

Colorado allows a sales and use tax exemption for components used in the production of alternating current electricity from a renewable energy source. Tax-exempt components include, but are not limited to, those items listed in this publication. The exemption generally applies to state-administered special district sales taxes, but not to most state-administered city and county sales taxes.

This publication is designed to provide general guidance regarding the sales and use tax exemption allowed for renewable energy components and to supplement the guidance provided in the *Colorado Sales Tax Guide*. Nothing in this publication modifies or is intended to modify Colorado's statutes and regulations authorizing these exemptions. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

Local sales and use taxes

The exemption for renewable energy components applies to sales and use taxes imposed by the State of Colorado and certain special districts within the state, including the Regional Transportation District (RTD), the Scientific and Cultural Facilities District (CD), and Regional Transportation Authorities (RTA). However, the exemption does not apply to any city or county sales tax administered by the Department, unless the city or county has adopted the exemption by ordinance or resolution. See Department publication *Colorado Sale/Use Tax Rates (DR 1002)* and the *Supplemental Instructions for Form DR 0100* for additional information about exemptions allowed for state-administered local taxes.

The information in this publication does not apply to any sales and use taxes administered by any home-rule cities. Please contact these home-rule cities directly for information about the taxes they administer.

Renewable energy components

Renewable energy components that qualify for the exemption include, but are not limited to, the following items:

- wind turbines;
- rotors and blades;
- solar modules;
- trackers;
- generating equipment;
- supporting structures or racks;
- inverters;
- towers and foundations;
- other system components such as wiring, control systems, switchgears, and generator step-up transformers; and
- concentrating solar power components that include, but are not limited to, mirrors, plumbing, and heat exchangers.

The exemption does not apply to any components beyond the point of generator step-up transformers located at the production site, labor, energy storage devices, or remote monitoring systems.



Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the sales and use tax exemption for renewable energy components. 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

- § 39-26-724, C.R.S. Components used to produce energy from a renewable energy source.
- § 29-2-105, C.R.S. Contents of sales tax ordinances and proposals.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/sales-use-tax](https://tax.colorado.gov/sales-use-tax)
- [Tax.Colorado.gov/sales-use-tax-forms](https://tax.colorado.gov/sales-use-tax-forms)