

COLORADO

Department of Revenue

Taxation Division



Colorado Sales Tax Guide

Colorado Sales Tax

Colorado imposes sales tax on retail sales of tangible personal property. In general, the tax does not apply to sales of services, except for those services specifically taxed by law. However, in the case of a mixed transaction, that involves a bundled sale of both tangible personal property and service (whether or not such service is specifically taxed), the entire purchase price may be taxable unless certain conditions exist.

The Colorado Department of Revenue administers not only state sales tax, but also the sales taxes imposed by a number of cities, counties, and special districts. However, the Department does not administer and collect sales taxes imposed by certain home-rule cities, which instead administer their own sales taxes. The information in this publication pertains only to the state and local sales taxes administered by the Colorado Department of Revenue.

In general, any retailer making sales in Colorado is required to collect the applicable state and state-administered local sales taxes. The requirement to collect tax applies whether the sale is made at a retailer location in Colorado or delivered to the customer at a location in Colorado. A retailer may be required to collect tax even if it has no physical presence in Colorado.

Any retailer that is required to collect Colorado sales tax must obtain and maintain a Colorado sales tax license. They must also file returns and remit collected taxes at regular intervals, generally on a monthly basis. Retailers must maintain all records necessary to determine the correct amount of tax and provide these records to the Department upon request.

This publication is designed to provide retailers with general guidance regarding sales tax licensing, collection, filing, remittance, and recordkeeping requirements prescribed by law. Additional information about license applications and renewals, filing options, forms, and instructions can be found online at

Colorado.gov/Tax. Nothing in this publication modifies or is intended to modify the requirements of Colorado’s statutes and regulations. Retailers are encouraged to consult their tax advisors for guidance regarding specific situations.

<u>Table of Contents</u>	
<i>Part 1: Retail Sales</i>	2
<i>Part 2: Taxable Sales</i>	4
<i>Part 3: Calculation of Tax</i>	8
<i>Part 4: Retailers Who Must Collect</i>	10
<i>Part 5: Sales Tax Licensing</i>	12
<i>Part 6: Sales Tax Collection</i>	15
<i>Part 7: Filing and Remittance</i>	18
<i>Part 8: Local Sales Taxes</i>	22
<i>Part 9: Recordkeeping Requirements</i>	25
<i>Part 10: Refunds and Assessments</i>	27

Part 1: Retail Sales

Colorado imposes a sales tax on retail sales of tangible personal property, prepared food and drink, and certain services, as well as the furnishing of rooms and accommodations. Wholesale sales are not subject to sales tax. The following sections outline criteria for determining whether a particular transaction is a sale, whether a particular sale is a retail sale, and whether a retail sale is made in Colorado and therefore subject to Colorado tax.

Sales

A sale is any transaction whereby a person, in exchange for any consideration either:

- 1) transfers or agrees to transfer a full or partial interest in any taxable property to any other person; or
- 2) performs, furnishes, or agrees to perform or furnish any taxable service for any other person.

Whether a transaction is absolute or conditional, it is considered a sale if it transfers from a seller to a buyer the title or possession of any tangible personal property or service. The consideration exchanged in a sale may include money in any form, property, the rendering of a service, or the promise of any of these things. A transaction involving taxable property is a sale whether the seller acts on her own behalf or as the agent for another party. A transaction involving a taxable service is a sale whether the seller performs the service or contracts with another party to perform or furnish the service.

A bona fide gift of tangible personal property is not a “sale”.

Retail & wholesale sales

Every sale that is not a wholesale sale is a retail sale. A wholesale sale is a sale by a wholesaler or jobber to a retail merchant, jobber, dealer, or other wholesaler for the purpose of resale. Sales of ingredients or component parts to manufacturers for incorporation into a product for sale to an end user or consumer are also regarded as wholesale sales. A sale by a wholesaler or jobber to an end user or consumer is not a wholesale sale.

Leases

Under certain circumstances a lease of tangible personal property in Colorado is treated as a retail sale and the lessor must collect sales tax from the lessee on the lease payments. This is the case if either:

- the lease is for a term of more than 36 consecutive months, or
- the lease is for a term of 36 months or less, the Department has granted the lessor permission to purchase the property tax-free, and the lessor has agreed to collect sales tax on the lease payments.

See *Sales Tax Topics: Leases* for additional information regarding the tax treatment of leases.

Part 1: Retail Sales

Sourcing sales

A retail sale is subject to taxation in the state and local jurisdictions to which the sale is sourced. Department regulations prescribe the criteria used for sourcing of sales to Colorado. In general, retail sales are sourced to Colorado in accordance with the following rules:

- 1) If the purchaser takes possession of the purchased property or first uses the purchased service at the seller's business location, the sale is sourced to that business location.
- 2) If the property or service is delivered to the purchaser at a location other than seller's business location, the sale is sourced to the location the purchaser takes possession of the purchased property or first uses the purchased service.
- 3) If the purchaser requests delivery of the property or service to a donee, the sale is sourced to the location the donee takes possession of the purchased property or first uses the purchased service.

If a sale is sourced to a location within Colorado, the seller is generally required to collect all applicable state and state-administered local sales taxes. See [Part 4: Retailers Who Must Collect](#) and [Part 8: Local Sales Tax](#) for additional information regarding collection requirements.

Sales sourced to locations outside of Colorado are not subject to Colorado sales taxes.

See Sales and Use Tax Regulation 39-26-102(9) for additional guidance regarding the sourcing of sales in Colorado.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales, retail sales, and the sourcing of sales. 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
- § 39-26-102, C.R.S. Definitions
- § 39-26-104, C.R.S. Property and service taxed
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-106, C.R.S. Schedule of sales tax
- § 39-26-713, C.R.S. Tangible personal property
- Regulation 39-26-102(9). Retail sales
- Regulation 26-102.10.
- Regulation (39-) 26-102.23.
- Regulation 39-26-713.1(a).

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- Sales Tax Topics: Leases

Part 2: Taxable Sales

Colorado imposes a sales tax on retail sales of tangible personal property except when such sales qualify for an exemption specifically authorized by law. Sales of services are generally not subject to Colorado sales tax. However, sales of the following services are specifically taxable under Colorado law:

- gas and electric service for commercial use and
- intrastate telephone and telegraph services.

Additionally, sales tax applies to prepared food and drink sold by restaurants, bars, and other similar establishments. Short-term rentals of rooms and accommodations are also subject to Colorado sales tax. The following sections discuss taxable sales and exemptions.

Tangible personal property

Tangible personal property subject to sales tax includes all goods, wares, merchandise, products and commodities, and all tangible or corporeal things and substances that are dealt in and capable of being possessed and exchanged. However, Colorado law exempts several types of tangible personal property from sales tax. Additional information regarding exemptions can be found at the end of this Part 2.

