
Colorado Department of Revenue

Tax-Exempt Sales/Purchases
Taxpayer Service Division

Agenda

- **Terms**
- **Tax-Exempt Documents**
- **Determining Exempt Status**
- **Sales by Tax-Exempt Organizations**
- **Government Purchases**
- **Licensing**
- **Filing Guidelines**
- **Resources/Contacts**

Terms

- **Jurisdiction:** Physical taxing territory on a map. For example, taxing jurisdictions in Colorado are state, county, city and special districts.
- **State-Collected:** City, county and/or special district sales tax is collected by the Colorado Department of Revenue.
- **Home-Rule City:** Jurisdiction that collects its own taxes.
- **Special District:** Taxing area. For example, RTD/CD/LID/RTA are a few in Colorado.
- **Service Fee:** A discount taken on a timely filed sales tax return. Cannot be applied to sales transactions.
- **Nexus:** When a jurisdiction has determined that a business has a sales or business presence in their jurisdiction even if there is no physical location.

Tax-Exempt Documents

**Purchases for Resale
Tax-Exempt Certificates
Construction Projects
Direct Pay Permits**

Resale Purchases

- Before accepting a sales tax license for a tax-free purchase:
 - Verify the license by using Revenue Online, www.Colorado.gov/RevenueOnline
 - Determine if purchaser is in the business of reselling items purchased (for example, an artist purchasing office supplies to resell might be questionable.)

Tax-Exempt Certificate

- For non-profit, charitable, school, religious or government organizations (FYI Sales 2).
- Issued by the DOR only for Colorado exempt organizations who qualify.
- This exemption does not apply to locally-collected sales tax levied by home-rule cities.
- Verify validity online via Revenue Online www.Colorado.gov/RevenueOnline
- No fee.
- Authorizes organizations to make tax-free purchases of TPP and services when items are to be used in the conduct of the organization's regular charitable function.

Exempt Certificate - Construction

- Building materials for construction work on property owned by tax-exempt organizations—religious, charitable and governmental—may be purchased tax free. However, the purchaser must have an Exemption Certificate. To obtain the certificate, the contractor must submit an “Application for Exemption Certificate” (DR 0172) to the Department of Revenue.
- The sales and use tax exemption applies to materials that become part of the structure, highway, road, street or other public works owned and used by the tax-exempt organization. Also, electricity and most fuels consumed in performing real property construction are exempt.
- The purchase or rental of equipment, supplies and other materials by the contractor is **taxable**.
- Issued only to the General Contractor for each exempt project. Application (DR 0172)
- No fee.
- Sub-contractors must obtain a copy of the certificate from the General Contractor.

Direct Pay Permit

- Vendors making sales to qualified purchasers who have a direct pay permit are not required to collect the state and local taxes due on such sales provided the qualified purchaser has a valid direct pay permit number.
- These numbers will either begin with 90 or 090 followed by five digits **OR** the number will be an 8-digit number followed by a dash and four digits. **The permit will have the words Direct Pay Permit in the upper left corner.**
- The purchase must be paid for directly with funds of the qualified purchaser (not the personal funds of an individual). However, the direct pay permit is not applicable to county lodging tax and/or county rental tax and is not applicable to self-collected and administered municipal sales taxes. [§§ 30-11-107.5 and 30-11-107.7, C.R.S.] Contact these municipalities directly for their rules or direct pay procedures.
- **The vendor is required to keep on file a copy of the qualified purchaser's direct pay permit.**
- FYI Sales 78, Direct Pay Permit for Colorado Sales Tax

Sales Tax Exempt Status for Charitable Organizations

**Application Requirements
FYI Sales 2**

General Information

- Colorado allows charitable organizations an exemption from state-collected sales tax for purchases made in the conduct of their regular charitable functions and activities. [§39-26-718 (1) (a), C.R.S.]
- This exemption does not apply to locally-collected sales tax levied by home-rule cities. Home-rule jurisdictions make their own tax regulations and they must be contacted directly for information.
- Certificate Charge – Free.
- Verify validity at *www.Colorado.gov/RevenueOnline*

IRS Income Tax Exempt?

