

COLORADO SALES TAX

If you sell, rent or lease tangible personal property in Colorado, you must obtain a sales tax license. The type of license you need and the amount of tax you are required to collect depends upon who you are selling to and where and how you are doing business. A license is also required to rent accommodations for periods of less than 30 days. General sales tax reference guide, DRP 0099, is at www.taxcolorado.com.

SALES TAX LICENSES

Retail Sales Tax License

A retail sales tax license is required if you are selling, renting or leasing your product to the end user of the product. If you will be doing wholesale and retail sales you only need a retail sales tax license. Apply for the sales tax license on form CR 0100, "Business Registration." A retail sales tax license costs \$16 for a two-year calendar period plus a one time \$50 deposit. The deposit will be automatically refunded to you once you have collected and remitted a total of \$50 in state sales tax to the Colorado Department of Revenue.

Wholesaler License

A wholesaler license is required if you are selling your product to another business that will resell your product or use it as an ingredient in another product to be resold. A wholesaler license cost \$16 for a two-year period. Apply for the sales tax license on form CR 0100, "Business Registration." If your business is primarily wholesale, you may have up to \$1,000 in retail sales per year and will not be required to obtain a retail sales tax license. If you will have more than \$1,000 in retail sales per year, you should get a retail sales tax license and record your wholesale sales under your retail license.

Single Event

If you plan to attend a single event as a vendor at a location other than your regular business location, you must obtain a single event license. A single event license costs \$8 for each event, unless you already have a wholesale or retail license, then there is no charge. Apply for the single event license on form DR 0589, "Special Event Vendor Application."

Multiple Event License

If you attend more than one event during a two-year period, you should obtain a multiple event license. A multiple event license costs \$16 for a two-year calendar period, unless you already have a wholesale or retail license, and then there is no charge. Apply for the multiple event license on form DR 0589, "Special Event Vendor License Application"

Local Licenses

All county and most city sales taxes are collected by the state. However, there are 58 home-rule cities in Colorado that collect their own city sales tax. Any city or county can require a business license for business conducted within its jurisdiction.

Applications & Fees

Retail and wholesale licenses are obtained by completing the Colorado Business Registration, Form CR0100. Multiple and single event licenses are obtained by completing the Sales Tax Special Events Application, Form DR0589. All state sales tax licenses, except for single events, cost \$16 per two-year calendar period. Each two year period is divided into four six month quarters. The actual cost of your initial license will be prorated depending upon the quarter in which you obtain your license.

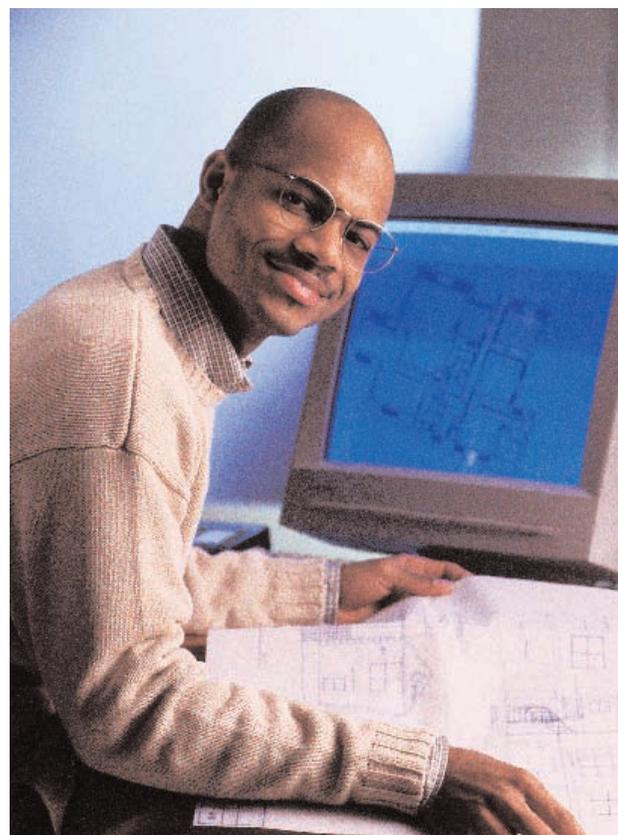
COLLECTING SALES TAX

Rates

If you will be selling a product to the end user, you must collect sales tax. The amount of sales tax you collect depends upon the taxing districts where your business is located, the type of business you are in and how the transaction is completed. To determine the amount of tax you must collect, you need to add together the various rates that apply to your business (DRP 1002).