Colorado has specific rules regarding the taxability of computer software. See *Sales Tax Topics: Computer Software* for additional information.

Non-taxable property

Real property and intangible personal property are not subject to Colorado sales tax. However, if intangible personal property is included with tangible personal property in a mixed transaction, the entire purchase price of the transaction may be subject to sales tax.

Real property

Land and buildings are real property. Real property also includes any tangible personal property that lost its identity as tangible personal property when it was installed and became an integral and inseparable part of real property and that is removable only with substantial damage to the real property. If some part of real property is severed and removed, it once again becomes tangible personal property and may be subject to sales tax if sold.

Intangible personal property

Intangible personal property constitutes mere rights of action with no intrinsic value. Examples of intangible personal property include the following:

- contracts,
- deeds,
- mortgages,
- stocks,
- bonds, or
- certificates of deposit.

Services

Colorado does not generally impose sales tax on services. However, sales tax is imposed specifically on intrastate telephone and telegraph services, as well as gas and electric service for commercial consumption. Additionally, otherwise nontaxable services may be subject to sales tax if they are provided as part of a transaction involving the sale of tangible personal property. See [Part 3: Calculation of Tax](#) and [Part 4: Retailers Who Must Collect](#) for additional information about service enterprises.

Part 2: Taxable Sales

Gas and electric service

Sales of gas and electric service for commercial consumption and not for resale are taxable. Tax also applies to sales of steam when consumed or used by the purchaser and not resold in its original form. Sales tax applies to such sales of steam and gas and electric service regardless of whether the seller or provider is a municipal, public, or private corporation or enterprise.

Colorado does not impose sales tax on sales of gas, electricity, or steam for use in any of the following activities:

- processing,
- manufacturing,
- mining,
- refining,
- irrigation,
- construction,
- telegraph communication,
- telephone communication,
- radio communication,
- street and railroad transportation services,
- all industrial uses, and
- all residential uses.

See FYI Sales 66, Form DR 1465, and Form DR 1666 for additional information regarding sales tax on gas and electric service.

Telephone and telegraph service

Sales tax applies to all intrastate telephone and telegraph service. Taxable telephone services include mobile telecommunications services if the service is provided to a customer whose place of primary use is within Colorado, private line services, and Voice over Internet Protocol (VoIP). The service provider must charge and collect state and any applicable local sales taxes.

Interstate telephone and telegraph services are not subject to Colorado sales tax.

See FYI Sales 80 for additional information regarding sales tax on telephone and telegraph service.

Prepared food and drink

Colorado sales tax applies to the sale of food and drink served or furnished in or by dining establishments and other like places of business at which prepared food or drink is regularly sold. Such establishments and businesses include the following:

- restaurants,
- resorts,
- cafes,
- snack bars,
- lunch counters,
- caterers,
- cafeterias,
- carryout shops,
- hotels,
- pushcarts,
- social clubs,
- motor vehicles, and
- nightclubs,
- other mobile facilities.
- cabarets,

Cover charges are also subject to sales tax. However, meals provided to employees of the establishments and businesses listed above at no charge or at a reduced charge are not subject to sales tax.

Part 2: Taxable Sales

Rooms and accommodations

Colorado imposes sales tax on the entire amount charged for rooms and accommodations. The tax applies to any charge paid for the use, possession, or the right to use or possess any room in a hotel, apartment hotel, lodging house, motor hotel, guesthouse, guest ranch, trailer coach, or mobile home and to any space in any camp ground, auto camp, or trailer court and park, under any concession, permit, right of access, license to use, or other agreement, or otherwise. Sales of rooms and accommodations may be exempt when made to a permanent resident who enters into a written agreement for occupancy for a period of at least 30 consecutive days.

Exemptions

Colorado exempts several types of property and sales from sales tax. While retailers will not collect tax on exempt sales, they must maintain appropriate records and report exempt sales on the applicable line of the Colorado Retail Sales Tax Return (DR 0100) or associated deduction or exemption schedule (Deductions Schedule – Part A or Exemptions Schedule – Part B).

Some of these exemptions apply automatically to state-administered local sales taxes. For others, each local jurisdiction may choose whether to adopt the exemption. Information about specific exemptions allowed for state-administered local sales tax can be found in Department publication Colorado Sales/Use Tax Rates (DR 1002).

The following table lists some of the more common types of sales exempt from tax under Colorado law and Department publications that provide additional information regarding the exemption.

Common Exemptions

Exemption	Publication
Food for domestic home consumption	FYI Sales 4
Gasoline and special fuels	FYI Sales 57
Sales to governmental entities	FYI Sales 63
Electricity and fuel for residential use	FYI Sales 66
Machinery used in manufacturing	FYI Sales 10
Prescription drugs and medical devices	FYI Sales 68
Sales to charitable organizations	FYI Sales 2
Certain agricultural purchases	FYI Sales 64
	FYI Sales 75
	FYI Sales 76

Part 2: Taxable Sales

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to taxable sales. 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
- § 39-26-102, C.R.S. Definitions
- § 39-26-104, C.R.S. Property and service taxed
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-106, C.R.S. Schedule of sales tax
- § 39-26-704, C.R.S. Miscellaneous sales tax exemptions – hotel residents
- § 39-26-713, C.R.S. Tangible personal property
- § 39-26-715, C.R.S. Fuel and oil
- Regulation 39-26-102(9). Retail sales
- Regulation 26-102.10.
- Regulation 26-102.11.
- Regulation 26-102.15.
- Regulation (39-) 26-102.23.
- Regulation 39-26-713.1(a).

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- Colorado Retail Sales Tax Return (DR 0100)
- Colorado Sales/Use Tax Rates (DR 1002)
- Retail Food Established Computation Worksheet for Sales Tax Deduction for Gas and/or Electricity (DR 1465)
- Sales Tax Exempt Certificate Electricity & Gas for Industrial Use (DR 1666)
- Sales Tax Topics: Computer Software
- FYI Sales 66: Sales Tax Exemption on Residential Energy Usage
- FYI Sales 80: Telephone and Telecommunications

Part 3: Calculation of Tax

Colorado state sales tax is imposed at a rate of 2.9%. Any sale made in Colorado may also be subject to state-administered local sales taxes. Tax rate information for state-administered local sales taxes is available online at [Colorado.gov/tax](https://colorado.gov/tax).

The following sections discuss how the purchase price is determined in order to calculate the tax on sales of tangible personal property. The information in the following sections does not apply to the calculation of sales tax imposed on the following sales:

- gas and electric service,
- telephone and telegraph services,
- prepared food and drink, or
- rooms and accommodations.

Purchase price

For sales of tangible personal property, the sales tax is calculated on the full purchase price. The purchase price includes the full amount paid, or promised to be paid, by the buyer at the time of purchase of the property, excluding only any direct federal tax and any state and local sales tax imposed on the sale. The taxable purchase price includes the gross value of all material, labor, and service, and the profit thereon included in the price charged to the user or consumer.