- The threshold for sales tax exempt status in Colorado is exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Such income tax exempt status must first be obtained from the federal Internal Revenue Service. Package 1023 is the "Application for Recognition of Exemption Under Section 501 (c) (3) of the Internal Revenue Code." The companion Publication 557 is "Tax-Exempt Status for Your Organization."
- The form number to remit the fees is 8718. To obtain package 1023 from the IRS, call 1-800-829-1040 or write to P.O. Box 192, Covington, KY 41012-0192.
- The cost ranges from \$150 to \$500.

Purpose of Organization

- Organizations must be organized specifically for one of the following purposes:
 - religious, charitable, scientific, testing for public safety, literary or educational;
 - to foster national or international amateur sports competition, as long as no part of its activities involve providing athletic facilities or equipment;
 - the prevention of cruelty to children or animals, as long as no part of the net earnings benefit any private shareholder or individual.
- Additionally: No substantial part of the organization's activities may include carrying on propaganda or otherwise trying to influence legislation; the organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office (including the publishing or distribution of statements).

All Purchases Tax-Exempt?

- In determining whether an organization will be granted exempt status for Colorado sales tax purposes, the Department of Revenue (DOR) is not bound by the IRS determination.
- Any society or organization whose deeds and gifts are limited to its members and their beneficiaries and which depends upon payments required of its members are not charities and are not organized for charitable purposes.
- Additionally, not all purchases by qualified organizations are exempt from Colorado sales tax. The exemption applies only to purchases of items used in the conduct of the organization's regular charitable functions and activities.

Veterans Organizations

- The Colorado Revised Statute, 39-26-102 (2.5), is specific in what circumstances veterans organizations qualify under IRS code 501(c)(19) for exemption from sales tax. An exemption may only be granted for a special event, meeting or other function that is not part of the organization's regular activities.
- The organization would need a special event license and sales tax would be exempt from purchases but sales tax must be collected and remitted on the items sold at the event. Since the statute is specific in that an exemption may only be granted for a special event or function that is not part of the organizations regular activities, a permanent sales tax exemption for veterans organizations is excluded.
- **NOTE:** Exempt status for Colorado sales tax purposes does not necessarily mean that donations to the organizations are tax exempt or tax deductible for people who make the donations. Such donations are income tax matters and are subject to determination by the IRS.

Application Procedures

- Complete and return to the Department of Revenue an Application for Sales Tax Exemption for Colorado Organizations (DR 0715). Please note that when applying for exempt status, organizations **must** include with their application a copy of their 501(c) (3) letter provided by the Internal Revenue Service.
- If the Department of Revenue determines that your organization qualifies for sales tax exempt status, the organization will receive a “Certificate of Exemption” that authorizes it to purchase items and services used in the conduct of its regular charitable functions and activities without paying state sales tax and state-administered local sales taxes when items are to be used in the conduct of the organization’s regular charitable function.
- **NOTE:** Governmental entities **need not** obtain a tax-exempt certificate or number for tax-exempt organization status.
- Purchases made by government agencies are exempt from sales tax if the order for goods is made on a prescribed government form or purchase order and payment is made to the seller by warrant or check drawn directly from governmental funds. [§39-26-704 (1), C.R.S.]

Sales by Charitable Organizations

Charitable Organizations - 501(c) (3)

When to Collect Sales Tax

- Charitable organizations which hold IRS section 501(c)(3) qualification letters and have a Colorado exemption certificate may be exempt from collecting sales tax during fund raising events.
- If the charitable organization conducts sales for a total of 12 days or less during a calendar year and the net proceeds from all these events do not exceed \$25,000 in that calendar year, the sales are not subject to sales tax. [Net proceeds is total gross events receipt(s) less expenses attributable to the event(s).]
- As soon as the organization reaches either \$25,000 in net proceeds, or conducts sales for more than 12 days a year it must obtain a sales tax license from the department and begin collecting sales tax. [§39-26-718 C.R.S.]

