

## **Sales Tax - Charitable Organizations**

*How does an organization qualify for state sales tax exemption?*

The threshold for Colorado sales tax exempt status is exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code. In most cases, the organization must first qualify for the federal 501(c) (3) status before becoming eligible to receive state sales tax exemption status.

Once an organization has been given a federal 501(c)(3) exempt status, then that organization may apply for state sales tax exemption on Form DR 0715 Application for Sales Tax Exemption for Colorado Organizations. Submit the application and all supporting federal documents. However, having a 501(c) (3) exempt status does not guarantee state exempt status. The Colorado Department of Revenue will review the state application and supporting documentation to determine state requirements are met. See also Regulation 39-26-102(2.5)

Note that if a charitable or non-profit organizations does receive state exempt status that this only applies to the 2.9 percent state sales tax and any applicable special district taxes. The exemption may not apply to local taxes levied by home-rule cities or in some instances state-collected local taxes. Since some home rule cities have their own regulations regarding local tax the organization should contact that municipality or county to find out how this would affect the organization. See Publication DR 1002 Colorado Sales and Use Tax Rates.