



COLORADO

SALES AND USE TAX

GENERAL INFORMATION AND REFERENCE GUIDE

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This booklet is for people who are planning to open a new business in Colorado. It can also be used as a reference on collecting and filing sales and use taxes.

Those who are new to the process of Colorado sales/use tax payments may find the Glossary on page 10 helpful.

To verify sales tax license or exemption certificate numbers, use the Sales Tax Information System at www.taxview.state.co.us

Colorado tax forms, FYI publications and information referenced in this publication are available at www.TaxColorado.com

COLORADO SALES TAX

Colorado imposes a sales tax of 2.9% percent on retail sales transactions of 17 cents or more. A 3% tax may still be remitted on sales or leases originating prior to 1/1/2001. Although, many cities and counties impose their own local sales/use tax on purchases and transactions within their boundaries, the Colorado Department of Revenue collects sales tax on behalf of 330 cities and counties, and special districts. These jurisdictions are referred to as “state collected,” and include all Colorado counties that impose sales tax, with the exception of Denver and Broomfield counties, which collect their own.

Cities that have enacted a “home rule” charter and have elected to administer and collect their own local sales and use taxes are referred to as “self collected” or “self administered.” Self-administered jurisdictions **must be contacted directly** for information.

Goods

For state-collected jurisdictions, most goods are subject to sales tax. An example of goods exempt by law from state and state-collected local sales taxes include, prescription drugs, insulin and insulin supplies, and prosthetic and medical supplies prescribed by a doctor.

In addition, some items are exempt from state sales and use tax, but may be subject to city and county sales taxes, at the option of the local jurisdiction. An example of these include food for home consumption, as well as electricity, gas and fuel oil for residential use.

Services

Most pure services are not subject to Colorado sales tax. Exceptions to this guideline include: rooms and accommodations; catering; gas and electric service; steam; and telephone and telegraph services. The transportation of tangible personal property between a retailer and purchaser is a service presumed to be not subject to sales or use tax. Transportation charges are not taxable if they are both (1) separable from the sales transaction, and (2) stated separately on a written invoice or contract. See **FYI Sales 29, “Special Regulation: Transportation Charges.”** Dealer preparation and handling charges for motor vehicles are taxable.

Exempt services must be itemized separately on the service provider’s bill to show that they are nontaxable. For example, if you hired a plumber to fix a leaking sink, the parts the plumber uses in the repair are taxable, but his labor is not if his billing lists a separate labor charge. Most repairs on property previously owned by the party requesting the repair are exempt on the separately stated labor in this manner. Labor expended on preparing tangible personal property for sale is never exempt. Labor to customize tangible property after a sale is exempt only where title and possession have passed to the buyer and the labor provider is not liable for the cost of the property sold if the labor or customization is unsuccessful.

For information on local sales/use tax rates, request “*Colorado Sales/Use Tax Rates*” (DR 1002). This DOR publication is updated each January and July. On the Web, see “Local Sales Tax Rates” at www.taxview.state.co.us. For more detailed information on state-collected local taxes, request **FYI Sales 62 “Guidelines for Determining When to Collect State Collected Local Sales Tax.”**

COLORADO CONSUMER USE TAX

Use tax is a complement to sales tax. When a vendor has not charged sales tax on a taxable retail sale, the purchaser must pay tax on the item used or made available for use after delivery is completed, as well as when keeping, storing, withdrawing from storage, moving, installing, or performing any other act by which control of the article is assumed by the purchaser. [Sales Tax Regulation 39-26-202] An example would be when you purchase an item from an out-of-state retailer who does not collect Colorado sales tax, then the use tax is due.

The state use tax rate is the same (2.9% Effective 1/1/2001) as the state sales tax rate.

The Colorado Department of Revenue collects state and Regional Transportation District/Scientific and Cultural Facilities District/Metropolitan Football Stadium District (RTD/CD/FD) and Regional Transit Authority use tax, but does not administer or collect county or city use tax. Local use tax is paid directly to the taxing authority to which it is owed or to county motor vehicle offices. At their option, state-collected cities and counties may charge use tax on motor vehicles, construction and building materials. Self-administered local jurisdictions make their own use tax regulations and must be contacted directly for information.

State and RTD/CD/FD use tax payments are remitted to the Department of Revenue with a “*Consumer Use Tax Return*” (DR 0252). RTA use tax payments are remitted on the “*RTA Consumer Use Tax Return*” (DR 0251). Contact local jurisdictions directly about use taxes owed to counties and cities. For more detailed information on Colorado consumer use tax, request **FYI General 10 “Consumer Use Tax.”**

WHO MUST HAVE A LICENSE

GENERAL GUIDELINES

A Colorado sales tax license is proof that a business is properly registered with the Department of Revenue and is authorized to make tax-free purchases of merchandise for resale and collect tax on the sale of the merchandise.

If your business sells tangible personal property, either retail or wholesale, you must obtain a Colorado sales tax license and maintain a sales tax account with the State of Colorado. Vendors of taxable services must obtain a Colorado sales tax license and must charge sales tax on these services. If you have more than one location where sales are made, a separate license is required for **each location**. For example, if a company has a chain of stores, each store must have a license.

In addition, if a business makes sales at a location other than its regular business location, a “special event” license must be obtained. Examples of events are craft or collector’s shows. This special event license (see Types of Licenses) is required whether or not you have a permanent business location.