Local Governments

- Charitable organizations should contact their local government to find out if a similar exemption is allowed for local taxes. For local tax rates in cities and counties where the state administers the tax, organizations may refer to the publication Colorado Sales/Use Tax Rates (DR 1002).
- If the local jurisdiction is a state-collected tax jurisdiction that does not allow the exemption, the charitable organization should obtain a Colorado sales tax license so that the organization can report and pay local tax to the department.

Sales by Other Tax-Exempt Organizations

- Other tax-exempt organizations (including governmental entities and schools) that sell tangible personal property (for example, through a secondhand goods retail store, a fundraiser sales event or routine sales of organization-related items) must obtain a sales tax license and collect all applicable state and local sales taxes.

School Sales

- Beginning September 1, 2008, sales made by schools, school activity booster organizations, and student classes or organizations are exempt from state sales tax if all proceeds of the sale are for the benefit of a school or school-approved student organization. [§39-26-725(2), C.R.S].
- Proceeds of sales by public school parent/teacher organizations can also be used for the reasonable expenses of the organization. [§39-26-718(1)(c), C.R.S.]
- This state sales tax exemption includes, but is not limited to, fundraiser items such as gift wrap, bake sale goods, silent auction donation items, and booster club concession stand food items that are sold by the school or school-related organization.
- The sales tax exemption for school-related sales does not apply to state-collected city and county local sales tax unless they have added the exemption to their ordinances.
- FYI Sales 86, “Sales Tax Exemption on School Related Items”



Government Purchases



FYI Sales 63

Government Purchases

- Colorado statute exempts from state and state-collected sales tax all sales to the United States government and the State of Colorado, its departments and institutions, and its political subdivisions (county and local governments, school districts and special districts) in their governmental capacities only. [§39-26-704.1 C.R.S.].
- Home-rule jurisdictions may have different rules regarding government tax exemptions and should be contacted individually.
- The term “state and state-collected” sales tax refers to the following: state sales tax, state-collected local sales tax, state-collected county lodging tax, and state-collected special district sales tax.

Payment Verification

- In order for a government entity to take advantage of the tax exemption, the purchase must be made with a prescribed government form or purchase order, and paid for directly to the seller by warrant or check drawn on governmental funds, or via credit card in the name of the exempt governmental agency. [Reg. 39-26-704.1].
- When using a credit card, verification that the purchase is for governmental purposes and will be paid for by the governmental agency may be required. A letter on the governmental entity's letterhead is acceptable for this purpose.
- In cases where the seller invoices on a delayed basis for a purchase, the billing must be made directly to the governmental agency, not to the individual making the purchase.

Government Credit Cards

- State and federal government use a variety of credit cards to facilitate government purchases and travel by their employees. Credit card companies now prohibit retailers from making copies of the card, so exempt purchases paid by credit card must be documented with the DR 1367, Affidavit of Sales Paid by Government Credit Card.
- The DR 1367 may be obtained from our Web site, www.TaxColorado.com

Procurement Cards

- The **Procurement Card**, intended for official state business only, allows qualifying and authorized purchases of general merchandise and services to be exempt from tax. All state of Colorado procurement cards are MasterCard.
- The procurement card displays the words “Commercial” or “Purchasing.” State agencies and institutions of higher education also have the option of placing their respective logo on their cards or have the state seal. The procurement card includes the agency’s tax exemption number. The bottom of the card displays the name of the authorized cardholder to whom the card is issued (authorized to purchase on behalf of the state).

Local Government Credit Cards

- Some local governments issue credit cards in both the government employee's and agency's name. In many instances the bill is directly paid by the local government agency in which case purchases are then tax-exempt.
- Local government Procurement Cards must have the city or county name on it and the words "Purchasing Card" to be considered exempt.
- It can be difficult for vendors to determine the tax-exempt status of these cards. The government agency can present a letter on government letterhead to the vendor as a way to verify that the purchase is for government purposes and will be paid by the government agency. This would help vendors determine the taxability of the transaction.

