

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. Additionally, the manner in which a motor vehicle is taxed varies depending on whether it is leased or purchased. This publication describes the various rules governing the taxation of motor vehicles in Colorado.

This publication is designed to provide general guidance regarding sales and use taxes on motor vehicles 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.

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.

Motor vehicle sales

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.

Examples illustrating the appropriate collection and payment of sales and use tax on motor vehicle sales appear in the table on the following page.

Examples of Sales and Use Tax on Motor Vehicle Sales

	<i>Example #1</i>	<i>Example #2</i>	<i>Example #3</i>
<i>Location of sale (see Motor vehicle sales, earlier in this publication)</i>	City: Erie County: Boulder Special district: RTD and SCFD	City: Erie County: Boulder Special district: RTD and SCFD	City: Erie County: Boulder Special district: RTD and SCFD
<i>Purchaser’s residence and location for registering vehicle</i>	City: Erie County: Boulder Special district: RTD and SCFD	City: Superior County: Boulder Special district: RTD and SCFD	City: Berthoud County: Larimer Special district: none
<i>Sales taxes the seller must collect</i>	<ul style="list-style-type: none"> ➤ Colorado state sales tax ➤ Erie city sales tax ➤ Boulder County sales tax ➤ RTD and SCFD sales taxes 	<ul style="list-style-type: none"> ➤ Colorado state sales tax ➤ Boulder county sales tax ➤ RTD and SCFD sales taxes 	<ul style="list-style-type: none"> ➤ Colorado state sales tax
<i>Use taxes collected by the county clerk</i>	(none)	<ul style="list-style-type: none"> ➤ Superior city use tax 	<ul style="list-style-type: none"> ➤ Berthoud city use tax ➤ Larimer County use tax

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 *Motor vehicle sales*, 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

State and state-administered local sales and use taxes are calculated on the full purchase price of the motor vehicle. The purchase price includes the full amount paid, or promised to be paid, excluding only any direct federal tax and any state and local sales tax imposed on the sale. Any fees the seller charges that are not

optional for the purchaser are included in the taxable purchase price. 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.

In the case of a manufacturer’s rebate, the tax is calculated on the full purchase price of the vehicle, without reduction for the rebate. 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.

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 *Motor vehicle sales*, 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.

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, please see *Sourcing periodic lease payments*, later in this publication, 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.

Motor vehicle leases

In general, motor vehicle leases are considered retail sales and are subject to Colorado sales tax. However, a lease for a term of 36 months or less is tax-exempt if the lessor has paid Colorado sales or use tax on the acquisition of the leased vehicle. A lessor may request permission from the Department to acquire motor vehicles tax-free on the condition that the lessor agrees to collect sales tax on all lease payments received on motor vehicle leases.

The application of sales and use taxes to leased motor vehicles is described in the following sections and illustrated with the table titled *Examples of Sales and Use Tax on Leased Motor Vehicles*, later in this publication.

Leases of 36 months or less

If the lease term is 36 months or less, the lessor must pay sales and/or use taxes, as applicable, on the full purchase price the lessor paid for the acquisition of the vehicle, unless the lessor has received permission from the Department to collect all applicable state and state-administered local sales taxes on all payments made by the lessee pursuant to the lease. The lessor may request such permission from the Department when filing the *Lessor Registration for Sales Tax Collection (DR 0440)*. If a lessor receives permission to collect sales tax on lease payments and chooses to do so, the lessor must collect sales tax on all leases made by the lessor for terms of 36 months or less.

A lessor who has received permission from the Department to collect sales tax on leases of 36 months or less will owe no sales or use tax on the acquisition of motor vehicles for lease. If the lessor has not received this permission, the sale of the motor vehicle from the dealer to the lessor is subject to sales and/or use tax in the manner described in the section titled *Motor vehicle sales*, earlier in this publication.

Leases greater than 36 months

If a motor vehicle lease is for a term of greater than 36 months, the lease is subject to state and state-administered local sales taxes. The lessor's acquisition of the vehicle is considered a wholesale sale and is not subject to sales tax. The lessor is required to collect all state and state-administered sales taxes from the lessee on all payments made pursuant to the lease.

Sourcing periodic lease payments

If the lessor collects sales tax on periodic (e.g. monthly) lease payments, the lessor must collect all state and state-administered local sales taxes applicable to the primary property location for the vehicle. The primary property location is the location indicated by an address for the property provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith. The locations of the auto dealer and the lessor do not affect the sourcing of the periodic lease payments.