An individual who makes retail sales from a private residence that

total \$1,000 or less in a calendar year is not required to have a sales tax license. However, taxes on these sales must be collected and paid by April 15 of the following year on the “*Combined Annual Retail Sales Tax Return*” (DR 0100A). For more information on this topic, see **FYI Sales 8 “Small Home Businesses.”**

TYPES OF LICENSES

Four types of sales tax licenses are available in Colorado:

- ✓ **Standard Retail License** — for businesses with a permanent location where retail sales are conducted on a regular basis.
- ✓ **Wholesale License** — for businesses that make sales only to other licensed vendors for resale.
- ✓ **Single Event Sales Tax License** — required when an individual, organization or vendor plans to conduct retail sales at a location other than the regular business location (if any). The license is valid for **one event only**. Examples would be a craft or collector’s show. Organizers of an event may choose to obtain a single event license and collect and remit tax on behalf of the participating vendors.
- ✓ **Multiple Events Sales Tax License** — a two-year license for those engaged in retail sales at more than one special event in a two-year period. It is more cost-effective than the single event license for vendors who plan to sell at more than one event in a two-year period.

As with the single event license, an organizer of more than one event in a two-year period, where retail sales are made by three or more vendors, may elect to obtain a multiple events license in lieu of having each individual participating vendor obtain separate licenses. Organizers obtaining this license will collect and remit tax on behalf of the vendors and will retain applicable vendor’s fees. Single or multiple event sales tax licenses are required, and sales tax must be collected, at charitable events as well as for-profit events.

LICENSE FEES

The single event license costs \$8 for each event. The standard Colorado sales tax license, the wholesale license and the multiple events license each cost \$16. A business that has a standard Colorado sales tax license may obtain a single or multiple event license free of charge. All licenses, with the exception of the single event license, are effective for a two-year period.

Two-year licenses are renewed at the beginning of each even-numbered year, and expire at the end of each odd-numbered year, as follows:

Jan. 1, 2010 – Dec. 31, 2011
 Jan. 1, 2012 – Dec. 31, 2013
 Jan. 1, 2014 – Dec. 31, 2015, etc.

Your cost for a license purchased after the start of an even-numbered year will be prorated in six-month increments, as follows:

Date purchased:	Fee:
Jan. 1, 2010 – June 30, 2010.....	\$16
July 1, 2010 – Dec. 31, 2010.....	\$12
Jan. 1, 2011 – June 30, 2011.....	\$8
July 1, 2011 – Dec. 31, 2011.....	\$4

For example, if you open your business July 15, 2010, the first six months of the license period have already elapsed. Therefore, you would pay \$12 for a license for the remaining 18 months of the 2010-11 license period.

TAX DEPOSIT FOR NEW BUSINESSES

A new retail business is required to pay a one-time \$50 tax deposit to help ensure that only legitimate businesses acquire sales tax licenses. The deposit is automatically refunded to the retailer after remittance of \$50 in **state** sales tax on the sales tax return. If your business is closed for any reason before you have collected and remitted \$50 in state sales tax, only the amount of state sales tax actually remitted to that point will be refunded. You must request this refund with a “*Claim for Refund*” (DR 0137) form. If a business fails to remit any sales tax, no portion of the \$50 deposit will be refunded, regardless of the length of time the business account is open.

Applicants for the wholesale license, single event license, and the multiple events license **are not** required to pay this deposit.

OBTAINING A SALES TAX LICENSE

Complete a *Colorado Sales Tax Account Application* (CR 0100) and pay the appropriate fee(s) when you turn in your application. The fees explained on this page are listed on the back of the tax application form. See the *Instructions for the Colorado Tax Account Application* (CR 0101) on the Web at www.TaxColorado.com.

COLORADO SALES TAX LICENSE

Can be obtained

- at any DOR service center (see page 9), where you can get your sales tax number and a temporary license immediately.
- by mail. The CR 0100 is available on the Web at www.TaxColorado.com **After DOR receives your license application, allow up to four to six weeks for processing and mailing.**

Must be

- displayed in a conspicuous place at the business location.
- renewed every two years (except single event licenses).
- canceled by the business if the business closes.
- kept up to date by the business. Contact DOR with name, address and ownership changes. No charge for name, owner name and address changes to a license when a business retains the current license. If there are changes in the type of ownership, such as changing from a sole owner to a partnership, a new license is required and therefore, a new CR 0100 account application form must be submitted and applicable fees will be due.
- used to purchase goods as a wholesaler or **for resale** by retailers.

May NOT be

- used to obtain personal goods or business assets tax-free. **Purchase for resale exemption applies only to purchases of goods for resale that are part of your regular business sales.**

For further information on sales tax licenses, see **FYI Sales 9 “Sales Tax Licenses.”**

RELATED INFORMATION

TRADE NAME INFORMATION

The Colorado Department of Revenue does not process the registration of trade names for any type of business. All filing of trade names, renewals, inquiries and collection of trade name fees is provided by the Colorado Secretary of State's office at www.sos.state.co.us

BUYING OR SELLING A BUSINESS

If you are buying a business, you may

- request a "Tax Status Letter" about the business from the Department of Revenue. The letter indicates the Department's current information regarding the standing of the business, tax payments and tax delinquencies. Complete a *"Request for Tax Status Letter"* (DR 0096). The fee is \$7 per tax. The seller of the business may request the letter for the buyer or the buyer may request the letter with a power of attorney from the seller.

As the buyer of a business that sells goods, you must

- obtain a sales tax license.
- pay sales tax on the tangible personal property, excluding inventory, included in the purchase of the business by the 20th day of the month following the sale. Submit the tax with a complete DR 0100A "Retail Sales Tax Return for Occasional Sales."

If you are selling a business, you must

- pay all business taxes due at the time of the sale.
- pay sales tax collected on the sale of tangible property.
- close the business's sales tax account with DOR.

For additional information about buying and selling businesses, see **FYI Sales 74 "DOR Requirements for Business Tax Filing, Tax Account Registrations & Changes in Account Status."**

INFORMATION FOR PARTICULAR TYPES OF BUSINESSES

VENDING MACHINE OPERATORS

Fees: Owners, operators, lessors and lessees of vending machines who have control of the receipts must obtain a Colorado sales tax license. To obtain this license, complete a *"Colorado Sales Tax Account Application"* (CR 0100). You must also pay a \$50 deposit which will be refunded after you have remitted at least \$50 in state sales tax to the Department of Revenue.