State

The 2.9% state sales tax must be collected by all businesses selling tangible, personal property located in Colorado.



Special Districts

Businesses located in the Denver Metro area are required to collect 0.6% for the Regional Transportation District (RTD), 0.1% for the Scientific and Cultural Facilities District (CD), and 0.1% for the Football Stadium District (FD) for a total of 0.8%. The RTD/CD/FD area includes all of Denver, Boulder, Broomfield and Jefferson Counties, the western portions of Adams and Arapahoe counties and the northeast portion of Douglas

SPECIAL SITUATIONS

Mail Order and Delivery

When you have a mail order business or you sell a product contingent upon delivery to another location, by state rules you must collect the taxes you have in common with the delivery location. For example, if your business is in Durango and your delivery site is in Durango, you must collect 7.4%, the same amount you would collect if it were purchased at your business location without delivery; there is no difference in the amount of tax collected. If your business is in Durango and you deliver to Grand Junction, the only state collected taxes that the two locations have in common is the 2.9% state sales tax; therefore, you would only collect 2.9%. However, Grand Junction is a "self-collected" Home Rule city. Therefore, it is recommended that you contact the city directly regarding the collection of the city sales tax if your business will be doing the actual delivery into Grand Junction or any other "self-collected" Home Rule city. Further, if you have a branch of your business in the destination location, you must collect all the taxes that would be normally collected by the branch location. In this example, you would collect 7.65% based on the taxes collected in Grand Junction. The rule regarding branch locations and delivery applies to all locations. Finally, with the exception of auto sales, if your customer takes possession of your product at your place of business, you must collect all the sales taxes for your area, regardless of where your purchaser resides or intends to use the item. NOTE: Internet sales are the same as catalog sales for Colorado sales tax purposes.

County, including Highlands Ranch and parts of Broomfield. Businesses located in (RTA) Rural Transportation Authority Districts are subject to sales/use tax of 0.2% in Basalt, 0.5% in Carbondale and 1.4% in Glenwood Springs. A sales tax rate of 0.6% in Gunnison County with the exception of the cities of Marble, Ohio, Pitkin and Somerset. A rate of 0.35% within the city limits of Gunnison (DRP 1002).

County

Of Colorado's 64 counties, 49 have established county sales taxes. All county taxes are collected by the state.

City

There are 214 cities that have established city sales taxes. Most small cities' sales taxes are collected by the state. However, most of the larger cities (home rule cities) collect the city portion of the sales tax directly from the vendor and require a separate reporting form.

Lodging

There are 24 counties and various cities that have established lodging taxes on hotels, motels, bed and breakfast, condominiums and camping spaces (DRP 1002).

Special Taxes

Other special taxes are the Local Improvement District tax and Mass Transit District tax. In addition, Douglas County has a Short-term Rental Tax (DRP 1002).

Example

To determine the amount of tax you must collect, add all the rates that apply to your location and type of business. For example, if you have a restaurant in the City of Lakewood, you must collect 2.9% for the state, 0.8% for RTD/CD/FD, 0.5% for Jefferson County, and 2.0% for Lakewood. Your total sales tax rate would be 6.2%.

Tax Charts

Publication DRP 1002, "Sales/Use Tax Rates," lists all the various sales tax rates throughout Colorado and should be used as a guide to calculate the sales tax rates for different locations. The Department of Revenue also publishes separate rate charts which are useful tools in determining the correct amount of tax based upon the tax rates and the dollar value of the sale. On the web, you can easily find the current sales tax and special tax rates in your county and/or city at www.taxcol-

taxcol-orado.com By phone, call (303) 238-SERV (7378) automated forms system or to get sales tax information over the phone.

Mobile Businesses

If your business involves sales at your client's address or is mobile, you must collect the appropriate tax for each sales location. This will apply to many different types of businesses, including but not limited to: traveling salespersons, mobile locksmiths and interior decorators. If this situation applies to you, you will not have a principal place of business and must collect the appropriate tax for each point of sale. You should obtain a retail sales tax license to collect all state taxes and may need several city sales tax licenses from the home rule cities where you do business. However, you do not need to obtain an additional state tax license for each sale tax location. Department of Revenue Publication DRP 1002, Colorado Sales/Use Tax Rates, lists all state, county and city sales tax rates as well as addresses and phone numbers for home rule cities with separate licensing and collection procedures.