Coupons

Retailers may accept coupons from their customers for a reduction in the amount paid by the customer. For tax purposes, coupons are classified as either manufacturer's coupons or store coupons.

A manufacturer's coupon is issued by the manufacturer and allows the customer a reduction in the sales price of the product upon presentation of the coupon to the

retailer. Because the retailer is reimbursed by the manufacturer for the amount of the reduction, sales tax applies to the full selling price before the deduction for the manufacturer's coupon.

A store coupon is issued by the retailer for a reduction in the sales price when the coupon is presented to the retailer by the customer. Because there is no reimbursement to the retailer for such reduction, the sales tax applies to the reduced selling price of the item.

Exchanged property

Under certain conditions, the fair market value of tangible personal property exchanged by the purchaser as part of a taxable sale is excluded from the taxable purchase price. The fair market value of the tangible personal property exchanged by the purchaser is excluded from the taxable purchase price, if either:

- such exchanged property is to be sold thereafter in the usual course of the retailer's business; or
- such exchanged property is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under the laws of this state, including, but not limited to, vehicles operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft.

If the purchaser transfers intangible property or performs services in exchange for tangible personal property, the fair market value of the intangible property or service is not excluded from the purchase price.

Part 3: Calculation of Tax

Associated service charges

With certain exceptions discussed below, the taxable purchase price includes any service charges associated with the sale of tangible personal property, such as charges for installation or delivery. Associated service charges are subject to tax unless such charges are both separable and separately stated from the price of the property sold on the invoice or receipt.

The price of an associated service is separable from the price of the property sold if the service is performed after the taxable property is offered for sale and the purchaser has the option not to purchase the associated service. For example, if delivery is optional and the purchaser may elect to pick up the property at the seller's store, without paying the delivery charge, the delivery charge is separable.

An associated service charge is separately stated if it appears as a distinct line item on a written sales contract, retailer's invoice, or other written document issued in connection with the sale, apart from the price of the property sold. However, the statement of a charge as a separate line item does not necessarily indicate that the charge is also separable.

A service charge that is overstated or intended to shift cost and avoid the proper taxation of the property sold is not excluded from the purchase price, even if the service charge is both separable and separately stated.

Maintenance agreements and warranties

The taxability of maintenance agreements and warranties sold along with tangible personal property is generally determined under the same rules as other associated service charges. If the charge for the maintenance agreement or warranty is both separately stated and separable, the charge is not subject to tax. Otherwise, the charge for the maintenance agreement or warranty is included in the taxable purchase price.

See *Sales Tax Topics: Leases* for information about maintenance services included in lease contracts.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the calculation of tax on sales of tangible personal property. 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

- § 39-26-102, C.R.S. Definitions
- § 39-26-104, C.R.S. Property and service taxed
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-106, C.R.S. Schedule of sales tax
- Regulation (39-) 26-102.7(a).
- Regulation 26-102.12.
- Regulation 39-26-104(1)(B)(I). Exchanged tangible personal property
- Regulation 26-105.2.
- SR-11, 1 CCR 201-5. Coupons
- SR-18, 1 CCR 201-5. Transportation charges

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/Tax/sales-and-use-tax-rates-lookup](https://colorado.gov/Tax/sales-and-use-tax-rates-lookup)
- Colorado Retail Sales Tax Return (DR 0100)

Part 4: Retailers Who Must Collect Tax

A retailer is required to obtain a sales tax license and collect sales tax on any retail sale of tangible personal property or taxable service made in Colorado if the retailer has substantial nexus with Colorado and is “doing business in Colorado,” as defined below. See [Part 1: Retail Sales](#) for guidance in determining whether a sale is made in Colorado. Sales tax licensing and collection requirements apply not only to for-profit businesses, but also to charitable organizations and state and local governmental entities that make retail sales of tangible personal property or taxable services.

Any retailer that is subject to licensing and collection requirements is liable and responsible for the applicable sales tax, whether or not the retailer actually collected such tax at the time of the sale.

Substantial nexus

Retailers have substantial nexus with Colorado for sales tax purposes if they meet any of the following criteria:

- 1) the retailer maintains, directly or indirectly or by a subsidiary, any place of business in Colorado, such as an office, distribution facility, salesroom, warehouse, storage place, or home office of a Colorado resident employee;
- 2) in the previous or current calendar year, the retailer’s gross revenue from the sale of tangible personal property or services delivered into Colorado exceeds \$100,000; or
- 3) in the previous or current calendar year, the retailer sold tangible personal property or services for delivery into Colorado in 200 or more separate transactions.

A retailer that does not have substantial nexus with Colorado may nonetheless have to comply with certain notice and reporting requirements. Additional

information about notice and reporting requirements is available online at [Colorado.gov/Tax](https://colorado.gov/Tax).

Doing business in Colorado

A retailer is “doing business in Colorado” if the retailer sells, leases, or delivers tangible personal property or taxable services in Colorado or engages in any activity in Colorado in connection with the selling, leasing, or delivering of tangible personal property or taxable services for use, storage, distribution, or consumption in Colorado. Doing business in Colorado includes, but is not limited to, the following:

- 1) maintaining, directly or indirectly or by a subsidiary, any place of business in Colorado, such as an office, distribution facility, salesroom, warehouse, storage place, or home office of a Colorado resident employee;
- 2) soliciting business and receiving orders from Colorado residents by any means whatsoever, including solicitation by:
 - a) direct representatives, indirect representatives, or manufacturers' agents;
 - b) distribution of catalogues or other advertising;
 - c) use of any communication media; or
 - d) use of the newspaper, radio, or television advertising media; or
- 3) selling or leasing tangible personal property to Colorado residents for use, consumption, distribution, or storage in Colorado.

Section 39-26-102(3)(d) and (e), C.R.S. establish additional criteria by which a retailer is presumed to be doing business in Colorado by virtue of its inclusion in a controlled group of corporations or its agreement or arrangement with a third party.

Part 4: Retailers Who Must Collect Tax

Retailer agents

The Department may treat any salesperson or representative as a retailer's agent and hold that person jointly liable with the retailer for the collection and payment of sales tax if he or she:

- 1) operates under the retailer's direction;
- 2) obtains tangible personal property from the retailer to sell on the retailer's behalf; or
- 3) solicits business on behalf of the retailer.

Service enterprises

Anyone engaged in the business of rendering services to customers is generally considered the consumer, and not the retailer, of any tangible personal property that they use incidentally in rendering the service. Consequently, service enterprises are required to pay sales tax when they acquire such tangible personal property and are not required to collect sales tax from their customers. If, in addition to rendering services, the service enterprise regularly sells tangible personal property to consumers, then the service enterprise is a retailer with respect to such sales and must comply with the licensing, collection, and filing requirements applicable to retailers.