Vending Machine Stickers: At the time you obtain your sales tax license, you must also purchase an identification decal or sticker for each machine. Each decal costs 10 cents. To obtain the stickers, complete a *"Request for Vending Machine Decals"* (DR 0235). The sticker should be placed on the front or side of the machine and should always be visible and accessible. The sticker allows Department of Revenue agents to identify the machine and its owner. Machines without stickers are subject to confiscation by the Department of Revenue.

For additional information about vending machines, taxability of items sold in the machines, and reporting and paying tax, see **FYI Sales 59 "Vending Machines."**

RENTAL BUSINESSES

If you have a leasing company and collect sales tax on lease/rental agreements, you must secure a leasing permit in addition to your sales tax license. Complete and return to the DOR a *"Permit to Collect Sales Tax on the Rental or Lease Basis"* (DR 0440). There is no fee for this permit. Leasing businesses with multiple locations must complete one DR 0440 for **each** business location.

This requirement is applicable to all businesses that rent or lease tangible personal property to customers on a short or long term basis. If the lease on rental is for a period of less than three years and the DR 0440 is not filed, you must pay sales or use tax up front on all rental equipment. Sales tax must not be shown on later charges or invoices during the term of a lease period that is less than three years. Examples include, but are not limited to, motor vehicles, construction equipment, formal wear, videos and VCRs, computers and peripherals, lawn and garden equipment.

Also see section entitled "Short Term Rental Tax," page 6 of this booklet.

For information about motor vehicle leasing, see **FYI Sales 56 "Leases of Motor Vehicles and Other Tangible Personal Property."**

For information about the Motor Vehicle Daily Rental Fee, see **FYI General 19, "Motor Vehicle Daily Rental Fee."**

CONTRACTORS IMPROVING REAL PROPERTY

Contractors who build and construct real property improvement and who bid work under lump sum contracts are considered to be the users and consumers of materials used during the contract work and must pay sales tax to their vendors on all purchases.

When is a license needed? Contractors and subcontractors performing only lump-sum contracts **do not** need a Colorado sales tax license. However, they must pay all applicable Colorado sales and use taxes on all purchases of building supplies, construction materials and all other tangible personal property. The only nontaxable purchases of building materials contractors and subcontractors may make are those for construction work for tax-exempt organizations.

Retailer-Contractors: Retailer-contractors are contractors who are also retail merchants of building supplies or construction materials. Retailer-contractors must open and maintain Colorado sales tax accounts. Complete and return a *"Colorado Sales Tax Account Application"* (CR 0100) to the Department of Revenue with the appropriate fees (see "License Fees" section on page 3 of this booklet). You will receive a sales tax license, which allows you to purchase items tax-free that are for resale to retail customers. Like all other retail vendors, you must collect and remit to the DOR all state and state-administered local sales tax on retail sales. You will receive sales tax returns for this purpose.

Request **FYI Sales 6 "Contractors and Retailer-Contractors"** for more information about purchasing materials, delivery to work locations and taxability.

MOBILE BUSINESSES

Businesses that sell goods via a mobile vehicle must obtain a sales tax license for the business. These businesses will pay the \$16 license fee and \$50 deposit. Appropriate state and local taxes for the areas where sales are made must be collected and remitted to the DOR. See the publication “*Colorado Sales/Use Tax Rates*” (DR 1002) for local tax rates. A separate return must be filed for each jurisdiction where sales are made. Home rule areas must be contacted directly for rules and remittance procedures regarding mobile sales made within their jurisdictions.

OUT-OF-STATE BUSINESSES

A business located outside the State of Colorado must obtain a sales tax license if it maintains in Colorado – directly or indirectly, or by a subsidiary – an office, distributing house, salesroom, warehouse or other place of business, or if the business leases tangible personal property that will be used in Colorado. Other out-of-state businesses should obtain a Colorado Retailer’s Use Tax License. For more details concerning out-of-state vendor responsibilities, see **FYI Sales 5 “General Sales Tax Information for Out-Of-State Businesses.”**

Effective March 1, 2010, out-of-state retailers who do not collect Colorado sales or use tax are responsible for providing information to their purchasers and the Colorado Department of Revenue.

COLLECTING SALES TAX

Generally, the vendor is responsible for collecting sales tax on any sale of tangible personal property made within the state that is not a wholesale sale. All such sales of 17 cents or more are subject to 2.9% Colorado state sales tax plus all applicable city, county and special district sales taxes. [§39-26-106(1)(a) C.R.S.]

LOCAL SALES TAXES

City and county sales taxes collected by the state are administered in the same manner as state sales tax. If the sale is subject to state sales tax, it is also subject to state-collected local sales tax. Exceptions to this guideline are food for home consumption, machinery and machine tools (as defined on form DR 1191), gas, electricity, nonessential packaging provided with food or drink, direct mail advertising materials, etc., for residential use, occasional sales by charitable organizations, farm equipment, pesticides, food sold through vending machines, low-emitting vehicles, renewable energy components, beetle wood products, and school related sales. These items are exempt from state sales tax, but cities and counties may elect to tax such items. The collection of local sales taxes are not required when the retail goods are delivered to a destination outside the boundaries of the vendor’s local taxing jurisdiction, if the vendor does not have a business presence there.

Call the Department of Revenue for further explanation, or request “*Colorado Sales/Use Tax Rates*” (DR 1002). The DR 1002 is updated every January and July and contains three sections:

- explanations of state and regional sales taxes;
- a list of city and county sales tax rates for which the state collects the tax;
- phone numbers and tax rates for home-rule cities that collect and administer their own taxes.

