must be paid to the county clerk. If the dealer collects the applicable city use tax, the dealer must remit such tax to the county clerk with the [Standard Sales Tax Receipt for Vehicle Sales \(DR 0024\)](#).

Example #3

Unlike the dealership, the purchaser’s residence and location for registering the vehicle is in the City of Berthoud, in Larimer County, and is not within RTD or SCFD.

The dealer must collect only Colorado sales tax at the time of the sale. The dealer must remit the collected sales tax with its monthly [Colorado Retail Sales Tax Return \(DR 0100\)](#).

Because no city or county sales taxes were due or collected by the dealer and because the City of Berthoud and Larimer County both imposes a use tax, the applicable city and county use taxes must be paid to the county clerk. If the dealer collects the applicable city and county use tax, the dealer must remit such taxes to the county clerk with the [Standard Sales Tax Receipt for Vehicle Sales \(DR 0024\)](#).

Delivery to the purchaser’s location

In the event that an auto dealer or other licensed retailer delivers a motor vehicle to a purchaser at the purchaser’s location, the seller is generally required to collect all state and state-administered local sales taxes, not use taxes, applicable to the purchaser’s location. Please see the discussion of state and local taxes, earlier in this publication, for additional information about local tax collection if the vehicle will be registered in a different city, county, or special district than the point of delivery.

Tax calculation on motor vehicle sales

All applicable state and state-administered local sales and/or use taxes must be paid prior to titling and registering the vehicle, regardless of whether the seller or a third-party provides financing for the sale.

State and state-administered local sales and use taxes are calculated on the full purchase price of the motor vehicle. As a general principle, the entire amount paid to the seller for a motor vehicle is included in the taxable purchase price, except for certain charges that are specifically excluded.

Governmental taxes and fees collected by the dealer

Governmental taxes and fees imposed directly on the purchaser and collected by the dealer are generally excluded from the taxable purchase price. However, governmental taxes and fees imposed on the dealer and passed along to the purchaser are included in the taxable purchase price, even if they are stated separately on the invoice. Direct governmental taxes and fees that are excluded from the taxable purchase price include:

- any direct federal tax;
- any state and local sales tax;
- any [retail delivery fees](#) imposed pursuant to section 43-4-218, C.R.S.;
- [titling, registration, and filing fees](#) paid to the county clerk;
- the [waste tire fee](#) imposed by and paid to CDPHE pursuant to section 30-20-1403, C.R.S.; and
- emission inspection fees imposed by and paid to a governmental entity.

Mandatory dealer fees

Mandatory dealer fees that are not optional for the purchaser are included in the taxable purchase price. Dealer fees include any fee imposed on the dealer by a third party (such as the manufacturer or a marketplace facilitator) that the dealer passes along to the purchaser. Examples of mandatory dealer fees that are included in the taxable purchase price are:

- documentation fees;
- processing fees;
- dealer preparation and closing fees;
- transaction fees charged to the seller by a marketplace facilitator and passed along to the purchaser;
- taxes and fees imposed on the dealer by any governmental entity and passed along to the purchaser; and
- destination fees or charges (also commonly described as delivery, shipping, handling, or freight charges) charged to the dealer for the transportation of the motor vehicle to the dealer and passed along to the purchaser.

Optional service and insurance fees

A dealer may offer optional services or insurance to the purchaser. The charges for these optional services and insurance are not included in the taxable purchase price if they are separately stated on the invoice. Optional services and insurance that might appear on an invoice include:

- guaranteed asset protection (“GAP”) insurance;
- vehicle identification number (“VIN”) etching; and
- dealer delivery of the motor vehicle to the purchaser’s location or another location of the purchaser’s choosing, but not destination fees or charges addressed above.

Optional equipment and installation

Different rules apply depending on whether optional equipment is installed by the original equipment manufacturer (“OEM”) or the dealer.

Any charges for optional equipment installed on the motor vehicle by the manufacturer prior to delivery to the dealer, and any associated charge for installation, are included in the taxable purchase price, regardless of whether those charges are separately stated on the invoice.

Any charges separately stated on the invoice for optional equipment installed on the motor vehicle by the dealer (such as theft protection devices) are taxable. However, installation charges for optional equipment installed by the dealer are not taxable if they are separately stated on the invoice.

Warranties, maintenance, and service contracts

Warranties, maintenance, and service contracts are generally included in the taxable purchase price for the motor vehicle. However, warranties, maintenance, and service contracts are not included in the taxable purchase price if they are optional for the purchaser and the price for the contract is stated separately on the invoice.

Rebates, discounts, and tax credits

The taxable purchase price includes all amounts received by the seller for the purchase of the vehicle, regardless of whether such amounts are paid by the purchaser, the manufacturer, a lender, or any other party. Dealer discounts may reduce the taxable purchase price, but rebates and tax credits do not.

