# FYI – For Your Information

# Sales Tax Filing and Changes in Account Status

This FYI provides information for businesses concerning maintaining business tax accounts with the Department of Revenue. Topics include filing, notices and account closure and changes procedures and information.

#### **FILING FREQUENCY**

When a business first applies for a license on Form CR 0100 "Colorado Business Registration," the business must select the filing status of either monthly, quarterly, annually or seasonal depending upon the amount of sales tax collected each month. If the business fails to designate a filing status when applying for a license, the account will default to a monthly filing status. If a business files quarterly or annually, the filing status may automatically be changed after 12-months by the department to a monthly filing status. This change will occur if the business exceeds the sales tax collection requirements for quarterly or annual filing. However, if a business whose filing status has been automatically changed to monthly submits a written request for filing status change to the Colorado Department of Revenue's Business Tax Accounting Section, a filing status change may be granted based upon a review of the payment history of their account.

#### Wholesale Accounts

If a business sells "Wholesale" only, the filing status of that business will remain on an "annual" filing status.

### ELECTRONIC PAYMENT REQUIREMENT

#### EFT for Retail Sales

Filers are required to remit by electronic funds transfer (EFT) all state and local sales taxes collected by the Department of Revenue if their liability for state sales tax for the previous calendar year was more than \$75,000. A business may elect to remit their sales tax by EFT even if they do not fall under mandatory requirement.

#### How to pay through EFT

To establish **any** electronic funds account with the Department, submit a completed application "Authorization For Electronic Funds Transfer (EFT) for Tax Payments," Form DR 5785. Also see Form DR 5782 "Electronic Funds Transfer (EFT) Program for Tax Payments." Both forms are located at on the Web at www.taxcolorado.com

## BUSINESS TAX RETURNS WHEN NO TAX IS COLLECTED

#### Sales Tax Returns

Taxpayers who do not collect sales tax during a filing period **must** file a "0" (zero) return even if no payment is due. On the sales tax return (Form DR 0100 "Retail Sales Tax Return), enter "0" on lines 1, 9 11, 15 and in every column related to a jurisdiction for which the business must collect tax.



Colorado Department of Revenue Taxpayer Service Division 1375 Sherman St. Denver, Colorado 80261

Forms and other services: (303) 238-FAST (3278)
Assistance: (303) 238-SERV (7378)
Fuel Tax: (303) 205-5602
www.taxcolorado.com

#### Sales Tax Non-filer Notices

If a business does not file a required return, a non-filer notice will be automatically issued by the department. The business tax non-filer notice is form DR 6604 "Reminder to File." It is an arbitrary tax assessment based on the filing history. If there is no filing history, then an arbitrary tax amount will be assessed. If a business receives a non-filer notice they must file the return after which the notice will be cancelled.

#### Sales Tax Seasonal Non-filer Notices

A business that files on a seasonal basis is required to file a sales tax return for the months they are open, even if no sales tax is due. They must enter "0" (zero) in the appropriate columns on the same designated lines as a monthly or quarterly sales tax filer. If a seasonal filer fails to file a return they will receive a non-filer notice form DR 6604 "Reminder to File." The same would apply to seasonal filers for Wage Withholding tax.

#### SALES TAXACCOUNT CLOSURE

If a business is closing their account they must notify the department on their final return that the business is closing.

Businesses may also file form DR 1102

"Account Change or Closure Form" to close an account. This form is available on the Web site at <a href="https://www.taxcolorado.com">www.taxcolorado.com</a>
A business may also contact the Department of Revenue in writing (Registration Control, Colorado Department of Revenue, 1375 Sherman St., Room B-132, Denver, CO. 80261) or call (303) 238-SERV (7378) to close a tax account.

When a business closes or when one of the business's multiple location closes, the taxpayer must immediately notify the department of the closure to avoid receiving non-filer notices. Include the effective date of closure (last day of business). The department will then close the business registration (account) number for that location.

#### SALES TAX ACCOUNT CHANGES

Businesses should notify the department of any address changes.

