

Sales of qualifying energy sources for residential use are exempt from state sales tax. Similarly, the storage, use, or consumption of any qualifying energy sources sold for residential use are generally exempt from use tax.

This publication is designed to provide general guidance regarding the sales and use tax exemptions for residential energy use and to supplement 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 exemptions discussed in this publication apply to sales and use taxes imposed by the State of Colorado, the Regional Transportation District (RTD), and the Scientific and Cultural Facilities District (CD). However, applicability of certain exemptions varies for other state-administered local taxes. Please see Department publication [Colorado Sale/Use Tax Rates](#) (DR 1002) and the Supplemental Instructions for Form DR 0100 for information about exemptions allowed for other state-administered local taxes.

The guidance in this publication does not apply to sales or use taxes administered by any home-rule city. Please contact these home-rule cities directly for information about the taxes they administer. Contact information for home-rule cities can be found at the end Department publication [Colorado Sale/Use Tax Rates](#) (DR 1002).

Qualifying energy sources

Sales of energy sources for residential use are exempt from state sales tax only for qualifying energy sources. Qualifying energy sources include:

- electricity;
- coal;
- wood, including wood pellets;
- gas, which includes natural, manufactured, and liquefied petroleum gas (such as propane);
- fuel oil; or
- coke.

Residential use

Qualifying energy sources are exempt from sales tax if they are sold for residential use. Additionally, the storage, use, and consumption of qualifying energy sources is exempt from use tax, if they have been sold for residential use.

Residential use is any domestic use, including powering lights, refrigerators, stoves, water heaters, space heaters, air conditioners, or other domestic items that require power or fuel in a residence.

A residence is any separate dwelling in a multi-unit apartment, condominium, townhouse, or mobile trailer home park, or else a separate single-unit dwelling. Additionally, if a residence is billed under a residential utility meter, then any minor buildings associated with that residence (such as a shed, garage, or barn) are considered part of the residence for the purposes of these exemptions.

Residences may be billed under a single utility meter or a master meter. Additionally, any separate dwelling counts as a residence, whether or not the energy is charged at a residential rate. However, if a utility company charges a residential utility rate, then the utility company may presume residential use and may conclusively rely on that presumption.



Non-residential use

The sale of electricity, coal, wood, gas, fuel oil, or coke for non-residential uses may be subject to sales tax. Anyone who purchases taxable electricity, coal, wood, gas, fuel oil, or coke tax-free must remit the applicable sales or use tax as described later in this publication.

In the case of a multi-unit building, the residential exemptions do not apply to energy used in any part of the building other than the separate dwellings in the building. For example, any gas electricity used to heat or light a leasing office is taxable because it is not a residence. Similarly, the residential exemptions do not apply to the use of gas or electricity in common areas such as swimming pools, onsite fitness centers, yoga rooms, and clubhouses.

Even within a residence, some uses may be non-residential. For example, if a business is run from a residence, then any electricity used in the operation of that business may be taxable. If the electricity is billed at a residential utility rate, and therefore sold tax-free, the purchaser may need to remit the applicable sales tax for the taxable use as described later in this publication.

Claiming the exemption

In general, if sales of gas or electric service for a residence are billed at a residential utility rate and the purchased gas or electricity is used exclusively for residential purposes, then the customer does not need to file any forms or make any claims for the exemption.

If sales of gas or electric service for a residence are billed at a commercial rate but the purchased energy sources are used exclusively for residential purposes, then the customer must file a [Sales Tax Exempt Certificate - Electricity & Gas for Domestic Consumption](#) (DR 1260) with the seller of the qualified energy source. Upon receipt of DR 1260, the seller will generally exempt sales of qualified energy sources from sales taxes. They will continue to collect the taxes of those local jurisdictions that do not allow this exemption.

Partially exempt use

In certain situations, some portion of a purchase of a qualifying energy source is exempt and some portion is not exempt.

If so, the customer may owe sales tax on the non-exempt portion of the purchase, if the seller collected no sales tax on that portion. Alternatively, the customer may claim a refund on the exempt portion, if the seller collected sales tax on that portion.

In either case, the customer must compute the portion of their total bill that is due to residential uses and the portion that is not. These may be computed either by square footage for residential and non-residential usage or by determining the actual energy consumption of residential and non-residential usage.

Remitting sales tax for non-residential usage

If qualified energy sources are purchased tax-free, but used for non-residential purposes, the customer must remit sales tax on the qualified energy source used for non-residential purposes to the Department of Revenue. Such customers must file a [Colorado Retail Sales Tax Return](#) (DR 0100) and include on line 1 the cost of the energy sources they purchased and used for taxable purposes. If they do not already have a Colorado sales tax account, they must file a [Colorado Sales Tax and Withholding Account Application](#) (CR 0100) with the Department prior to filing their first return.

Claiming refund for tax paid on exempt use

If a customer paid tax on the purchase of qualified energy sources for residential use, they may claim a refund. A resident, property manager, home owner's association ("HOA"), nursing home, assisted living facility, or any other person or entity that pays tax on a purchase for exempt residential use may file a claim for refund of sales tax previously paid.

To claim a refund, the taxpayer must file a completed [Claim for Refund of Tax Paid to Vendors \(DR 0137B\)](#) with the Department. The refund claim must show each separate jurisdiction for which a refund is requested (e.g., state, RTD/CD, RTA, city, county, etc.). The tax rates for these jurisdictions may be obtained from Department publication [Colorado Sales/Use Tax Rates \(DR 1002\)](#).

Additional resources

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

- § 39-26-104, C.R.S. Property and services taxed - definitions.
- § 39-26-715, C.R.S. Fuel and oil - definitions.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)
- [Colorado Sale/Use Tax Rates \(DR 1002\)](#)
- [Sales Tax Exempt Certificate - Electricity & Gas for Domestic Consumption \(DR 1260\)](#)
- [Colorado Retail Sales Tax Return \(DR 0100\)](#)
- [Colorado Sales Tax and Withholding Account Application \(CR 0100\)](#)
- [Claim for Refund of Tax Paid to Vendors \(DR 0137B\)](#)