Mobile food vendors

Mobile food vendors making food sales in Colorado from pushcarts, motor vehicles, or other mobile facilities are retailers, subject to sales tax licensing, collection, and filing requirements. They must collect and remit all state and state-administered local sales taxes applicable to the point of sale for each taxable transaction. Additional information regarding licensing and filing requirements for mobile vendors can be found online at [Colorado.gov/Tax](https://colorado.gov/Tax).

Flea markets and farmers markets

Anyone making sales at a flea market or farmers market in Colorado is a retailer and is subject to sales tax licensing, collection, and filing requirements with respect to each market at which they make sales. See [Part 5: Sales Tax Licensing](#) and [Part 6: Sales Tax Collection](#) for additional information about licensing and collection requirements.

Additional resources

The following is a list of statutes, regulations, forms, and guidance relevant in evaluating a retailer's obligation to collect Colorado sales tax. 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

- § 39-21-112, C.R.S. Duties and powers of executive director
- § 39-26-102, C.R.S. Definitions
- § 39-26-104, C.R.S. Property and service taxed
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-106, C.R.S. Schedule of sales tax
- Rule 39-21-112(3.5). Notice and reporting requirements for non-collecting retailers
- Regulation 39-26-105. Remittance of Tax

Forms and guidance

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

Part 5: Sales Tax Licensing

Any person or entity that will engage in the business of selling at retail must first obtain a sales tax license, unless that person or entity is specifically exempted from licensing requirements. Licensing requirements apply not only to traditional retailers, but also to charitable organizations (with certain exceptions) and individuals making regular sales out of their homes. Information about license applications and renewals is available online at [Colorado.gov/Tax](https://colorado.gov/Tax).

Standard retail sales tax licenses

Any retailer that is required to collect sales tax, as discussed in [Part 4: Retailers Who Must Collect](#), must apply for and obtain a sales tax license prior to making any sales. Licenses are non-transferable. Anyone who starts a new retail business or purchases an existing retail business must apply for and obtain a new sales tax license. A retailer is not required to obtain a license if the retailer is engaged exclusively in the business of selling commodities that are exempt from all otherwise applicable state and state-administered local sales taxes.

Retailers must remit a license fee of \$16, prorated depending on the date of issuance, and a deposit of \$50 at the time of application. The Department will refund the deposit after the retailer has commenced operations, filed the required sales tax return(s), paid the applicable tax, and the state sales tax remitted, in aggregate, exceeds \$50. A retailer who sells only products that are exempt from state tax, but subject to state-administered local sales tax, may request a waiver of the \$50 deposit requirement.

Retailers must display the license in a conspicuous place at their business locations. If a retailer maintains multiple business locations in Colorado, a separate license is required for each business location.

Licenses expire on December 31st of odd-numbered years (e.g. 2019, 2021, 2023), unless revoked sooner by the Department.

Wholesaler licenses

Any business operating exclusively as a wholesaler may apply to the Department for a license to engage in the business of selling at wholesale. A wholesaler is a person or company conducting a regularly organized wholesale or jobbing business, known within the trade as a wholesaler, and selling to retail merchants, jobbers, dealers, or other wholesalers, for the purpose of resale.

Applicants for a wholesale license must pay a fee \$16, prorated depending on the date of issuance. Wholesale licenses expire on December 31st of odd-numbered years (e.g. 2019, 2021, 2023), unless revoked sooner by the Department.

Charitable organizations

Charitable organizations that make retail sales are subject to the same licensing requirements of other retailers unless all of the organization's sales are exempt from taxation. Occasional retail sales of tangible personal property made by a charitable organization are exempt if all of the following conditions are met:

- the sales are made for fund-raising purposes;
- the funds raised by the sales are retained by the organization to be used in the course of the organization's charitable service;
- the organization conducts sales for a total of 12 days or less during the calendar year; **and**
- the net proceeds of such sales do not exceed \$25,000 during the calendar year.

See FYI Sales 2 for additional information regarding sales made by charitable organizations.

Part 5: Sales Tax Licensing

Governmental entities

Any state or local government department, agency, or institution that makes retail sales in Colorado is a retailer subject to sales tax licensing and collection requirements. See FYI Sales 86 for information about sales made by schools and school organizations.

Occasional sales made from home

Individuals who make isolated or occasional sales from their homes are not required to obtain a sales tax license if they meet all of the following criteria:

- the sales are made from the individual's private residence;
- the aggregate amount of such sales are no more than \$1,000 per year;
- neither the seller nor anyone in the seller's household is engaged in a trade or business selling similar items.

A sales tax license is not required for sales that meet all of these criteria, but the seller must nonetheless collect all applicable state and state-administered local sales taxes for the sales. The seller must file a return and remit the tax due on an annual basis by April 15th of the following year.

Anyone making isolated or occasional sales from their home is subject to licensing requirements if they do not meet all of the criteria listed above or if they participate in a special event.

Special event licenses

Anyone making retail sales at one or more special sales events must obtain a special event license, unless the event organizer has obtained a license to collect tax on behalf of sellers participating in the event. A special

sales event is an event where retail sales are made by more than three sellers at a location other than their normal business location(s) and that occurs no more than three times in any calendar year. Special event license requirements apply to sellers participating in the event regardless of whether such sellers have been issued a standard retail sales tax license for their regular business location.

Special event licenses apply only to retail sales made at the special sales event by the seller to whom the license is issued. The license does not apply to sales made at the seller's regular business location or at any other location.

Event organizers

Special event organizers bear various responsibilities in relation to the special event. The organizer must inform each seller participating in the event of the various taxes and tax rates that apply to retail sales made at the event. Additionally, the organizer must provide a list of the sellers participating in the event to the Department. The list must include the names, addresses, and special sales event license number, if any, of each seller participating in the event. The organizer must submit such list to the Department within ten days of the last day of the event.

A special event organizer may elect to obtain a special event license in order to file and remit taxes on behalf of some or all of the sellers participating in the event. The license will only apply to the event for which it is issued and cannot be used for any other event.

Any seller participating in the event must collect the applicable state and state-administered local sales taxes due, but may elect to remit such taxes to the event organizer if the organizer has obtained a special event license. A seller participating in the event may make this election even if the seller has obtained a special event license of their own.

Part 5: Sales Tax Licensing

Special event filing

Any seller participating in a special event must file a return and remit payment of sales taxes for the event, unless the seller has remitted the taxes to the event organizer who has obtained a license as described above. If the event organizer has obtained a license, the organizer must file a return and remit payment for all sellers that have elected to remit taxes to the organizer. The seller's or organizer's return and payment must be filed and remitted by the 20th day of the month following the month in which the special event began. If the 20th falls on a Saturday, Sunday, or legal holiday, the return and tax remittance is due the next business day.