The following changes must be made by completing a "Colorado Business Registration" (CR 0100) and submitting it with any fees associated with the change.

- If a business's ownership status changes (for example, from a partnership to a individual ownership), the business must obtain a new account number. The department will close the previous registration (account) number and open a new account for the new entity. This will be treated as a new application and all applicable fees will apply.
- If a business opens an additional location, it must be added to the existing account. The fee for each additional location is \$16, however, the \$50 deposit is not charged on additional locations. However, if requesting a new account number be established for a new location the license fee plus the \$50 deposit must be remitted with the application.
- A mobile business (selling out of a truck or other vehicle), must have an account number for each state collected jurisdiction (city/county) in which sales are made. A sales tax license (\$16 fee) and \$50 refundable sales tax deposit are required for the mobile business, however, there is no additional \$16 license fee required for each jurisdiction.

#### HOW LONG BEFORE A BUSINESS RECEIVES THE LICENSE

Allow four to six weeks to receive a license in the mail. If you apply for a license in person at one of the Taxpayer Service Centers, a license number will be issued immediately. The actual license will then be sent to you within two weeks.

### WHAT TO DO WHEN PURCHASING OR SELLING A BUSINESS

When a business is purchased by another party, both the old and new business operator must follow certain steps with the Department of Revenue and with other agencies. [Reg. 39-26-117.1].

- The seller should close the business tax account or change its address (if the business is moving) with the Department of Revenue.
- The purchaser may request a tax status letter (DR 0096) from the seller. The Department of Revenue will issue the letter at the present owner's (seller's) request. The letter will indicate whether all business tax filings are current. There is a \$7 fee for each type of tax reviewed.
- The seller must pay any sales taxes that have been collected prior to the sale of the business. The sales taxes must be filed within 10 days of the sale. The new business owner may become liable for any unpaid tax due on sales made by the previous owner.
- The new business should open a business tax account with the Department of Revenue.
- · The sale of a business often includes tangible personal property. Therefore, the buyer who is purchasing business assets must pay state sales tax and, if applicable, city, county and/or special district sales taxes on that property. The sales tax must be paid on tangible personal property such as equipment, furniture, and fixtures, whether used or new. The business purchaser remits the applicable sales taxes on the purchase of the business tangible property using the "Retail Sales Tax Return for Occasional Sales" (Form DR 100A). It must be filed with the department on or before the 20th day of the month following the date of purchase. If vehicles are involved in the sale, sales tax on vehicles is paid to the county where the vehicles are registered.
- If the business is moving to a new location a different tax rate may be in effect at the new business location. Refer to the Department of Revenue publication "Colorado Sales/Use Tax Rates" (DRP 1002) for local tax rates throughout the state. This publication is updated in January and July each year and available at www.taxcolorado.com

Additionally, tax rates may be obtained from the Sales Tax Information System. See more about this system at the end of this publication under "Further Information."

- If the business sale took place in a home-rule city, both the old and new owner should contact the city for additional sales tax information.
- If the business is a restaurant or food service, the new business owner should contact the Colorado Department of Public Health or the county health department where the business is located.
- If the business sells liquor, the Liquor Enforcement Division, (303) 205-2300, must be notified of the ownership change.
- If a business is purchased through a stock transfer, the business can retain the same sales tax account number. This type of transaction is not considered a sale and therefore, is not a change in ownership status, see 39-26-102 (10)(b) C.R.S.

#### **FURTHER INFORMATION**

FYIs and commonly used forms are available on the Web at: www.taxcolorado.com

The Colorado Department of Revenue offers automated services for and about businesses. The Sales Tax Information System provides the following automated services:

- Colorado Sales Tax Rates finds specific city, county and special district rates.
- Verification of Sales Tax License Exemption Numbers — determines whether a Colorado sales tax license or exemption certificate is valid.
- Tax Rates by Account Number finds sales tax rates and locations for specific sales tax accounts.

These services make it possible for taxpayers to help themselves to information 24-hours a day.

Web users may use this online service at www.taxview.state.co.us

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.