Craft Shows

If you will be selling at events, you must have a state multiple events license. If the event is held in a city that collects its own city sales tax, you may be required to obtain an additional city sales tax license.

Flea Markets

Flea markets which operate more than three times per year are considered to be a retail location. If you sell at a flea market more than five times a year, you must obtain a retail sales tax license. You may not use an event license.

Multiple Permanent Business Locations

If your business has multiple permanent branch locations, each branch must have its own license and collect the appropriate tax. Exception: vending machine operators and mobile businesses are only required to have one state license and report the appropriate tax collection under a single license. However, each machine is required

If you sell, rent or lease tangible personal property, or rent accommodations for less than 30 days, you must collect retail sales tax.

For more information about sales tax responsibilities or existing sales tax accounts, contact the Colorado Department of Revenue at (303) 238-SERV (7378). You can also visit its website at www.taxcolorado.com

If you use products on which Colorado sales taxes have not been paid, consumer use tax is due!

to display a vending machine decal and may still be subject to local licensing requirements. All local taxes and licensing at the vending machine location(s) are applicable.

Small Home Businesses

If you operate a small business from your home and your total annual sales are less than \$1,000 per year, you do not have to obtain a state sales tax license. However, you must collect all applicable sales taxes and file a "Combined Annual Retail Sales Tax Return," DR 0100A, at the end of each calendar year. In addition, you will not be able to purchase inventory or supplies at wholesale without a license. If you are located in a home rule city, contact your city officials regarding your local sales tax requirements.

Charitable Organizations

Colorado allows charitable organizations that have been classified 501(c)3 by the U.S. Internal Revenue Service an exemption from state-collected sales tax. The exemption must be requested in writing using the form, "Application for Sales Tax Exemption for Colorado Organizations," Form DR0715. The exemption only applies to items purchased for use in the regular operations of the organization. When making tax exempt purchases, the organization must show a copy of the exemption certificate or have one on file with the vendor. Purchases of \$100 or more must be made using an organization check or credit card.

Tax exempt organizations must still obtain a sales tax license and collect sales tax on all items sold to the public. However, organizations making sales on no more than 12 days per year with gross sales of less than \$25,000 are exempt from state sales tax licensing and the obligation to collect sales tax. Most cities and counties have not adopted this exemption. Licensed charitable organizations are exempt from payment of the \$50 deposit on retail sales tax licenses.

SALES TAX FRAUD

It is illegal to use your sales tax license to obtain personal goods or assets which you will use in business tax-free. Only goods which will be resold may be purchased exempt from sales tax. Sales tax must be listed separately from the purchase price on the items you sell on all invoices. Vending machines, bar drinks and mobile food cart vendors are exempt from this rule. It is illegal to advertise that you will make retail sales "tax free" or absorb the cost of sales tax.

FILING RETURNS AND PAYMENT OF TAXES Filing Requirements

Once you have obtained a sales tax license, the Department of Revenue will send you preprinted "Combined Retail Sales Tax Return" forms DR 0100. If you have a wholesaler license, you will file annually. If you have a retail license and you collect less than \$300 in state sales tax each month, you must file quarterly. If you collect \$300 or more in state sales tax every month, you must file monthly. All sales tax returns are due the 20th of the month following the end of the taxing period; i.e., the return for April-June is due July 20. If the 20th falls on a Saturday, Sunday or holiday, the due date is the next regular business day. If you have a single or multiple event license, an individual return must be filed for every event. Each return must be filed by the 20th of the month following the month in which an event is held. County lodging tax and city collected sales taxes are each filed separately. If your sales tax return is not filed or postmarked on or before the due date, you

must pay a 10 percent penalty plus interest on the amount due. You must file a sales tax return for every period, even if no tax was collected for the period. Each applicable line must be completed on the DR 0100.