A licensed organizer must maintain records regarding all taxes remitted to the organizer. The records must include, for each participating seller that has remitted taxes to the organizer:

- the seller's name and address;
- the amount of gross retail sales made by the seller at the event; and
- the amount of sales tax collected by the seller at the event.

Any retailer who makes sales as a participant in a special event and also maintains a regular business location cannot simply include their special event sales in their sales tax return for their regular business location. The retailer must either file a separate return for their sales at the special event or remit the tax for such sales to the event organizer, as described above.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to Colorado sales tax licensing requirements. 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

- §39-21-119, C.R.S. Filing with executive director – when deemed to have been made
- § 39-26-102, C.R.S. Definitions
- § 39-26-103, C.R.S. Licenses
- § 39-26-718, C.R.S. Charitable organizations
- Regulation 39-26-718. Charitable and other exempt organizations

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/Tax/sales-tax-account-license](https://colorado.gov/Tax/sales-tax-account-license)

Part 6: Sales Tax Collection

Retailers must add the state sales tax, along with any state-administered local sales taxes, to the sale price or charge for any taxable sale. If the purchased property or taxable service is delivered to the purchaser at a location in Colorado, the retailer must collect all state and state-administered local sales taxes applicable to the point of delivery. The tax due constitutes a part of the price or charge and, until paid by the purchaser to the retailer, is a debt from the purchaser to the retailer that is legally recoverable in the same manner as other debts.

All sums of money paid by the purchaser to the retailer as sales taxes are and remain public money and the property of the State of Colorado, or the applicable local jurisdiction, in the hands of such retailer. The retailer must hold such monies in trust for the sole use and benefit of the State of Colorado until remitted to the Department. Failure to remit such taxes to the Department is punishable as provided by law.

Disclosure of tax imposed and collected

It is illegal for any retailer to advertise, hold out, or state to the public or to any customer, directly or indirectly, that the sales tax due:

- will be assumed or absorbed by the retailer;
- will not be added to the selling price of the property sold; or
- will be refunded to the purchaser, in full or in part.

The retailer must disclose the sales tax as a separate and distinct item. The amount of tax must be separately stated as a dollar amount. A statement of the tax rate only is not sufficient. If the retailer issues the buyer a receipt, invoice, or other document setting forth the purchase price, the retailer must separately state the tax on such document. If the retailer does not issue a document that sets forth the purchase price,

then the retailer must disclose the tax of each item on signage clearly visible to the purchaser.

Exempt sales

A retailer must exercise due diligence with respect to any sale for which the purchaser claims exemption from sales tax. If evidence readily discernible to the retailer at the time of the sale provides reason to doubt the purchaser's eligibility for the exemption claimed, the retailer must either obtain and retain sufficient information and documentation from the purchaser to resolve the doubt or must collect the applicable tax.

Exemption verification

If the purchaser is claiming exemption as a retailer, wholesaler, or tax-exempt organization, or as a contractor purchasing building materials for a tax-exempt construction project, the retailer must verify that the purchaser's sales tax license or exemption certificate is current and valid at the time of the sale and can do so online at Colorado.gov/RevenueOnline. Alternately, a retailer may inspect a physical copy of the purchaser's license or certificate, issued by the Department or the comparable tax administration agency of another state, to verify that it is current and valid and retain a copy for their records. A retailer may also accept from an out-of-state purchaser a fully completed Standard Colorado Affidavit of Exempt Sale (DR 5002), Sales Tax Exemption Certificate (DR 0563), or Multistate Tax Commission Uniform Sales & Use Tax Exemption/Resale Certificate. The retailer must retain a copy of the completed exemption form.

Part 6: Sales Tax Collection

Retailers must consider whether the nature of goods or services sold is consistent with the purchaser's claim that the sale is exempt from sales tax. The retailer must collect the tax if the retailer has reason to doubt that a purchase is:

- made for resale;
- made in the conduct of exempt organization's charitable functions and activities;
- made in the governmental capacity of U.S. government, the State of Colorado, or any of its departments, institutions, or political subdivisions; or
- otherwise exempt.

In the case of a sale to a tax-exempt organization or governmental entity, the retailer must also verify that the purchase is made directly from the funds of the organization or entity claiming the exemption. This requirement is satisfied if payment is made with a credit card or check in the name of the tax-exempt organization or governmental entity claiming exemption. This requirement does not apply to purchases made by charitable organizations for less than \$250.

Disputes about exemptions

Retailers bear the burden of proof for the proper exemption of any sale upon which the retailer did not collect sales tax. If there is disagreement between the retailer and the purchaser about whether or not a sale is exempt, the retailer must collect the tax and the purchaser is obligated to pay it. In the case of such disagreement, the retailer must issue to the purchaser a receipt or certificate showing the names of the retailer and purchaser, the item(s) purchased, the date, price, amount of tax paid, and a brief statement of the claim of exemption. The purchaser may request a refund from the Department of the tax paid using the applicable Department form.

Direct pay permits

Purchasers who meet certain qualifications may apply for a direct payment permit. A purchaser who holds a direct payment permit (a "qualified purchaser") assumes responsibility for remitting all applicable sales taxes directly to the Department and not to the retailer. Retailers will not be liable for the collection of sales taxes from a qualified purchaser if both of the following conditions are met:

- the qualified purchaser presents their direct pay permit at the time of the sale and
- payment is made from the qualified purchaser's funds and not from the funds of any other party, including the personal funds of any individual.

Direct pay permits issued by the Department have the words "Direct Pay Permit" in the upper left corner. The retailer must retain a copy of the qualified purchaser's direct pay permit.

Part 6: Sales Tax Collection

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales tax collection. 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
- § 29-2-106, C.R.S. Collection – administration
- § 39-26-102, C.R.S. Definitions
- § 39-26-103.5, C.R.S. Qualified purchaser – direct pay permit
- § 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
- § 39-26-108, C.R.S. Tax cannot be absorbed
- § 39-26-118, C.R.S. Recovery of taxes
- § 39-26-703, C.R.S. Disputes and refunds
- § 39-26-704, C.R.S. Miscellaneous sales tax exemptions – governmental entities
- Regulation 39-26-102(9). Retail Sales
- Regulation 39-26-103.5. Direct Payment Permit
- Rule 39-26-105(3). Documenting Exempt Sales
- Regulation 39-26-106. Separately stated sales tax / excess tax

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/RevenueOnline](https://colorado.gov/RevenueOnline)
- Standard Colo. Affidavit of Exempt Sale (DR 5002)
- Sales Tax Exemption Certificate (DR 0563)
- FYI Sales 63 – Government Purchases Exemptions

Part 7: Filing and Remittance

Retailers must file sales tax returns reporting all sales made, whether taxable or exempt, at regular intervals in accordance with prescribed filing schedules. If the retailer maintains a physical location in the state from which sales are made, but makes no retail sales during the tax period, the retailer must nonetheless file a return to report that no sales were made and no tax is due. The retailer's return must properly account not only for all state sales tax, but also for all sales tax collected and due for each applicable state-administered local jurisdiction. Forms, filing instructions, and electronic filing options are available online at [Colorado.gov/Tax](https://colorado.gov/Tax).