The taxable purchase price is reduced to reflect any discount allowed by the dealer, including an employee discount, that is not reimbursed by any third party.

The taxable purchase price is not reduced by any rebate offered by the manufacturer or by any other rebates, such as the rebates paid by the [Vehicle Exchange Colorado \(VXC\) Program](#) or incentives offered by Colorado utility companies.

The taxable purchase price is not reduced by state and federal income tax credits, regardless of whether the purchaser assigns or transfers those credits to the dealer. State and federal income tax credits that do not reduce the taxable purchase price include, but are not limited to:

- [Innovative Motor Vehicle Credit \(Colorado\)](#)
- [Innovative Truck Credit \(Colorado\)](#)
- [New Clean Vehicle Credit \(Federal\)](#)
- [Used Clean Vehicle Credit \(Federal\)](#)
- [Commercial Clean Vehicle Credit \(Federal\)](#)

Vehicle trade-ins

If the purchaser trades in a motor vehicle they own as part of a transaction to purchase another motor vehicle, the fair market value of the trade-in is excluded from the taxable purchase price, so long as the motor vehicle the purchaser trades in is subject to licensing, registration, or certification.

Sales between private parties or at auction

If the party selling a motor vehicle is not a retailer who is required to obtain a sales tax license, the seller may not be required to collect the state and state-administered sales taxes applicable to the sale.

Additionally, an auctioneer who has not been licensed by the [Auto Industry Division](#) is not required to collect state and state-administered local sales taxes on motor vehicle sales, even if the auctioneer holds a sales tax license.

If the seller is not required to collect sales taxes, the purchaser generally must pay all applicable state and local sales taxes to the county clerk at the time of registration. Please see the discussion of state and local taxes, earlier in this publication, for rules for determining the applicable local sales and use taxes.

Vehicles purchased outside of Colorado

Motor vehicle sales made outside of Colorado are not subject to Colorado sales tax. Generally, a vehicle sale occurs at the location where the purchaser takes possession of the vehicle.

If anyone, including any individual or business, purchases a motor vehicle outside of Colorado and registers it in Colorado, the purchaser must pay Colorado use tax and any applicable local use tax at the time of registration. If the purchaser paid any sales, use, or other similar tax legally imposed by the state in which the sale took place, the purchaser is allowed a credit against the use tax due for the sales tax paid. Credit is not allowed for any tax paid to either:

- any foreign country or any subdivision thereof; or
- any state that did not legally impose a tax on the motor vehicle under the laws of that state.

If a nonresident moves into Colorado and acquires Colorado residency, no use tax applies to any motor vehicle they acquired outside of Colorado and brought into the state when acquiring residency. However, see Department publication *Sales & Use Tax Topics: Motor Vehicle Leases* for information about motor vehicles leased by persons who move into Colorado.

Motor vehicles relocated within Colorado

If a Colorado resident or Colorado business relocates a motor vehicle within Colorado, the resident or business may owe use tax imposed by the jurisdiction(s) into which the vehicle is moved. If use tax is due for the jurisdiction(s) into which the vehicle is relocated, the motor vehicle owner will generally be allowed a credit for sales or use taxes legally imposed by any local jurisdiction(s) in which the vehicle was previously maintained.

Motor vehicles transferred as a gift or prize

If a motor vehicle is transferred as a gift or prize, the recipient is not liable for either sales or use tax for the vehicle. However, the business, person, or other party that makes the gift or grants the prize is liable for sales and/or use tax on their acquisition of the vehicle and must pay the applicable tax prior to the registration of the vehicle by the recipient. The county clerk cannot register the vehicle for the recipient without proper receipts showing payment of the applicable tax by the business, person, or other party that made the gift or granted the prize.

Lien assumption

The assumption of a debt for a loan on a motor vehicle is a taxable sale. The taxable purchase price is the outstanding debt on the loan that is assumed by the new owner/lienee, plus any other consideration paid to the prior owner/lienee.

Exempt motor vehicle sales

In a variety of circumstances, a motor vehicle sale may be exempt from all state and state-administered local sales taxes. Some of the more common exemptions are detailed in the following sections. Additional information regarding exemptions can be found in the [Supplemental Instructions for Form DR 0100](#).