If the primary property location for the vehicle changes during the lease term, the state and state-administered local sales taxes due on subsequent lease payments will be based upon the new location for the vehicle. Please see *1 CCR 201-4, Rule 39-26-104-2(6)* for lease or rental agreements executed prior to June 1, 2019.

If a nonresident moves into Colorado and brings a leased vehicle with them, changing the primary property location for the vehicle to Colorado as a result of the move, any lease payments made after the change will be subject to Colorado state and state-administered local sales taxes.

If a Colorado resident moves out of Colorado and takes a leased vehicle with them, moving the primary property location for the vehicle out of Colorado, no Colorado state or state-administered local sales taxes will be due on any lease payments made after the primary property location is moved out of Colorado.

Leases requiring only one payment

Certain motor vehicle lease agreements do not require periodic (e.g. monthly) payments over the duration of the lease, but instead require only one payment from the lessee. The taxability of the lease payment is determined under the general rules applicable to leases (based upon the duration of the lease, whether the lessor paid sales or use tax on the acquisition of the vehicle, and whether the lessor has received permission to collect sales tax), but the applicability of state-administered local sales and/or use taxes is determined under rules similar to those governing motor vehicle sales.

If the lease term is greater than 36 months or the lessor has received permission from the Department to collect sales tax on leases of 36 months or less, the lessor is required to collect all applicable sales and/or use taxes on the one lease payment made by the lessee. If the dealer accepts payment on behalf of the lessor, the dealer is required to collect the applicable taxes.

The single lease payment is subject to all state and state-administered local sales taxes applicable to the location where the lessee takes possession of the vehicle, except for any sales tax imposed by a jurisdiction in which the lessee is not a resident and in which the vehicle will not be registered. If the city, county, and/or special district in which the vehicle will be registered imposes a use tax, the lessee must pay the applicable use tax(es) prior to titling and registration. Please see *Motor vehicle sales*, earlier in this publication, for rules governing the application of state-administered local sales and use taxes.

If the lessor or dealer collects any local use taxes due on the single lease payment, such use taxes must be remitted to the county clerk along with *Standard Sales Tax Receipt for Vehicle Sales (DR 0024)*.

Amounts paid at signing or delivery

If a lease requiring periodic payments is treated as a taxable sale, either because it is greater than 36 months or because the lessor has received permission from the Department to collect sales tax on leases of 36 months or

less, all payments made by the lessee pursuant to the lease agreement are subject to sales tax.

Commonly, lease agreements require an initial payment at the time of signing or delivery. This initial payment may include a capitalized cost reduction, the first monthly payment, a refundable security deposit, and/or titling and registration fees. Sales tax generally applies to and must be collected on the entire amount of this initial payment, whether paid by the lessee to the dealer or the lessor. If any part of the required initial payment is satisfied by the trade-in of a vehicle owned by the lessee, the fair market value of the trade-in is excluded from the taxable purchase price.

Associated service charges included in the amount paid at signing are subject to tax unless both the service is separable from the sale of the property and the service charge is separately stated from the price of the property sold on the invoice or receipt. Please see *Part 3: Calculation of Tax* in the *Colorado Sales Tax Guide* for additional information regarding associated service charges.

Lease buy-outs

If the lessee purchases the leased vehicle, either before or at the end of the lease term, the lessee's purchase of the vehicle is subject to sales and/or use tax. The seller is required to collect the applicable state and state-administered sales taxes, regardless of whether the seller is the lessor, an auto dealer, or any other retailer.

For the purpose state and state-administered local sales taxes the sale takes place at the location where the purchaser takes possession of the vehicle. If the purchaser maintains possession of the vehicle continuously, both before sale as the lessee and after the sale as the purchaser, the sale takes place at the location where the purchaser maintains the vehicle both before and after the sale. Please see *Motor vehicle sales*, earlier in this publication, for additional information about the taxation of motor vehicle purchases.

Since a lease buy-out transfers the ownership of the vehicle to the lessee, the lessee who purchases the vehicle must apply for a new title for the vehicle in their name.