This pamphlet also includes information about local use taxes and special exemptions in particular local tax jurisdictions. For further information, see **FYI Sales 62 “Guidelines for Determining When to Collect State-Collected Local Sales Tax.”**

SPECIAL DISTRICT TAXES

RTD/CD/FD Sales and Use Tax

Most of the Denver metropolitan area lies within a special tax district. It is actually three separate tax districts with almost identical boundaries. The authorities and sales/use tax rates are: Regional Transportation District (RTD), 1.0 percent; Scientific and Cultural Facilities District (CD), 0.1 percent; and Metropolitan Football Stadium District (FD), 0.1 percent. The total sales/use tax collected for this combined district is 1.2 percent. RTD/CD/FD tax is imposed on all transactions that are subject to state sales and use tax. Exception: RTD/CD/FD, sales tax, but not use tax, is imposed upon machinery and machine tools even when those items are exempt from state sales and use tax. The tax is remitted on Form DR 0100 “Retail Sales Tax Return” in the Special District column.

The boundaries of the RTD/CD/FD may be found in publication DR 1002 “Colorado Sales and Use Tax Rates” located on the Web at www.TaxColorado.com

To find out whether an address you are delivering to is within RTD/CD/FD boundaries, contact RTD at www.rtd-Denver.com

Local Improvement District Tax (LID)

A sales tax of 0.5 percent is imposed on all transactions that are subject to state sales tax within certain designated areas in Jefferson, Boulder and Broomfield Counties. More detailed information may be found in publication DR 1002 “Colorado Sales and Use Tax Rates” located on the Web at www.TaxColorado.com

Mass Transit District Tax

A sales tax of 0.5 percent in Eagle County and .75 percent in Summit County is imposed on all transactions that are subject to state sales tax. The tax is remitted on form DR 0100 “Retail Sales Tax Return” in the County column combined with the county tax.

Multi-Jurisdiction Housing Authority (MHA)

Summit County has a 0.125 percent multi-jurisdictional housing authority sales tax.

Public Safety Improvements (PSI)

Montrose County has a Public Safety Improvements sales tax of 0.75 percent.

Rural Transportation Authority (RTA)

If your business is located in Eagle, El Paso, Garfield, Gunnison, Sterling or Pitkin County a Rural Transportation Authority (RTA) may be imposed. The RTA sales is reported in the Special District column on form DR 0100 “Retail Sales Tax Return”. The RTA consumer use tax is reported on form DR 0251 “RTA Consumer Use Tax Return. The RTA Retailer’s use tax is reported on a copy of form DR 0173 “Retailer’s Use Tax Return”, with the correct branch number in the account number box. The areas that impose the RTA may be found in publication DR 1002 “Colorado Sales and Use Tax Rates” located on the Web at www.TaxColorado.com

Local Marketing District Tax

The town of Vail levies a Local Marketing District tax of 1.4 percent on lodging services including hotels, motels, condominiums and camping spaces inside the town of Vail. Steamboat Springs and Alamosa County also levies a Local Marketing District tax. The tax is remitted quarterly to the Department of Revenue on form DR 1490 “Local Marketing District Tax Return”.

HOME RULE CITIES

Home rule cities that collect their own local sales/use taxes may have entirely different guidelines and must be contacted directly. These cities are listed in “*Colorado Sales/Use Tax Rates*” (DR 1002), along with their tax office telephone numbers and addresses.

COUNTY LODGING TAX

Counties may impose a tax on lodging services including hotels, motels, condominiums, and camping spaces. Tax is remitted quarterly on Form DR 1485, “*County Lodging Tax Return*.” County Lodging Tax applies to gross room rental income, no reductions for rentals that are exempt from state sales tax applies.

SHORT TERM RENTAL TAX

Counties may elect to impose a tax of up to one percent on rentals of 30 days or less of tangible personal property excluding motor vehicles. If you have a rental business located in a county which imposes this tax, you must file a “*Short Term Rental Tax Return*” (DR 1480), and remit the tax to the DOR on the same due date as your sales tax return. See also the “Rental Businesses” section on page 4 of this booklet. This tax is in addition to state, special district and local taxes. To obtain more information about this tax, see **FYI General 9 “Short Term Rental Tax.”**

MISCELLANEOUS FEES

Air Conditioner Fee on New Motor Vehicle Sales

This fee has been repealed effective July 1, 2003.

Waste Tire Recycling Development Fee

Retailers of new tires are required to collect a fee of \$1.50 on every new motor vehicle tire sold by a tire retailer to a consumer. The fee applies to any passenger vehicle including motorcycle tires but not to tires of trucks that weigh more than 15,000 pounds that have been recapped or reprocessed.

The proceeds of this fee go towards recycling programs for waste tires. This fee is remitted on the “*New Tire Fee return*” (DR 1772) at the same time a retailer remits their sales tax return. For further information, see **FYI General 13 “Waste Tire Recycling Development Fee.”**

DELIVERIES TO CUSTOMERS

When a purchaser takes first possession of sold items (except motor vehicles) at your business location, you must collect all applicable sales taxes for the area in which your business is located, regardless of where the purchaser resides (even out-of-state) or intends to use the item.

When conditions of the sale dictate that an item be delivered by regular mail, parcel post, common carrier or your business’s vehicle, the destination is regarded as the point of sale, and the sales taxes of only the jurisdictions which both seller and buyer share in common would be collected by the seller.

For example, if the delivery site is within the same city in which your business is located, you would collect all appropriate taxes, such as city, county, RTD/CD/FD and state. If you deliver outside the city, county and any special taxing districts in which your business is located, the only jurisdiction you would share would be the state; therefore, only state sales tax would be collected. However, if your company has a business location (sales office, warehouse, store, etc.) within the destination city, you would collect all sales taxes applicable for that location (Detailed information is provided in **FYI Sales 62, “Guidelines for Determining When to Collect State-Collected Local Sales Tax”**). On out-of-state deliveries you would charge no Colorado-related sales tax.

If the purchased goods are turned over to an independent contractor/subcontractor for delivery to the customer it is the store location, not the delivery destination, that is considered the point of sale. An example of this would be a carpet purchase that the retailer turns over to an independent installer for delivery and installation.