Motor vehicles acquired for resale

The acquisition of a motor vehicle by a licensed auto dealer for resale is generally not subject to state and state-administered sales or use taxes. Sales and use taxes are imposed only with respect to retail sales. The acquisition of a motor vehicle by an auto dealer for the purpose of resale is considered a wholesale sale, rather than a retail sale, and therefore is not subject to either sales or use tax. Additionally, a use tax exemption applies to any motor vehicle that meets all three of the following conditions:

- 1) The manufacturer's certificate of origin or certificate of title for the motor vehicle is assigned to the auto dealer.
- 2) The motor vehicle is included in a current list of vehicles for retail sale that is prepared by the auto dealer in the ordinary course of business.
- 3) At any given time, the motor vehicle is available to be purchased and delivered to a retail customer within three business days.

Nonresidents

Any motor vehicle purchased by a nonresident of Colorado is exempt from state and state-administered local sales and use taxes if such vehicle is purchased for use outside of Colorado.

Governmental entities

State and state-administered sales and use taxes do not apply to motor vehicles purchased by the U.S. government, the State of Colorado, its departments and institutions, or any political subdivisions thereof. This exemption applies only if the purchase is made directly by the governmental entity with governmental funds. For additional information, please see Department publication Sales & Use Tax Topics: Governmental Entities.

Charitable organizations

State and state-administered sales and use taxes do not apply to motor vehicles purchased by charitable organizations in the conduct of their regular charitable functions and activities. Charitable organizations that qualify for exemption are generally those organizations that qualify for 501(c)(3) status with the IRS. For additional information about charitable organizations, please see Department publication Sales & Use Tax Topics: Charitable Organizations.

Tribes and tribal members

Any motor vehicle purchased by the Southern Ute Indian Tribe, the Ute Mountain Ute Tribe, or enrolled members of either tribe who reside on a reservation in Colorado is exempt from state and state-administered local sales and use taxes if the vehicle is to be registered to an address on a reservation. The exemption applies regardless of whether the purchaser takes possession of the vehicle on or outside of the reservation. A seller may reasonably rely on a tribal member's certification of their enrolled membership status and residence. For additional information, please see Department publication Sales & Use Tax Topics: Tribal Exemption.

Certain medium- and heavy-duty vehicles

State sales and use tax exemptions are allowed for certain medium- and heavy-duty vehicles. The exemptions are not allowed for any vehicle sales between January 1, 2025, and July 31, 2025, or after December 31, 2028. During the times the exemptions are available, they are allowed for vehicles that either:

- have a gross vehicle weight rating (GVWR) greater than 26,000 pounds and an engine or motor that has been certified by the U.S. Environmental Protection Agency (EPA) for compliance with federal emissions standards; or
- have a gross vehicle weight rating (GVWR) greater than 10,000 pounds and operate on compressed natural gas (CNG), liquefied petroleum gas (LPG), liquefied natural gas (LNG), electricity, or hydrogen fuel cells.

A [Colorado State Sales and Use Tax Exemption For Low-Emitting Heavy Vehicles Affidavit \(DR 1369\)](#) must be completed to certify eligibility for the exemption.

These exemptions for medium- and heavy-duty vehicles apply to state-administered city and county sales taxes only if the city or county has expressly adopted the exemptions. See Department publication [Colorado Sales/Use Tax Rates \(DR 1002\)](#) for information about the exemptions allowed for any particular state-administered local jurisdiction.

Farm close-out sales

Any motor vehicle purchased as part of a farm close-out sale is exempt from state and state-administered local sales and use taxes. A farm close-out sale is a sale by auction or private contract of all tangible personal property of a farmer or rancher that the farmer or rancher previously used in carrying on their farming or ranching operations. A sale is considered a farm close-out sale only if the farmer or rancher is making, or attempting to make, full and final disposition of all property used in their farming or ranching operations and is abandoning all operations on the farm or ranch.

The auctioneer or licensed owner conducting a farm close-out sale must provide the purchaser of any motor vehicle a copy of the owner's or owner's agent's written declaration acknowledging the sale met the requirements of a farm close-out sale. The declaration must include a description of each item of property offered for sale (regardless of whether such property is actually sold) in such detail as to allow the specific property to be identified by a third-party. The declaration must also attest that:

- the property was used in the owner's farming or ranching operation;
- the owner/owner's agent is making or attempting to make a full and final disposition of all property used in the farming or ranching operation;
- the owner is abandoning the operation on the premises whereon the farming or ranching operation was previously conducted; and
- if the statement is signed by the owner's agent, a declaration that the owner's agent has personal knowledge of the facts supporting the statements or has confirmed with a person (whose name and address are set forth in the declaration) who has such personal knowledge, that such statements are true.

The purchaser of a motor vehicle sold as part of a farm close-out sale must present a copy of the declaration to the county clerk when the purchaser registers the motor vehicle to verify the exemption. If a purchaser of a motor vehicle does not have a copy of a declaration, the purchaser must pay all applicable state and state-administered local sales and/or use tax to the county clerk and may thereafter file a claim for refund with the Department of Revenue.