Filing frequency and due dates

A retailer's filing frequency is determined initially when the retailer's license is issued, but may be subsequently adjusted by the Department or at the retailer's request. In general, retailers must file monthly sales tax returns reporting and remitting all tax due. If the retailer's average or estimated monthly state sales tax collection is less than \$300, the retailer will be required to file returns and remit tax on a quarterly basis. If the retailer's average or estimated monthly sales tax collection is \$15 or less, the Department may grant the retailer permission to file on an annual basis.

The Department will, on an annual basis, calculate the retailer's average monthly sales tax collection and adjust the retailer's filing schedule to increase the retailer's required filing frequency if necessary. Any such adjustment will be made effective January 1. The Department will not make any automatic adjustment to a retailer's filing schedule to decrease the frequency of filing, but a retailer may, based upon reduced sales tax collection, request a change to their filing schedule.

Regardless of the retailer's filing frequency (monthly, quarterly, or annually), the retailer must file its sales tax return and remit all applicable tax by the 20th day of the

month following the close of the tax period. For example, a monthly filer's June return is due July 20th and a quarterly filer's 3rd quarter return is due October 20th. If the 20th falls on a Saturday, Sunday, or legal holiday, the retailer's return and tax remittance is due the next business day.

Seasonal businesses

If a retailer is engaged in a seasonal business (a business that the retailer does not operate in Colorado during certain months of the year), the retailer may request permission to file returns and remit tax only for the months of the year that the business operates. The retailer may make such request with its license application or by submitting such request to the Department in writing. The retailer must immediately notify the Department if the retailer operates its business in any month outside of the previously established period of seasonal operation.

Alternate filing schedules

If a retailer regularly employs accounting methods involving reporting periods other than calendar months (such as thirteen four-week periods over the course of the year), the retailer may request permission to file returns and remit tax on a filing schedule consistent with such accounting methods. Any retailer requesting such permission must make such request to the Department in writing.

Wholesalers

Wholesalers that make no retail sales must file returns on an annual basis to report their gross sales and allowable subtractions. A wholesaler that makes retail sales in addition to wholesale sales is subject to the same filing requirements as retailers and must file returns and remit tax monthly or quarterly, as applicable, unless the wholesaler has received permission to file less frequently.

Part 7: Filing and Remittance

Failure to file

If a retailer neglects or refuses to file a sales tax return for any period for which the retailer has an open sales tax account, the Department will estimate the tax due based upon the best available information. The Department will issue a notice of deficiency to the retailer based upon this estimate. When such estimate and notice of deficiency have been made, the retailer may prepare and file a return for the tax period in question or otherwise protest the notice of deficiency as provided by law.

Remittance requirements

Retailers are liable and responsible for state sales tax equal to 2.9% of their total taxable sales, regardless of whether the retailer actually collected such tax, as well as any tax collected in excess of this amount. Retailers are required to remit, with the filing of each return, all tax reported on such return, minus any service fee allowed to the retailer. Any tax a retailer fails to pay by the applicable due date is subject to penalties and interest.

Retailer's service fee

Unless a retailer is delinquent in remitting the tax due, the retailer may deduct and retain a service fee equal to 3.33% of the state sales tax due to cover the retailer's expenses in the collection and remittance of the tax. If the retailer is delinquent in remitting the tax due, the retailer is not allowed to deduct and retain any service fee. State-administered local jurisdictions may also allow retailers to retain a service fee from the collected local taxes, although service fee percentages vary by jurisdiction. See publication Colorado Sales/Use Tax Rates (DR 1002) for service fee percentages for state-administered local sales taxes.

If a retailer has appropriately retained a service fee and, subsequent to the applicable due date, owes additional tax for the filing period as the result of an amended return or an adjustment made by the Department, the retailer is not allowed to retain a service fee for the additional tax, but the retailer is allowed to retain the service fee associated with the original return, so long as the retailer filed the original return in good faith.

Electronic funds transfer (EFT)

A retailer is required to remit all state and state-administered local sales tax via electronic funds transfer (EFT) if the retailer's annual state sales tax liability for the prior calendar year exceeded \$75,000. Any local sales taxes the retailer collected in the prior year are not considered in determining whether the retailer exceeded the \$75,000 threshold. Retailers whose prior year state sales tax collection did not exceed the \$75,000 threshold may nonetheless elect to remit sales taxes via EFT.

Payments made by EFT must be made on or before 4:00 P.M. Mountain Time on the due date of the tax payment in order to be treated as paid on that day. Payments made after 4:00 P.M. Mountain Time are considered to be made on the following day. Payments made on a weekend or legal holiday are treated as paid before 4:00 P.M. of the next business day.

Part 7: Filing and Remittance

Penalties and interest

A retailer will owe penalties if they neglect or refuse to:

- file a return by the due date,
- pay the tax due by the due date, or
- correctly account, within their return, for all state and state-administered local sales tax due.

These penalties are imposed at a rate of 10% of the unpaid tax, plus an additional 0.5% for each month the tax remains unpaid, not to exceed a total of 18%. Additional penalties may be imposed for negligence or fraud.

Interest accrues on any late payment of tax from the original due date of the tax to the date the tax is paid. The rate of interest accrual depends on the calendar year(s) over which the deficiency continues. Additionally, a discounted rate is allowed if:

- the retailer pays the tax in full prior to the issuance of a notice of deficiency;
- the retailer pays the tax in full within 30 days of the issuance of a notice of deficiency; or
- within 30 days of the issuance of a notice of deficiency, the retailer enters into an agreement to pay the tax in monthly installments.

The discounted and non-discounted, regular interest rates for recent years are listed in the following table.