DEPARTMENT OF REVENUE SERVICE CENTERS

Colorado Springs

4420 Austin Bluffs Pkwy., Suite 188
(719) 594-8706

Denver

1375 Sherman St.
(303) 238-SERV (7378)

Fort Collins

1121 W. Prospect Rd., Bldg. D.
(970) 494-9805

Grand Junction

222 S. Sixth St., Room 208
Across from police station
(970) 248-7140

Pueblo

310 E. Abriendo Ave., Suite A4
Security Service Credit Union
(719) 542-2920

SALES TAX SUMMARY

- If you will be selling any tangible personal property, you must obtain a sales tax license. If you are selling to the end user, you are a retailer. If you will be selling to someone who will resell your product or use it to make another product that is resold, you are a wholesaler. If you are doing both, it is only necessary to obtain a retail sales tax license.
- Wholesale and retail licenses are \$16 for a two-year calendar licensing period. The cost of a new license is prorated during the licensing period. There is a \$50 deposit on retail licenses that is refunded once \$50 in state sales taxes have been collected and remitted to the Colorado Department of Revenue.
- If a business has more than one location, each location must be licensed. The \$50 deposit is only collected for the first location.
- If you will be selling products at an organized event, you are required to obtain an event license. A single event license is good only for a single event. A multiple event license is good for an unlimited number of events during the licensing period.
- A multiple event license costs \$16 for a two-year calendar licensing period. The cost of a new license is prorated during the licensing period. A single event license costs \$8. If a business has a retail or wholesale license, there is no charge for either a multiple event or single event license.
- Use the Colorado Business Registration, Form CR 0100, to apply for a retail or wholesale license. Use the Sales Tax Special Events Application, Form DR0589, to apply for a Multiple or Single Event license.
- If you will be located in a home rule city, you must contact the city regarding local licensing requirements.
- Determine your proper sales tax rate for your business location(s). DRP 1002, Sales/Use Tax Rates, contains the individual rates for all the different sales tax jurisdictions in Colorado.

WORKSHEET

State Sales Tax	2.9%
RTD/CD/FD Special Tax	_____
County Sales Tax Rate	_____
City Sales Tax Rate	_____
Other Sales Tax Rate	_____
TOTAL	_____

If you purchase items to use in your business, sales/use tax should be paid at the time of purchase or by filing a Consumer Use Tax Return, Form DR0252. The tax on items which were originally purchased for resale but are actually used by your business should be paid on your sales tax return. You may also be subject to local use taxes. Check with the city's sales/use tax (DRP 1002).

For more information concerning how and when to collect sales taxes, call (303) 238-SERV (7378) and/or your local home rule city.

CONSUMER USE TAX

Use tax is imposed on the storage, use or consumption, in Colorado, of tangible personal property upon which Colorado sales tax has not been paid. For example, if you purchase a piece of machinery for your business in another state, consumer use tax must be paid in Colorado. The amount of tax is based upon the primary

location where an item is used and the purchase price or fair market value. The state use tax rate is 2.9 percent, the RTD/CD/FD rates total 0.8 percent and the RTA district taxes vary from one location to another. These taxes are paid to the Department of Revenue by filing a "Consumer Use Tax Return," Form DR0252. If you use items taken from your sales inventory, you may report the cost and tax on line 10 of your sales tax return. Using either method, county and city use taxes may also be due. If the seller collects the tax, it's sales tax. If the seller does not

collect the appropriate tax, the consumer (user) must pay use tax.

INTERNET SALES

Website Internet access, e-mail services, website hosting and domain name registration are nontaxable services in Colorado. However, if service providers sell tangible personal property to customers in Colorado, then sales tax should be charged on those items. The sale of goods through the Internet is treated the same as the sale of tangible personal property through traditional selling methods.

Seller

A website that sells tangible personal property collects tax in the same manner as a mail order business that sends catalogs to customers to place phone or mail orders. If the seller and the customer are both located in the same taxing jurisdiction, then the seller must collect that tax. For further information on taxing jurisdictions please see FYI Sales 62, "Guidelines for Determining When to Collect State-Collected Local Sales Tax," found at www.taxcolorado.com.

Purchaser

If you are in Colorado and purchase goods over the Internet, you will owe sales tax on the purchase if buying from a seller that is also located in Colorado. If you are buying from a vendor not located in Colorado, you will probably not pay sales tax to the seller, but will pay state and possibly a special district use tax directly to the state of Colorado on form DR 0252, "Consumer Use Tax Return," found at www.taxcolorado.com.

Still Confused About Sales Tax?

Sales tax classes are held in the Service Centers. At the beginning of each month check www.taxcolorado.com for current class locations and schedules. Sales tax classes include information on what is sales tax, how to collect sales tax as well as how to fill out sales tax returns. Check with the local home rule cities to see if they offer a class.