Tax collection and reporting

Anyone engaged in the business of selling or delivering motor vehicles in Colorado, including any auto dealer, is a retailer and is required to obtain a sales tax license and collect all applicable state and state-administered sales taxes on any taxable sale. See the [Colorado Sales Tax Guide](#) for general information about sales tax licensing, collection, and filing.

The retailer must prepare a [Standard Sales Tax Receipt for Vehicle Sales \(DR 0024\)](#) for each motor vehicle sold, unless the vehicle is sold to a lessor who will be collecting sales tax on lease payments. For any motor vehicle sold to a lessor who will be collecting all applicable state and state-administered sales taxes on lease payments, the retailer must prepare a [Tax Statement for Leased Motor Vehicle \(DR 0026\)](#). Please see Department publication [Sales & Use Tax Topics: Motor Vehicle Leases](#) for additional information about the sales tax treatment of motor vehicle leases.

The retailer must submit a copy of the completed form DR 0024 or DR 0026 along with titling paperwork to the county clerk for the county in which the vehicle will be registered.

Tax collection and reporting on vehicle sales

State and state-administered local sales and use taxes are calculated on the full purchase price of the motor vehicle. All applicable state and state-administered local sales and/or use taxes must be paid prior to titling and registering the vehicle, regardless of whether the seller or a third-party provides financing for the sale.

The taxes a retailer must collect on motor vehicle sales depend in part on the purchaser's residence, where the vehicle will be registered, and the location where the purchaser takes possession of the vehicle.

If the purchaser takes possession of the motor vehicle in the same city, county, and/or special district(s) as they reside or in which the vehicle will be registered, the retailer must collect the applicable sales tax for each of those jurisdictions. If the retailer delivers the vehicle to the purchaser's location, the retailer must collect the state-administered local sales taxes that apply to that location. The retailer must remit all applicable state and state-administered local sales taxes with the retailer's monthly [Colorado Retail Sales Tax Return \(DR 0100\)](#).

The retailer should not collect sales tax for any city, county, or special district unless the purchaser is a resident of that local jurisdiction and will be registering the vehicle in that local jurisdiction. Instead, any use tax imposed by the city, county, or special district in which the purchaser resides and in which the vehicle will be registered must be paid to the county clerk prior to titling and registration. If a retailer elects to collect any applicable local use taxes, the retailer must remit such taxes to the county clerk with the [Standard Sales Tax Receipt for Vehicle Sales \(DR 0024\)](#).

Please see the discussion of state and local taxes, earlier in this publication, for additional information about local tax collection.

Tax collection by county clerks

County clerks in Colorado cannot register or issue title for any motor vehicle until all applicable sales and/or use taxes for the vehicle have been paid. All applicable state and local sales and/or use taxes must be paid prior to titling and registering the vehicle, regardless of whether the seller or a third-party provides financing for the sale. Anyone applying for a motor vehicle title in Colorado must provide a receipt from the seller showing any state and local sales or use taxes paid at the time of the sale. The county clerk must collect from the applicant, prior to issuing title or registration, any applicable sales or use taxes that have not already been paid.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales and use tax on motor vehicles. 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

- § 24-60-1301. Execution of [multistate tax] compact.
- § 29-2-105, C.R.S. Contents of sales tax ordinances and proposals.
- § 29-2-109, C.R.S. Contents of use tax ordinances and proposals.
- § 39-26-102, C.R.S. Definitions.
- § 39-26-103, C.R.S. Licenses.
- § 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.
- § 39-26-113, C.R.S. Collection of sales tax - motor vehicles.
- § 39-26-202, C.R.S. Authorization of [use] tax.
- § 39-26-208, C.R.S. Collection of use tax - motor vehicles.
- § 39-26-713, C.R.S. Tangible personal property.
- Rule 39-26-102(7)(a).
- Rule 39-26-102(10).
- Rule 39-26-113.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)
- [Sales & Use Tax Topics: Motor Vehicle Leases](#)
- [Sales & Use Tax Topics: Leases](#)
- [Sales & Use Tax Topics: Governmental Entities](#)
- [Sales & Use Tax Topics: Charitable Organizations](#)
- [Sales & Use Tax Topics: Tribal Exemption](#)
- [Standard Sales Tax Receipt for Vehicle Sales \(DR 0024\)](#)
- [Tax Statement for Leased Motor Vehicle \(DR 0026\)](#)
- [Colorado Retail Sales Tax Return \(DR 0100\)](#)
- [Lessor Registration for Sales Tax Collection \(DR 0440\)](#)
- [Location/Jurisdiction Codes for Sales Tax Filing \(DR 0800\)](#)
- [Colorado Sale/Use Tax Rates \(DR 1002\)](#)