While no sales taxes are collected for jurisdictions the buyer and seller do not share in common and retailers use tax is not due, local use tax may be owed by the purchaser. Vendors must maintain adequate records to prove where deliveries took place, and that deliveries occurred prior to any use by the buyers of items purchased.

Delivery charges could also be taxable. See the Glossary on page 12 of this booklet. See **FYI Sales 62 “Guidelines for Determining When to Collect State-Collected Local Sales Tax”** and **FYI, Sales 29, “Special Regulation: Transportation Charges”** for more detailed information on delivery taxability and motor vehicle taxability.

RECORD KEEPING

You must keep records of all of your business transactions to enable both you and the DOR to determine the correct amount of sales and use taxes for which you are liable. These records must include:

- ✓ complete, accurate beginning and ending inventories
- ✓ purchase receipts
- ✓ sales receipts
- ✓ canceled checks
- ✓ invoices
- ✓ dated delivery acceptance receipts showing location
- ✓ bills of lading
- ✓ all other account books and documents pertaining to the business.

If you make nontaxable sales to other retailers or wholesalers, remember to keep copies of their sales tax license exemption certificates and demand and keep customer-signed statements that purchases are for resale. Vendors can only accept resale claims in good faith. Vendors can verify whether a business that purchases items should be exempt from sales tax by using the “Sales Tax License Verification” service online at www.TaxColorado.com or by telephone at (303) 238-3278. You must have the business sales tax license or exemption certificate number to use the service. See **FYI Sales 1, “How to Document Sales to Retailers, Tax-Exempt Organizations and Direct Pay Permit Holders.”**

Vendors must keep and preserve all invoices of goods and merchandise purchased for resale for three years. These records must be available for review by the Department of Revenue. [Sales Tax Regulation (39-)26-116]

BURDEN OF PROOF

When a vendor makes a tax-exempt sale, records must be kept that sufficiently demonstrate the purchaser's tax exemption for each sale. [Sales Tax Regulation 26-105.1(c)] The retailer or vendor bears the burden of proving that the purchaser is entitled to exemption from sales tax. You may request the purchaser sign a verification affidavit for your records. For further information on verification of tax-exempt sales, see **FYI Sales 1, "How to Document Sales to Retailers and Tax-Exempt Organizations."** Verification is available by using the "Sales Tax License Verification" service online at www.TaxColorado.com or by telephone at (303) 238-3278.

TAKING GOODS OUT OF INVENTORY

If your business takes out of its inventory goods that were purchased tax-free for resale and uses the goods for personal or business purposes, you must pay **sales** tax on those items when they are taken out of inventory and used. The cost of the items must be entered on Line 10 of the *Retail Sales Tax Return* (DR 0100 or DR 0100C). Tax is due for state, special districts, county or state-collected municipal tax.

ACCOUNTING METHODS

For sales tax purposes, you may report your gross sales either on an accrual basis as sales are made or on a cash basis as payment is received. [Within the standard set by §39-26-111 C.R.S.] However, you may not alternate methods. You must keep records for at least three years.

CLOSURE OF INACTIVE ACCOUNTS

Any licensed account, exclusive of wholesale accounts, that shows no sales tax remitted for any period of 12 consecutive months will be closed. Such inactivity is considered evidence that the licensee is not in the business of selling at retail.

FILING RETURNS AND PAYING TAXES

GENERAL FILING INFORMATION

The Department of Revenue will send you sales tax return forms. If you maintain a single business location, these forms will be in a coupon book that contains forms for the entire year. Seasonal, annual filers and accounts with multiple locations will receive preprinted forms approximately 10 days before the close of each filing period. Each form will be preprinted with the licensee's name, trade name, address, account number, the taxing districts for which you normally collect tax, and the return's due date. Enter the amounts of sale and tax on the applicable line. If no tax was collected, enter 0. **Failure to receive a return does not relieve you of your legal responsibility for filing a return on or before the due date.**

If you must pay your tax without a form, remit your payment with a letter of clarification that includes your account number, itemized taxes and the period for which you are filing.

Colorado law requires that you file the required sales tax returns even when you have no retail sales activity. If you do not file the required sales tax returns, the department will automatically close your account and your sales tax license will no longer be valid.

Amended Return-If you are filing an amended return, you are required to check the amended return box. A separate amended return must be filed for each period. The amended return must show all tax columns as corrected, not merely the difference(s). The amended return will replace the original return in its entirety.

ELECTRONIC PAYMENT REQUIREMENT

For any calendar year beginning on or after January 1, 2002, you are required to remit by electronic funds transfer all state and local sales taxes required to be remitted to the Department of Revenue **IF**:

- your liability for state sales tax for the previous calendar year was more than \$75,000.

You may also elect to remit your sales tax by EFT even though you do not fall under the mandatory requirement.

To establish your electronic funds account with the Department, you must submit a completed application "Authorization for Electronic Funds Transfer (EFT) for Tax Payments" (Form DR 5785). For more information and the EFT application form, see "Electronic Tax Payments" at www.TaxColorado.com

Note: Although payments for sales tax are made using EFT, the paper return (DR 0100) is still required and must be received by the due date.

DETERMINING FILING FREQUENCY

Retailers are required to file returns each month except when:

- your total sales tax liability is under \$300 a month **AND** you have made a prior arrangement with the DOR to file quarterly.
- your sales tax liability is under \$15 per month **AND** you have prior approval from the Department to file annually.
- your business is wholesale. Wholesalers file annually.

If you make sales only during certain months of the year, you may indicate on the sales tax account application (CR 0100) the months beginning and ending the season. Your account will then be listed as "seasonal" and monthly returns will be required only for those months that you indicate the business will be open.