Annual Interest Rates

<i>Calendar year</i>	<i>Discounted rate</i>	<i>Regular rate</i>
2016	3%	6%
2017	4%	7%
2018	4%	7%
2019	5%	8%

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to sales tax filing and remittance. 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

- § 39-21-103, C.R.S. Hearings
- § 39-21-109, C.R.S. Interest on underpayment
- § 39-21-110.5, C.R.S. Rate of interest
- § 39-21-119, C.R.S. Filing with executive director – when deemed to have been made
- § 39-21-120, C.R.S. Signature and filing alternatives
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-105.5, C.R.S. Remittance of sales tax – electronic funds transfer
- § 39-26-109, C.R.S. Reports of vendor
- § 39-26-112, C.R.S. Excess tax - remittance
- § 39-26-115, C.R.S. Deficiency due to negligence
- § 39-26-118, C.R.S. Recovery of taxes
- § 39-26-122, C.R.S. Administration
- Regulation 39-26-105. Remittance of Tax
- Regulation 39-26-106. Separately stated sales tax / excess tax
- Regulation 39-26-109. Sales Tax Filing Schedules
- Special Rule 1. Electronic Funds Transfer



Part 7: Filing and Remittance

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/ Tax/sales-tax-file](https://colorado.gov/Tax/sales-tax-file)
- [Colorado.gov/RevenueOnline](https://colorado.gov/RevenueOnline)
- Colorado Retail Sales Tax Return (DR 0100)
- Colorado Sales/Use Tax Rates (DR 1002)
- Colorado Department of Revenue Electronic Funds Transferred (EFT) Program For Tax Payments (DR 5782)
- Electronic Funds Transfer (EFT) Account Setup For Tax Payments (DR 5785)

Part 8: Local Sales Taxes

Cities, counties, and special districts in Colorado can also impose tax on sales made within their boundaries. The Colorado Department of Revenue administers and collects sales taxes imposed by many cities, most counties, and a number of special districts. However, the Department does not administer and collect sales taxes imposed by certain home-rule cities, which instead administer their own sales taxes. Department publication Colorado Sales/Use Tax Rates (DR 1002) provides detailed information about local sales taxes and exemptions.

Retailers required to collect Colorado sales tax are also required to collect any applicable state-administered local sales taxes on any sales made at the retailer's location in Colorado, as well as on any sales delivered in Colorado. The criteria for determining whether a sale takes place within the boundaries of a particular state-administered local taxing jurisdiction are the same as for determining whether a sale takes place in Colorado. In general, a sale takes place within a state-administered local taxing jurisdiction if it is delivered to the purchaser at a location within that jurisdiction. See [Part 1: Retail Sales](#) for guidance in determining the location of a sale.

Local sales tax exemptions

In general, the local sales taxes administered by the Department apply to the same sales of tangible personal property and selected services as the state sales tax. However, the sales tax exemptions allowed by the state and state-administered local jurisdictions are not entirely identical. Department publication Colorado Sales/Use Tax Rates (DR 1002) provides detailed information about state-administered local sales tax exemptions.

Certified electronic address databases

The Department certifies qualifying electronic address databases that specify the local taxing jurisdictions that have the authority to impose a tax on purchases made at each address in Colorado. A list of certified electronic address databases can be found online at [Colorado.gov/Tax](https://colorado.gov/Tax).

If a retailer properly uses a certified electronic address database to determine the local jurisdictions with the authority to tax a given sale, the retailer will not be held liable for any local sales tax the retailer failed to properly collect solely as a result of an error or omission in the database. In order to be relieved of liability with respect to any particular sale, a retailer must collect, retain, and produce, upon request, documentation sufficient to demonstrate proper use of and reliance on a certified database at the time of the sale. See [Part 9: Recordkeeping Requirements](#) for information about recordkeeping requirements related to the use of electronic address databases.

Filing and remitting local taxes

State-administered local sales taxes are reported and remitted on the same form and at the same time as state sales taxes. See [Part 7: Filing and Remittance](#) and the Colorado Retail Sales Tax Return (DR 0100) for additional information. Many cities, counties, and special districts allow retailers to deduct and retain a service fee from collected taxes to cover the retailer's expenses in the collection and remittance of the tax. However, the allowable percentage for local service fees vary by jurisdiction. See [Part 7: Filing and Remittance](#) and Department publication Colorado Sales/Use Tax Rates (DR 1002) for additional information about retailer service fees allowed by state-administered local jurisdictions.

Part 8: Local Sales Taxes

Motor vehicles and building materials

Specific rules govern the imposition of state-administered city and county sales taxes on motor vehicles and building materials. These rules do not affect state or state-administered special district sales taxes.

Under certain circumstances, motor vehicles and building materials are subject to city and county use taxes, rather than sales taxes. The Colorado Department of Revenue does not administer use taxes for any city or county. Instead, any applicable city and county use taxes are generally paid directly to the city or county with the application for either motor vehicle titling or construction permitting. Department publication Colorado Sales/Use Tax Rates (DR 1002) provides information about local use taxes.

Motor vehicles

The sale of a motor vehicle is exempt from state-administered city or county sales tax if both of the following conditions are met:

- the purchaser is a nonresident of the city or county or, if the purchaser is a business, the purchaser's principal place of business is outside of the city or county and
- the motor vehicle is registered or required to be registered outside of the city or county.

If the sale of a motor vehicle is exempt from any state-administered city or county sales tax, based upon these conditions, the purchaser may be required to pay use tax to the county clerk at the time of registration for the city or county in which the vehicle is registered.

Construction and building materials

The sale of construction and building materials are exempt from state-administered city or county sales tax if both of the following conditions are met:

- the purchaser presents to the seller a building permit or similar documentation and
- the building permit or similar documentation shows that local use tax has been paid or is required to be paid.

Part 8: Local Sales Taxes

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to state-administered local sales tax. 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

- § 29-1-204.5, C.R.S. Establishment of multijurisdictional housing authorities
- § 29-2-102, C.R.S. Municipal sales or use tax
- § 29-2-103, C.R.S. Countywide sales or use tax
- § 29-2-103.5, C.R.S. Sales tax for mass transit
- § 29-2-105, C.R.S. Contents of sales tax ordinances
- § 29-2-106, C.R.S. Collection – administration
- § 29-2-109, C.R.S. Contents of use tax ordinances
- § 30-11-107.9, C.R.S. County tax for public safety
- § 30-20-604.5, C.R.S. District sales tax
- § 32-1-1106, C.R.S. Special financial provisions
- § 32-9-119, C.R.S. Additional powers of district
- § 32-13-107, C.R.S. Sales and use tax imposed
- § 32-19-111, C.R.S. Financial powers
- § 32-19-112, C.R.S. Sales tax imposed
- § 39-26-102, C.R.S. Definitions
- § 39-26-104, C.R.S. Property and services taxed
- § 39-26-105, C.R.S. Vendor liable for tax

- § 39-26-105.3, C.R.S. Remittance of tax – electronic database
- § 39-26-106, C.R.S. Schedule of sales tax
- § 43-4-605, C.R.S. Powers of the authority
- Regulation 39-26-102(9). Retail Sales
- Rule 39-26-105.3, 1 CCR 201-4. Electronic address databases

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/Tax/sales-and-use-tax-rates-lookup](https://colorado.gov/Tax/sales-and-use-tax-rates-lookup)
- [Colorado.gov/Tax/local-sales-use-tax-by-address](https://colorado.gov/Tax/local-sales-use-tax-by-address)
- [Colorado.gov/RevenueOnline](https://colorado.gov/RevenueOnline)
- Colorado Sales/Use Tax Rates (DR 1002)
- Colorado Retail Sales Tax Return (DR 0100)

Part 9: Recordkeeping Requirements

Retailers are required to keep and preserve any books, accounts, and records as may be necessary to determine the correct amount of tax for a minimum of three years. Such books, accounts, and records must include records of all sales and all information necessary to determine the correct amount of state and state-administered local sales taxes for which the retailer is liable. Additionally, every retailer must keep and preserve for a period of three years all invoices of goods and merchandise purchased for resale.