Federal Government Credit Cards

- The federal government's credit card program is called "GSA SmartPay" (General Services Administration).
- Purchases made with cards billed directly to the government agency are **not** taxable. These cards are the **Fleet Card** (which has a picture of cars on it) and the **Purchasing Card** (which has a picture of the U.S. Capitol on it.)
- Purchase cards issued by the Department of Commerce will list an eight-digit exemption number below the cardholders name.

Diplomatic Tax Exemption

- Foreign diplomats and agents of foreign governments are exempt from paying state and state-collected sales tax **if** they present special sales tax exemption cards. These cards, issued by the U.S. Department of State, are color coded.
- The color coding represents varying degrees of tax exemption. The cards bear the name and photograph of the authorized bearer, and are nontransferable. If the vendor has any questions regarding the identity of the bearer, the vendor may ask for additional forms of identification, such as a diplomatic ID, driver's license, etc.,

Diplomatic Card Examples

- **Individual Cards** - Cards with a **blue** band across the bottom exempt the bearer from **all** state and state-collected sales taxes, including taxes on hotel rooms. Cards with a **yellow** band list all restrictions on tax exemption. A card with a stripe other than blue should always be examined carefully.
- **Mission Cards** - These tax-exemption cards are to be used for official purposes **only**, and **not** for individual, personal purchases. Mission cards, like the individual cards, carry the name and photograph of the authorized bearer, are nontransferable, are issued with the same blue and yellow bands across the bottom. Expiration dates are printed on the cards. All cards are subject to the same restrictions as the individual cards (see above). Purchases made with mission cards must be paid by mission check or mission credit card.

When In Doubt, Collect The Tax

- If a vendor and a purchaser disagree on the application of a tax, the vendor must collect the tax. [C.R.S. 39-26-102(22)]. The vendor should give the purchaser a receipt for the purchase showing how much sales tax was collected.
- Advise the purchaser to file a Form DR 0137 “Claim For Refund” which is available on our Web site www.TaxColorado.com
- **The vendor is ultimately responsible for the collection of sales taxes.**

State-Issued Licenses

**FYI Sales 9
“Sales Tax Licenses and Filing
Requirements”**

Sales Tax License Application

- To establish a state sales tax account and obtain a state sales tax license:
 - Apply online with Colorado Business Express:
www.Colorado.gov/cbe
 - Complete form CR 0100, “Sales Tax/Withholding Account Application” which can be downloaded from our Web site,
www.TaxColorado.com
 - If applying in person at a Taxpayer Service Division Service Center:
 1. Valid proof of identification is required at the time of application.
 2. Valid proof includes: a Colorado Driver’s License, Colorado ID Card, U.S. Passport, Resident Alien Card (including eligibility for employment), U.S. Naturalization papers and/or Military ID Card.
 3. Payment for license fees can be made by check or money order only. No cash or credit cards can be used.

Standard Retail License

- A person or business having a permanent location where retail sales are conducted on a regular basis must obtain a standard sales tax license. [§39-26-103, C.R.S.]
- The fee for a two-year license is \$16 and prorated in \$4 increments every 6 months. There is a one-time deposit of \$50.
- Under Colorado law the deposit is only refundable to the extent the business remits sales tax. For example, if a retail business collects and remits \$30 in state sales tax, the Department will then refund only \$30.
- Standard sales tax licenses must be renewed every two years.
- If you have more than one permanent sales location, each location must have a 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.

Wholesale License

- Wholesalers must obtain a standard sales tax license and pay the \$16 license fee, but are not required to pay the \$50 deposit. [§39-26-103 (8), C.R.S.]
- A wholesaler is a person or business doing a regularly organized wholesale or jobbing business, is known to the trade as such, and sells only to retail merchants, jobbers, dealers, or other wholesalers for the purpose of resale.
- Businesses registered as wholesalers will receive one return in December with which to remit any taxes collected during the year on limited retail sales.

