



CONSUMER USE TAX AND CHANGES FROM HOUSE BILL 10-1193

by Fiona Sigalla

What is the Consumer Use Tax?

Colorado residents have always been required to pay sales or use tax on taxable purchases from out-of-state firms — including both catalog and online stores — if the item or service is sold, leased, or delivered in Colorado for use, storage, distribution, or consumption in the state. Many taxpayers were unaware of this obligation.

Use tax, also referred to as "consumer use tax," is payable to the state by businesses and individuals when sales tax is due but has not been collected (Section 39-26-202, C.R.S.). This occurs when the seller did not collect sales tax, such as when using an out-of-state retailer that does not collect Colorado sales tax on a taxable item.

Colorado state use tax is the same rate as the sales tax, 2.9 percent. With proof of payment, sales tax paid to another state may be credited against state use tax due in Colorado for a particular item. Use tax is also collected by some special districts.

For individuals, the use tax is due by April 15 for purchases made during the prior calendar year.

How has the Law Changed?

There has been no change in law for consumers. Because most individuals have been

unaware of their use tax liability, House Bill 10-1193 created new mechanisms for retailers to help consumers follow existing law. These notifications are intended to help Colorado residents pay their use tax obligation.

Retailers that do not collect Colorado sales tax are now required to notify Colorado purchasers that the State of Colorado requires the purchaser to file a use tax return. Retailers must send notification to all Colorado purchasers by January 31 of each year showing the total amount purchased from the retailer in the previous calendar year. Retailers must also file this information annually with the Department of Revenue. The new law includes a "de minimis" clause that exempts retailers from this requirement if their Colorado sales are less than \$100,000.

How Can Consumers Pay the Use Tax?

Some online retailers collect sales tax. There is no need to report a purchase when the sales tax has already been paid.

It is not necessary to itemize purchases. Taxpayers must report total taxable purchases for which taxes have not been paid. Without an itemized record of these transactions, the Department of Revenue requests that taxpayers make a best reasonable estimate.

Not all purchases are taxable. In general, tax is due on all purchases of tangible personal property. However, there are items that are exempt from sales and use tax, such as food and medications. Sales and use tax are also not due on services, such as a warranty. Consumers do not pay motor vehicle sales taxes with a consumer use tax return. For more information, contact the Department of Revenue. FYIs and commonly used forms are available on the Internet at www.taxcolorado.com

How is Use Tax Collected in Colorado?

Consumers must remit use tax payments to the Colorado Department of Revenue with a "Consumer Use Tax Return" form that is available from the Department of Revenue.

More information about the tax and a copy of the form can be found at the following website: www.colorado.gov/cs/Satellite/Revenue/REVV/1177017542096.

Colorado use tax can be remitted *electronically* at the following website: www.colorado.gov/mytaxes.

For individuals, tax is due by April 15 for purchases made during the prior calendar year. Penalties and interest are due on late payments.

For individuals without access to the Internet, more information or a claim form can be obtained from the Department of Revenue at:

Colorado Department of Revenue
1375 Sherman St.
Denver, CO 80261-0013
303-238-SERV (7378)