A retailer must produce all such books, accounts, invoices, and records upon request from the Department.

Documenting exempt sales

With respect to any tax-exempt sale, the retailer must obtain and retain sufficient information and documentation from the purchaser to verify the eligibility of the sale for exemption. For any purchaser claiming exemption as a retailer, wholesaler, or tax-exempt organization, the retailer must verify that the purchaser's sales tax license or exemption certificate is current and valid at the time of the sale. The Department recommends that retailers verify the validity of such purchasers' licenses or certificates online at Colorado.gov/RevenueOnline. In lieu of verifying a purchaser's license or certificate through the Department's online verification system, the seller may inspect a physical copy of the license or certificate for completeness and to ensure that the license or certificate has not expired. If the seller relies on a physical copy of the license or certificate for verification, the seller must retain a copy of the document for their records. A retailer must also retain copies of any of the following forms the retailer has accepted from an out-of-state purchaser: Standard Colorado Affidavit of Exempt Sale (DR 5002), Sales Tax Exemption Certificate (DR 0563), or Multistate Tax Commission Uniform Sales & Use Tax Exemption/Resale Certificate.

Direct pay permits

If a retailer does not collect tax on a sale because the purchaser holds a direct payment permit, the retailer must retain a copy of the direct pay permit. Direct pay permits issued by the Department have the words "Direct Pay Permit" in the upper left corner. See [Part 6: Sales Tax Collection](#) for additional information about direct pay permits.

Certified electronic address databases

A retailer that relies on a certified electronic address database and claims relief from liability based upon such reliance must retain records sufficient to demonstrate proper use of and reliance on the database. See [Part 8: Local Sales Tax](#) for additional information regarding electronic address databases.

Evidence of proper use

A retailer will be relieved of liability for a failure to collect the correct tax only if such failure resulted solely from an error or omission in a certified database. A retailer must retain records sufficient to demonstrate that the address the retailer checked through the database was complete and free of errors. If the address the retailer checked with the database was incomplete or contained errors, any resulting failure to collect the correct tax will not be considered a result of an error or omission in the database and the retailer will not be relieved of liability.

Part 9: Recordkeeping Requirements

Evidence of reliance

If a retailer contracts with a certified database provider for a “hosted” or “on premise” solution that integrates database utilization into the retailer’s billing system, the contract in effect at the time of the sale will demonstrate the retailer’s reliance on the certified database with respect to the sale.

If a retailer has no such contract for integrated database utilization, but instead accesses the database remotely for occasional use, the retailer must collect and retain documentation sufficient to demonstrate such use. Such documentation must reflect the physical address in question, the jurisdiction(s) identified by the database for the address, and the date that such information was accessed. A screen print of the database response will be sufficient to document reliance so long as the screen print reflects the address, the jurisdiction(s), and the date of use.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to recordkeeping requirements. 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

- § 29-2-106, C.R.S. Collection - administration
- § 39-21-113, C.R.S. Returns and reports
- § 39-26-103.5, C.R.S. Qualified purchaser – direct payment permit number
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-105.3, C.R.S. Remittance of tax – electronic database
- § 39-26-116, C.R.S. Record of sales
- Regulation 39-26-103.5. Direct payment permit
- Rule 39-26-105(3). Documenting exempt sales
- Rule 39-26-105.3. Electronic address databases

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- [Colorado.gov/Tax/local-sales-use-tax-by-address](https://colorado.gov/Tax/local-sales-use-tax-by-address)

Part 10: Refunds and Assessments

State law prescribes the period of time for a retailer to claim a refund for an overpayment of tax or for the Department to issue an assessment for an underpayment of tax. However, the period for refund or assessment may be extended by written agreement between the Department and the retailer.

Refund claims

If a retailer makes an overpayment of tax, the retailer may either claim a credit on a subsequent return or request a refund for the overpayment. Any refund claim must be made using the applicable Department form(s) and submitted to the Department within three years from the due date of the return on which the overpayment was made or within one year of the date of overpayment, whichever is later.

If a purchaser asserts that the sale qualified for exemption and the tax was collected by the retailer in error, the retailer may claim a refund or credit on behalf of the purchaser, but is not required to do so. In making any such claim, the retailer must demonstrate that the amount claimed, including any interest on the refund, has been or will be paid by the retailer to the purchaser.

A retailer submitting a refund claim bears the burden of proving the appropriate exemption of any sales that are the subject of the claim.

Assessments

If, upon examination of a filed return, the Department determines the correct amount of tax has not been paid, the Department will issue a notice of deficiency to the retailer. In general, the Department may issue such notice no later than three years after the return was filed or three years after the return was due, whichever is later. In the case of a false or fraudulent return with

intent to evade tax, there is no limit on the time for the Department to issue a notice of deficiency.

If a retailer neglects or refuses to file a return, the Department may estimate the tax due, based upon the information that may be available. The Department will issue a written notice to the retailer of the estimated taxes due, along with any applicable penalty and interest. If a retailer does not file a required return, there is no limit on the time for the Department to estimate the tax due and issue a notice of the estimated tax due to the retailer.

See [Part 7: Filing and Remittance](#) for information about penalties and interest.

Protests and appeals

A retailer who receives a notice of deficiency or notice of refund rejection may submit a written protest and request a hearing to dispute the notice. Any protest or request for hearing must be submitted within 30 days of the date of the notice. The protest or request for hearing must contain at least the following information:

- the retailer's name, address, and account number;
- the tax period(s) involved;
- the type and amount of tax in dispute;
- an itemized schedule of the findings with which the retailer does not agree; and
- a summary statement of the grounds upon which the retailer relies for the purpose of showing the tax is not due.

The protest or request for hearing must be signed by the retailer and filed in duplicate.



Part 10: Refunds and Assessments

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to refund claims and assessments. 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

- § 39-21-103, C.R.S. Hearings
- § 39-21-104, C.R.S. Rejection of claims
- § 39-21-107, C.R.S. Limitations
- § 39-26-105, C.R.S. Vendor liable for tax
- § 39-26-118, C.R.S. Recovery of tax
- § 39-26-703, C.R.S. Disputes and refunds
- Regulation 39-21-103. Hearings

Forms and guidance

- [Colorado.gov/Tax](https://colorado.gov/Tax)
- [Colorado.gov/Tax/sales-tax-basics](https://colorado.gov/Tax/sales-tax-basics)
- Colorado Retail Sales Tax Return (DR 0100)
- Claim for Refund (DR 0137)
- FYI Sales 90 – Sales and Use Tax Refund Requirements