Charitable Organizations - License

- **Charitable organizations** which hold IRS section 501(c)(3) qualification letters and have a Colorado exemption certificate **may be exempt from collecting sales tax during fund raising events.**
- If the charitable organization conducts sales for a total of 12 days or less during a calendar year **and** the net proceeds from all these events do not exceed \$25,000 in that calendar year, the sales are not subject to sales tax. [Net proceeds is total gross events receipt(s) less expenses attributable to the event(s).]
- If sales are conducted more than 12 days in a calendar year, all sales are subject to taxes. For example, if the charitable organization chooses to conduct sales on a thirteenth day during the calendar year, the entire amount of gross sales from all 13 days is subject to sales tax.
- However, if a charitable organization makes more than \$25,000 in net proceeds during a calendar year, sales tax applies to net sales that exceed this amount but not to the first \$25,000 in net proceeds.

Charitable Organizations cont.

- Charitable organizations should contact their local governments to find out if a similar exemption for local taxes is allowed.
- If the local jurisdiction is a state-collected tax jurisdiction that does not allow the exemption, the charitable organization should obtain a Colorado standard sales tax license so that the organization can report and pay local tax to the department.
- If there's a question about whether the organization's net proceeds will exceed \$25,000 in a calendar year, tax should be collected on all sales and the organization should obtain a Colorado sales tax license.
- The license fee for charitable groups is \$8 every two years.
- The \$50 sales tax license deposit is not required.

Other Tax-Exempt Agencies

- Government organizations and schools operating a retail business, such as a thrift store or snack bar, **must** obtain a standard sales tax license and collect and remit sales taxes.
- Government agencies may obtain the license free of charge.
- The \$50 sales tax deposit is not required.
- Government agencies, (such as libraries), and schools which hold a fund raising event where items will be sold at retail **must** obtain a sales tax license and must collect all applicable state and local sales taxes.
- If the agency holds only one fund raising sale, it should obtain a single event license; however, if a sale is held on a **regular basis**, e.g., once each week or month, a standard sales tax license is required.

Event Sales Tax Licenses

Single Event Sales Tax License

- A single event sales tax license is required when an individual, organization or vendor plans to conduct or participate in a retail sales event at a location other than the regular business operation at which there are three or more vendors.
- The single event license is valid **only** for sales made during the single event.
- The fee is \$8, but this license is free to vendors who already have a standard sales tax license. A license is required regardless of the anticipated amount of sales.

Multiple Events Sales Tax License

- Persons engaged in selling at retail at more than one special event in any two-year period at which there are three or more vendors have the option of obtaining a multiple events license rather than obtaining a single event license for each event. Multiple events licensees may participate in any number of events at various locations (other than their regular business location) during the covered two-year period.
- The fee is \$16 for a two-year period, but is prorated in increments of six months if the license is purchased after June 30 of any year.
- There is no fee for this license to vendors who already have a standard sales tax license.

Event Sales Tax Licenses cont.

- The organizer of a sales event which includes three or more vendors may obtain an event license.
- If the organizer obtains the license for the event, then the vendors need not obtain licenses individually.
- In that case, however, the organizer is required to remit all taxes collected by the vendors who do not have a license for the event and also for vendors who have a license but who elect to have the organizer remit the tax.
- Special Event Application (DR 0589).
- File separate sales tax return (DR 0098) due the 20th of the month following the start date of the event.

Events – Revenue Online

- If an event is listed in Revenue Online, you may submit the return and payment. Be sure to remit both return and payment by the 20th of the month following the start date of the event to avoid penalties/interest.

- Go to: www.Colorado.gov/RevenueOnline
 - Click on “Business”
 - Then “File a Return”
 - Then “File Special Event Sales Tax”
 - Click on your event to file/pay

Filing a Sales Tax Return

File Online

General Guidelines

Due Dates

File Online – Revenue Online

File Online.

**Ensure timely filing and prevent common filing errors.
Get Started with Revenue Online Today!**

What is Revenue Online?

Revenue Online offers convenient and secure access to conduct business with the Department of Revenue on a computer, laptop, smart phone or tablet.

The services available in Revenue Online let you file and pay online and manage your accounts without the need to contact the department by phone, email or in person.

Revenue Online cont.