Examples of Sales and Use Tax on Leased Motor Vehicles

	Example #1	Example #2	Example #3	Example #4
Lease duration	24 months	24 months	48 months	48 months
Number of lease payments	24	24	48	1
Lessor has permission to collect sales tax?	No	Yes	Lessors must collect tax on any lease over 36 months	Lessors must collect tax on any lease over 36 months
Location of dealership	City: Erie County: Boulder Special district: RTD/SCFD	City: Erie County: Boulder Special district: RTD/SCFD	City: Erie County: Boulder Special district: RTD/SCFD	City: Erie County: Boulder Special district: RTD/SCFD
Primary property location and lessee's address for vehicle registration	City: Superior County: Boulder Special district: RTD/SCFD	City: Superior County: Boulder Special district: RTD/SCFD	City: Berthoud County: Larimer Special district: none	City: Berthoud County: Larimer Special district: none
Sales taxes dealer must collect and remit	Colorado, Boulder County, RTD, and SCFD sales tax - collected from the lessor on the full purchase price paid by the lessor for the acquisition of the vehicle, presuming the lessee takes possession of the vehicle at the dealer's location	Colorado, Superior, Boulder County, RTD, and SCFD sales tax - collected from the lessee on any payment made to the dealer at the time of signing and delivery	Colorado, Berthoud, and Larimer County sales tax - collected from the lessee on any payment made to the dealer at the time of signing and delivery	Colorado sales tax - collected from the lessee by the dealer on the single payment made pursuant to the lease agreement, received by the dealer on the lessor's behalf
Dealer remittance of sales tax collected	All sales taxes remitted to the Department with monthly sales tax return (DR 0100)	Superior sales tax remitted to county clerk with DR 0026; all other sales taxes remitted to the Department with monthly sales tax return (DR 0100)	Berthoud and Larimer County sales tax remitted to county clerk with DR 0026; state sales tax remitted to the Department with monthly sales tax return (DR 0100)	State sales tax remitted to the Department with monthly sales tax return (DR 0100)
Use taxes collected by county clerk	Superior city use tax	None	None	Berthoud and Larimer County
Sales taxes lessor collects and remits from lessee on periodic lease payments	None	Colorado, Superior, Boulder County, RTD, and SCFD	Colorado, Berthoud, and Larimer County	If the lessee makes the one payment required by the lease to the dealer, the lessor will receive no payments and collect no tax

Exempt motor vehicle sales & leases

In a variety of circumstances, a motor vehicle sale or lease 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 also be found in the *Colorado Sales Tax Guide*.

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 tax 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.

Governmental entities

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

Charitable organizations

State and state-administered sales and use taxes do not apply to motor vehicles purchased or leased 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. Please see Department publication *Sales & Use Tax Topics: Charitable Organizations* for additional information about charitable organizations.

Tribes and tribal members

Any motor vehicle purchased or leased by the Southern Ute Indian Tribe, the Ute Mountain 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 or lessee takes possession of the vehicle on or outside of the reservation. A seller may reasonably rely on a tribal member's certification of his or her enrolled membership status and residence.

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.

Certain heavy vehicles

State sales and use taxes do not apply to certain heavy 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.

State-administered local jurisdictions have the option to allow sales and use tax exemptions for the heavy vehicles described above. 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 sold 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, leasing, 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 or lease. See the *Colorado Sales Tax Guide* for general information about sales tax licensing, collection, and filing. Additionally, any lessor who collects or is required to collect sales tax on lease payments must also file a *Lessor Registration for Sales Tax Collection (DR 0440)*. Please see *Lessor registration requirements*, later in this publication, for additional information.

For each motor vehicle sold, the retailer must prepare either a *Standard Sales Tax Receipt for Vehicle Sales (DR 0024)* or a *Tax Statement for Leased Motor Vehicle (DR 0026)*. In either case, the retailer must submit a copy of the completed form along with titling paperwork to the county clerk for the county in which the vehicle will be registered.

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)*.

Lessor registration requirements

Any lessor that will be collecting state and state-administered sales taxes in Colorado must apply for and maintain an active sales tax license and file a completed *Lessor Registration for Sales Tax Collection (DR 0440)*. The lessor must submit with their completed DR 0440 an attachment listing the location/jurisdiction codes for each jurisdiction for which the lessor will be collecting sales tax. Please see *Lessor Registration for Sales Tax Collection (DR 0440)*, *Location/Jurisdiction Codes for Sales Tax Filing (DR 0800)*, and Tax.Colorado.gov/sales-tax-account-license for additional information.

The lessor must apply for a sales tax license and file a DR 0440 prior to acquiring any motor vehicles that is to be leased. If the lessor has not obtained a sales tax license and filed a DR 440 prior to the acquisition of a motor vehicle that will be leased for a term of 36 months or less, the lessor must pay any applicable state and state-administered sales tax to the seller at the time of acquisition or use tax to the clerk at the time of titling and registration. If immediately thereafter, the lessor obtains a license and files a DR 0440, the lessor may apply for a refund of sales tax paid.