COMPLETING THE SALES TAX RETURN

- ✓ Vendors must keep and preserve all invoices of goods and merchandise purchased for resale for three years. These records must be available for review by the Department of Revenue. [Sales Tax Regulation (39-)26-116]
- ✓ All entries of state and local taxes on the sales tax return must be rounded to the nearest dollar. Round amounts under 50 cents down to 0 (zero) cents. Increase amount from 50 to 99 cents to the next dollar. Your sales tax remittance must not differ from the exact amount of tax collected by more than 50 cents.
- ✓ A return must be filed even if the tax is 0 (zero) cents. If there is no tax due in an applicable column, you **MUST ENTER A 0 (ZERO)** in that column. Failure to enter zeros will result in the issuance of an automatic estimated non-filer notice.

Businesses having only one location will receive in the mail a coupon book annually containing all the sales tax return forms (DR 0100C) needed for the year. The book also contains change of address and license renewal forms. The tax rates for county, city/special district and state are printed at the top of the form for each business location. If a type of tax does not apply to the business location, the words NOT APPLICABLE will appear in the column for that tax.

Single copies of the “Retail Sales Tax Return” (DR 0100) are mailed to Colorado businesses that have more than one location, as well as to seasonal and annual filers. These forms are personalized for each business that is subject to state-administered local tax.

Companies that need to remit the baseball district tax collected (such as leasing companies and credit sales companies) will receive form DR 0200 “Colorado Special District Sales Tax Return - Supplement.” This return is *only* used to remit baseball district tax.

Blank DR 0100, DR 0100-1, DR 0100-1R and DR 0200 forms are available on the Web at www.TaxColorado.com

DO YOU HAVE SEVERAL BUSINESS LOCATIONS AND WANT TO FILE BY COMPUTER SPREADSHEETS?

If your business has 10 or more branch locations within Colorado, you are eligible to file your sales tax returns with a computer spreadsheet. **Prior DOR approval** and spreadsheet test runs are required for participation in this program. For information and a spreadsheet special application package, call the Taxpayer Service Division, (303) 238-SERV (7378), or write: Business Tax Accounting Section, Department of Revenue, Rm. 208, Denver, CO 80261-0013, or send email to multilocations@spike.dor.state.co.us. See also **FYI Sales 58 “Requirements for Sales Tax Remittance by Computer Spreadsheet for Multi-Location Companies.”**

If you have been approved to file sales taxes by computer spreadsheet, you will not receive sales tax return forms for each location. You will receive only one DR 0100 form for reporting state and RTD/CD/FD tax. You will also receive the two supplementary schedule forms. Form DR 0100-1 lists all taxing jurisdictions the DOR has established for your company. Refer to this listing each month. If new branches/locations must be added, contact the DOR. Additionally, if some branches are no longer needed, contact DOR and we will close them on our registration computer system.

MULTIPLE-LOCATION/JURISDICTION ELECTRONIC FILING

Multiple-Location Sales Tax eFile - Colorado retailers with multiple locations or tax jurisdictions may upload an electronic sales tax return. Visit www.Colorado.gov/salestax for more information.

PRACTICAL FILING TIPS

- ✓ The law requires that you list sales tax separately from the purchase price of the items you sell on all invoices, billings and business records. Exceptions to this are sales of liquor by drink and vending machine sales. It is also illegal to advertise that you will make sales tax-free or “absorb” the sales tax. Violation of these guidelines could subject you to penalties.
- ✓ Follow the form instructions carefully. The instructions are on the back of the sales tax return.
- ✓ If you overpaid sales tax on a previous return, you may deduct the overpayment amount on Line 3C. Such deduction may not exceed your net taxable sales for the current period. If deductions exceed net taxable sales, you may file a “Claim for Refund” (DR 0137).
- ✓ Report on Line 6 and remit to the department any excess tax collected. Tax reported on this line should be apportioned out to all types of taxes for WHICH YOU are liable. It is illegal for you to keep excess tax.
- ✓ If you are liable for state-collected city, county or special district sales tax which may not be reflected on the form, notify DOR’s Taxpayer Service Division or a nearby taxpayer service center immediately for account correction.

DUE DATES

Returns must be **postmarked** on or before the 20th day of the month following the reporting period, as follows:

Monthly Returns: due the 20th day of the month following the reporting month. For example, a January return is due February 20.

Quarterly Returns:

January – March due April 20
 April – June due July 20
 July – September due October 20
 October – December due January 20

Annual Returns: due January 20.

Multiple or Single Events: due the 20th of the month following the start of the event. Use form DR 0098, “*Special Sales Event Sales Tax Return*.” For example, if an event started on Friday, July 30 and ended Sunday, August 1, the return would be due August 20 because the event started in July.

EFT FILERS: payment and return due the 20th day of month following the reporting period.

If the due date falls on a weekend or holiday, the next business day is considered the due date.

PENALTIES/INTEREST FOR LATE FILINGS

If your return is not postmarked on or before the due date for the period, you must pay a penalty of 10 percent of the tax due plus interest at the current statutory rate. Postal meter dates are not accepted as proof of timely filing; only the postmark itself is accepted. Failure to file by the due date will also result in revocation of your vendor’s fee and an additional penalty equal to the interest you owe. Current interest and penalty rates may be obtained from **FYI General 11 “Colorado Civil Tax Penalties and Interest.”**

FAILURE TO FILE

If you fail to file a return by the date it is due, the DOR will automatically send you a request for taxes due plus penalty, penalty interest and statutory interest. You will also be billed for the vendor’s fee if you had deducted it. Further delay in filing could result in a “Warrant for Distrainment,” which allows the Department of Revenue to seize your business and sell your assets to satisfy your tax debt. The business may be seized and sold even where a creditor or lender has claims on the property, see §39-26-117 CRS.

NO TAXES DUE?

HERE’S WHAT YOU MUST DO!