Register for Electronic Funds Transfer (EFT) Payment Service

1. Use EFT to pay more than 50 types of business and personal tax liabilities
2. Must register with the department to use service
3. View EFT number immediately
4. PIN code emailed immediately
5. Free ACH debit
6. Free ACH credit

For All Sales, Use and Withholding Taxes

1. View payment history, account balances and letters from the department
2. Update your account address
3. Close a business tax account
4. File a Protest
5. Add Power of Attorney
6. Set up access to your tax account for a Third Party
7. Manage online account access
8. File/amend returns, file zero returns and make payments

Revenue Online cont.

Sales Tax

1. Verify multiple location/branch account numbers (before you file)
2. Verify a Colorado sales tax license
3. File special event sales tax returns and pay tax
4. View county and city sales tax rates
5. Verify the sales tax rates at a business's location(s)
6. Obtain a rate chart for a specific tax percentage
7. Find tax rates by address

Withholding Tax

1. File returns (zero returns, too) and make payments
2. Submit withholding annual reconciliation statements
3. Sign up as a Withholding Submitter on behalf of a business/client

Secure Messaging

1. Submit a question to the department
2. View responses in your Revenue Online account
3. Protests are not accepted through secure messaging

General Guidelines

- When filing by paper, complete both sides of the worksheet for your records.
- Make check payable to: Colorado Department of Revenue.
- In memo area:
 1. Write “Sales Tax”
 2. Filing period date (Example: 01/11-03/11)
 3. Account Number
- Mail the remittance copy and check to the following address:
COLORADO DEPARTMENT OF REVENUE
DENVER, CO 80261-0013
- Mail on or before the 20th day of the month following the close of the tax period. If postmarked by 20th, it is considered to be on time.

Due Dates

- Monthly (taxable sales of \$10,000 or more/month.)
 - 20th day of month following reporting period

- Quarterly (taxable sales less than \$10,000/month)
 - January – March due April 20th
 - April – June due July 20th
 - July – September due October 20th
 - October – December due January 20th

- Annually (if, after a year of operation, your business collects \$15 or less/month in sales tax, you may request to file your return annually.)
 - Due January 20th.

Colorado Department of Revenue

**Resources/Contacts
Revenue Online
Classes
Home-Rule Cities**

CDOR Contacts

Colorado Department of Revenue

- www.TaxColorado.com
 - Forms, FYI publications, Online Customer Support, Statutes & Regulations, Tax Index, Links to other government agencies, Tax Alerts

- Call Center, M-F, 8:00 a.m. - 4:30 p.m.
 - 303-238-7378 (SERV) - General Information

- Walk-in Service Centers (Visit our Web site for days and hours of operation)
 - Denver (1375 Sherman Street - 14th & Sherman)
 - Colorado Springs, Fort Collins, Grand Junction, Pueblo

Secure Email Messages

- **Need to communicate with us about your tax account?**
- Send a secure message through Revenue Online, www.Colorado.gov/RevenueOnline.
 - If you have set up a Login ID and Password to access your Colorado tax account through Revenue Online, you have the option to send questions to department staff.
 - The messages you send to and from the Department of Revenue are secure -- you must access your Revenue Online account to send messages and view responses from the department.

Tax Classes

Free Tax Classes – Department of Revenue

1. Sales/Use Tax Part I – Content online and CPE credit is available.
2. Sales/Use Tax Part II – Content online and CPE credit is available.
3. Wage Withholding – Content online.
4. Contractor/Manufacturing – Content online and CPE credit is available.
5. Hospitality – Content online and CPE credit is available.
6. Printing/Advertising – Content online.
7. Use Tax – Content online and CPE credit is available.
8. Non-Profit/Tax-Exempt Class – Content online.
9. Income Tax Professional Update Class – Content online and CPE credit is available.

Home-Rule Cities

- Contacts listed on pages 5 - 6 of the DR 1002
- Can also be located via: www.Colorado.gov/RevenueOnline
 - Business Link
 - View Local Sales Tax Rates
 - Home-rule City Links
- Note: Home-rule city link will take you to the municipal government page where you can link directly to their Web site. Many home-rule cities conduct sales/use tax classes and will need to be contacted directly for details.

Questions?

**Thank you for attending
and
best of luck in your business!**