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. Please see *Tax calculation on motor vehicle sales*, earlier in this publication, for additional information.

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 *Motor vehicle sales*, earlier in this publication, and the table titled *Examples of Sales and Use Tax on Motor Vehicle Sales*, for additional information about local sales and use taxes on motor vehicle sales.

Tax collection and reporting on vehicle leases

As discussed in *Motor vehicle leases*, earlier in this publication, the taxation of leased vehicles depends on the duration of the lease and possibly on whether the lessor has received permission to collect sales tax on the lease payments. In general, the lessor must collect sales tax on all lease payments for leases of greater than 36 months, but for vehicles leased for 36 months or less, the lessor must pay sales and/or use taxes, as applicable, on acquisition of the vehicle, unless the lessor has received permission from the Department to collect tax on the lease payments. Please see *Motor vehicle leases*, earlier in this publication, for specific rules governing the taxation of leased vehicles.

Taxes on the lessor's acquisition of the vehicle

If the lessor's acquisition of the vehicle is subject to sales tax, the dealer must collect sales and/or use tax from the lessor in the same manner as any other vehicle sale. Please see *Tax collection and reporting on vehicle sales*, earlier in this publication, for additional information.

If the lessee or lessor takes possession of the motor vehicle in the same city, county, and/or special district(s) in which they reside or in which the vehicle will be registered, the dealer must collect the applicable sales tax for each of those jurisdictions. The dealer must remit all applicable state and state-administered local sales taxes with the dealer's monthly *Colorado Retail Sales Tax Return (DR 0100)*.

The dealer should collect the state-administered city, county, or special district sales taxes applicable to the location where the lessee or lessor takes possession only if the lessee is a resident of that jurisdiction and will be registering the vehicle in that jurisdiction. Otherwise, any use tax imposed by the city, county, or special district in which the vehicle will be registered must be paid to the county clerk prior to titling and registration. If a dealer elects to collect any applicable local use taxes, the dealer must remit such taxes to the county clerk with the *Standard Sales Tax Receipt for Vehicle Sales (DR 0024)*.

Sales tax on lease payments

If the lessor is required to collect sales tax on the lease payments, all payments made by the lessee pursuant to the lease agreement are subject to any state and state-administered local sales taxes applicable to the primary property location for the leased vehicle. The lessor must collect all applicable state and state-administered local sales taxes and remit the collected taxes with the lessor's monthly *Colorado Retail Sales Tax Return (DR 0100)*.

Additionally, if the lessor is required to collect sales tax on the lease payments, any amount paid by the lessee to the dealer at the time of signing and delivery is also subject to any state and state-administered local sales taxes, except as discussed in *Amounts paid at signing or delivery*, earlier in this publication. The dealer must collect all state-administered local sales taxes imposed by any city, county, and special district in which the vehicle will be registered. The required method for remitting the collected taxes depends on whether the vehicle will be registered in the same local taxing jurisdictions as the dealer's location.

- The dealer must remit to the Department with its monthly *Colorado Retail Sales Tax Return (DR 0100)* any state-administered city, county, and/or special district sales taxes for any local taxing jurisdictions common to both the dealer's location and the address at which the vehicle is registered.
- The dealer must remit to the county clerk with the *Tax Statement for Leased Motor Vehicle (DR 0026)* any state-administered city, county, and/or special district sales taxes for any local taxing jurisdictions applicable to the address at which the vehicle is registered, but not the dealer's location.

Leases requiring only one payment

If a lease requiring only a single payment is taxable, the lessor or dealer who receives the payment must collect sales and/or use taxes as described in *Leases requiring only one payment*, earlier in this publication. Any state and state-administered sales taxes collected by the lessor or dealer must be remitted with the lessor or dealer's *Colorado Retail Sales Tax Return (DR 0100)*. Any local use taxes collected by the lessor or dealer must be remitted with a *Standard Sales Tax Receipt for Vehicle Sale (DR 0024)*.

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

- § 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 39-26-113.
- Rule 39-26-713-1.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/sales-use-tax](https://tax.colorado.gov/sales-use-tax)
- [Standard Sales Tax Receipt for Vehicle Sale \(DR 0024\)](#)
- [Tax Statement for Leased Motor Vehicle \(DR 0026\)](#)
- [Lessor Registration for Sales Tax Collection \(DR 0440\)](#)
- [Colorado Retail Sales Tax Return \(DR 0100\)](#)
- [Colorado Sales Tax Guide](#)