You must file a sales tax return every period, even if no tax has been collected or no tax is due. Complete the DR 0100 form by typing or writing the number 0 in all columns that apply to jurisdictions in which tax is applicable. Failure to file will result in non-filer penalties. If you do not file the required sales tax returns, the department will close your account and your license will no longer be valid.

If you have only one business location, no tax due, and Line 3, net sales, on the DR0100 “Sales Tax Return” is zero, you can file a “zero” return online at www.TaxColorado.com Click on Sales Tax ZeroFile System or file by telephone at (303) 205-8290. If you use the online or telephone ZeroFile system, there is no need to send in copies of your DR 0100.

TAX COMPUTATION TABLES AVAILABLE

For the convenience of retailers, the Department of Revenue has developed tax tables for different sales tax percentages. Just enter the tax rate to see how much tax is due on a sales price. This service is available on our Web site at www.TaxColorado.com under “Online Services” and “Business Taxes.”

You can specify the tax percentage tables and view and print the tables.

**Be sure to write your Colorado account number
on all checks and correspondence!**

HOW TO GET HELP

If you have questions not covered in this booklet or if you have problems connected with sales and use taxes, you may obtain assistance by telephone, through the mail, over the Web, or in person.

Colorado Tax Questions

By U.S. Postal Mail:

Colorado Department of Revenue
 Taxpayer Service Division
 Denver, CO 80261-0013

By E-mail through our “Customer Support Site for Colorado Taxes”:

www.TaxColorado.com

By Phone:

(303) 238-SERV (7378)

The Taxpayer Service Division maintains five service centers. Walk-in hours: 8 a.m. - 4:30 p.m., Monday through Friday.

Colorado Springs Regional Service Center

4255 Sinton Rd.

Denver Service Center

1375 Sherman St.

Fort Collins Regional Service Center

1121 W. Prospect Rd, Bldg #D

Grand Junction Service Center

222 S. Sixth St., Room 208

Pueblo Regional Service Center

827 W. 4th St., Suite A

To Obtain Sales Tax Forms and FYIs

Visit the Colorado Taxation Web site at www.TaxColorado.com

Federal Tax Questions

Internal Revenue Service
1999 Broadway
Denver, CO 80202
(303) 446-1675 or (800) 829-1040-Individual
(800) 829-4933-Business
www.irs.gov

Colorado Secretary of State

To register corporation, limited liability company, or limited partnership trade names or to obtain Colorado trademark information, (303) 894-2200. Or see the Secretary of State's Web site at www.sos.state.co.us

U.S. Commissioner of Patents and Trademarks

(800) 786-9199

REGIONAL TRANSPORTATION DISTRICT (RTD)

For boundaries, call (303) 299-6000.

DOR PUBLICATIONS

FYIs: Free information publications on individual tax topics prepared by the Taxpayer Service Division, go into more detail than space in this booklet allows. FYIs contain explanatory material on income, sales, use, fuel, excise, withholding and estate taxes. Individual FYIs may be obtained through our Web site only at www.TaxColorado.com

Periodically, FYIs are revised and new ones are created. FYIs are current only as of the publishing date in the bottom right-hand corner of each FYI page. The most current version of each FYI is available only on our Web site. In any conflict between the FYI and statute, regulation, policy or case law, the FYI has no legal validity. Taxpayers and preparers bear the responsibility of being aware of the most current Colorado tax laws and rules. For the most current information, consult the Department of Revenue directly.

Tax Forms: Forms are available on the Web at www.TaxColorado.com

Colorado Income Tax Withholding Tables: Current withholding tables and latest requirements for withholding Colorado income tax from your payroll. Request DR 1098.

Colorado Business Resource Guide: Published by the Colorado Office of Economic Development and International Trade, call (303) 892-3840 or 1625 Broadway, Ste. 2700, Denver, CO 80202, or on the Web at www.coloradosbdc.org

Colorado Sales/Use Tax Rates: All state, special district and state-collected city and county sales tax rates. Also, rates and telephone numbers for all home-rule cities. Updated each January and July. Request DR 1002 at www.TaxColorado.com

Tax Update: A newsletter issued by the Taxpayer Service Division; covers state and state-collected sales/use tax issues. The newsletter is available at www.TaxColorado.com

Tax InfoEmail Subscription Service: Businesses may subscribe to information, including law changes, filing methods and quick updates, from the Department of Revenue delivered to their email box. Send subscription request to tpspublicinfo@spike.dor.state.co.us

SALES/USE TAX GLOSSARY

Accrual Accounting — reporting all sales in the month they were made, whether money was received or whether a credit sale (where the vendor has billed tax on a sale but the customer has not paid the entire sales price at the time the vendor's sales tax return is due). Only this method allows claim of "Bad Debt Deductions."

Coupon Book — booklet containing all of the sales tax returns you will require for the year. The returns are preprinted with your company name, account number, filing period and due date. It also contains forms for change of address and for sales tax license renewal in odd-numbered-years.

Delivery Charges — charge for transportation to the place where title is to pass, by agreement between vendor and purchaser. Title is deemed to have passed from the seller when the seller is no longer liable for any losses to the product in route. Unless it can be proven that the purchaser of tangible personal property assumes the risks of ownership during delivery.

Exempt — To free from a duty or obligation required of others; to excuse; release. (*The American Heritage Dictionary of the English Language*)

License — A Colorado sales tax license is a license to purchase tangible personal property items tax free for the purpose of selling that tangible personal property, and collecting and remitting to the Department of Revenue sales tax on those sales.

Multiple Events — multiple sales events that occur at irregular intervals away from an established place of regular retail business. Organizers of such events may obtain the sales tax license, in lieu of the vendors obtaining separate licenses, if each event has a minimum of three vendors. If such events occur more than three times in the same location in any calendar year, a Standard Sales Tax License must be obtained rather than a Multiple Events Sales Tax License.

Purchase Price — the full charge to acquire the item, including labor and overhead, exclusive of any sales tax. In the case of retail sales involving the exchange of tangible personal property, the purchase price would exclude the fair market value of the property exchanged if such exchanged property is to be subsequently sold in the usual course of the retailer's business. Example: When a new automobile purchase transaction includes the trade-in of another automobile, the fair market value of the trade-in may be subtracted from the purchase price of the new car before sales tax on the new car is calculated if the car traded in is to be resold by a dealer holding a sales tax license.

Retail Sale — any sale of tangible personal property made within the state that is not a wholesale sale.

Retailer — a person doing retail business, known to the trade and public as such, and selling to the user or consumer, and not for resale.

Sale — any transaction whereby a person in exchange for any consideration (such as money or its equivalent, property, the rendering of a service or promise of any of these things) transfers or agrees to transfer tangible personal property or performs a taxable service.

Service Fee — Also known as the vendor's fee. Colorado allows sales tax licensees to keep a percentage of the state sales tax collected as a service fee for collecting the monies. The fee may be kept by the licensee only if the tax return is filed on time. Many local jurisdictions grant service or vendor's fees as well. See the publication "*Colorado Sales/Use Tax Rates*" (DR 1002) for local vendor's fee rates.

Single Event — any sales event conducted away from an established place of regular retail business. The event occurs only once. Individual vendors may be relieved of obtaining Single Event Sales Tax Licenses if there are a minimum of three vendors and the license is obtained by the event organizer. It is the license holder who remits the sales taxes.

Tangible Personal Property — all goods, wares, merchandise, products and commodities, and all tangible or corporeal things and substances which are dealt in, capable of being possessed and exchanged; the term does not include real property, such as land and buildings nor does it include contracts, deeds, mortgages, stocks, bonds, certificates of deposit or membership and other items having no intrinsic value.

Use Tax (Consumer) — a complement to state and RTD/CD/FD and RTA sales tax, it is imposed on the storage, use or consumption in Colorado of tangible personal property upon which sales tax has not been paid; the consumers use tax rate is the same as the state sales tax rate and RTD/CD/FD tax where applicable. Consumers use tax must be paid with a "*Consumer Use Tax Return*" (DR 0252) or "*RTA Consumer Use Tax Return*" (DR 0251).

Use Tax (Local) — consumers use tax that may be imposed by state collected municipalities and counties on motor vehicles, building and construction materials; local use taxes are administered and collected by the local taxing jurisdictions. Contact them directly for information about rates and compliance requirements.

Use Tax - Retailer's — an equivalent to the state sales tax collected by out-of-state vendors who do not maintain business locations in this state but who are otherwise "doing business in this state" as defined by Colorado law. Such vendors should obtain a Colorado Retailer's Use Tax License by completing a tax account application (CR 0100) and should collect state use tax as well as RTD/CD/FD, and RTA taxes where applicable (DR 0173). There must

be a separate return with the correct branch number on each RTA Tax remittance, either for Roaring Fork RTA or Pikes Peak RTA.

Use Tax — Retailer's — Special Districts — an equivalent to the special district sales tax collected by out-of-district vendors who do not maintain business locations in the district but who are otherwise "doing business in" the district as defined by §39-26-102(3) C.R.S.

Vendor — same as "retailer."

Wholesale Sale — a sale by wholesalers to retail merchants, jobbers, dealers or other wholesalers for resale, that is not subject to sales tax; it does not include a sale by wholesalers to users or consumers not for resale. These transactions are retail sales and subject to sales tax.

Wholesaler — a person doing a regularly organized wholesale or jobbing business, known to the trade as such and selling to retail merchants, jobbers, dealers or other wholesalers who intend to resell the merchandise.

SALES TAX CLASSES

All classes are free. Sales tax classes are offered in the following cities: Denver, Colorado Springs, Fort Collins, Glenwood Springs and Pueblo. See our Tax Classes Web page at www.taxseminars.state.co.us for more details.

Pre-registration online is required for all live classes. Most classes are also available in an online format. CPE credit is available with both the live and online classes presented by the Colorado Department of Revenue.



Colorado Department of Revenue Forms, Information and E-Services

E-Services for Business

The following services are centrally accessible at www.TaxColorado.com under "Online Services" and the following links.

Online Sales Tax Filing — Businesses with only one location may file and pay state sales tax and state-collected local sales taxes quickly and easily online. To be eligible to use this service, a business must have submitted a paper sales tax filing (DR 0100) and payment to the Department of Revenue **at least one time previously**.

e-Payment Options — Businesses may pay sales tax online by credit card or echeck. Or, electronic ACH debit payments may be set up. Learn more about these services through the e-Payment Options link on our website.

e-File Business Taxes — The Department of Revenue offers several different methods of online filing and information for businesses.

- **Sales Tax ZeroFile** — Safely and easily file a Colorado Sales Tax form (DR 0100) for state and state-collected local sales tax when you have zero net sales (line 3 of form DR 0100) and no sales tax due. Any filing period type (monthly, quarterly, annually and seasonally) is eligible. Retailers with only one location and with net sales of zero and no payment due may use this system. There is no need to send a paper form. Also available by calling (303) 205-TAX0 (8290).
- **Sales Tax Account History** — See your tax account payments back to December 2002. You'll need your account number to obtain a PIN for security purposes.
- **Local Taxes by Address** — The Colorado Department of Revenue provides links to companies that identify sales and use taxes that apply to a particular address.
- **Local Sales Tax Rates** — A fast way to find sales tax rates for ANY local jurisdiction.
- **Sales Tax License Verification** — Confirm whether a Colorado sales tax license or exemption certificate is valid. If you have a sales tax license or exemption certificate number, you can find this information quickly.
- **Retailers' Sales Tax Rates** — Check on the sales tax rates at your specific business location(s).
- **Multiple-Location/Jurisdiction Filing** — Colorado retailers with multiple locations or tax jurisdictions may upload an electronic sales tax return. Visit www.Colorado.gov/salestax for more information