

TITLE, REGISTRATION, AND SALES TAX

ADMINISTRATIVE MANUAL

SALES TAX SECTION UPDATES

Updated December 2009

Web Version

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SECTION: GENERAL INFORMATION ABOUT COLORADO STATE TAXES

Updated December 2009

SUBJECT: INFORMATION TELEPHONE NUMBERS

A. Sales/Use and Withholding Taxes

(303) 238-7378

B. Income and Severance Taxes

(303) 238-7378

C. Forms

(303) 238-3278

D. Income Tax Refund Inquiries

(303) 238-3278

WEB INFORMATION

www.TaxColorado.com

FYI Publications

Tax Index

SECTION: GENERAL INFORMATION ABOUT COLORADO STATE TAXES

Updated December 2009

SUBJECT: SERVICE CENTER LOCATIONS

- A. Colorado Springs Service Center
4420 Austin Bluffs Parkway
Colorado Springs, CO 80918
Telephone: (719) 594-8706
Open 8 a.m. to 4:30 p.m. Monday through Friday

- B. Denver Service Center
1375 Sherman Street, Room 112
Denver, CO 80261
Open 8 a.m. to 4:30 p.m. Monday through Friday

- C. Fort Collins Service Center
1121 West Prospect Road, Building D
Fort Collins, CO 80526
Telephone: (970) 494-9805
Open 8 a.m. to 1 p.m. and 2 p.m. to 4:30 p.m.
Monday through Friday

- D. Grand Junction Service Center
222 South Sixth Street, #208
Grand Junction, CO 81501
Telephone: (970) 248-7140
Open 8 a.m. to 12 p.m. and 1 p.m. to 4:30 p.m.
Monday through Friday

- E. Pueblo Service Center
827 W 4th Street, Suite A
Pueblo, CO 81003
Telephone: (719) 542-2920
Open 8 a.m. to 12 p.m. and 1 p.m. to 4:30 p.m.
Monday through Friday

SECTION: STATE SALES AND USE TAXES

SUBJECT: INTRODUCTION

A. Definitions

1. Sales Tax: a tax imposed by the State of Colorado upon the purchase price of tangible personal property sold in Colorado. Cities and counties may also impose sales taxes on tangible personal property sold within their jurisdictions.
2. Consumer's Use Tax: a tax imposed on the storage, use or consumption in Colorado of tangible personal property upon which sales tax has not been paid; the state consumer's use tax rate is the same as the state sales tax rate.
3. Local Use Tax: cities and counties for which the state collects local sales tax have the option to impose local use tax only on motor vehicles and/or construction materials. County and city local use taxes on motor vehicles are collected by the county prior to registration and titling of the vehicle. Local use tax on construction materials is collected by the jurisdiction that imposed it. Home rule cities are not restricted in the items on which they may impose local use taxes.

B. Sales and Use Tax Information Telephone Number.

. (303) 238-7378

C. Sales and Use Tax Rates

1. The Colorado state sales and use tax rate is 2.9 percent.
2. City and county sales and use tax rate information, as well as special district sales and use tax rates appear on our form DR 1002. These lists are updated to be effective January 1 and July 1 each year.
3. Copies of these lists of tax rates are available to be viewed and printed from our Web site in the forms section. The Web site address is www.TaxColorado.com.
4. In the "Online Services" section of that website, local sales tax rates can be verified. Click on the link "Sales tax Rates by City/County." As a reminder, this site only references sales tax rates. No reference is made to local use tax rates.

SUBJECT: MOTOR VEHICLE PURCHASES FROM COLORADO DEALERS

A. Regional Transportation District (RTD), Scientific and Cultural Facilities District (CD), and Metropolitan Football Stadium District (FD) sales and use taxes should be collected in the following manner:

1. Purchased from dealer located within the RTD/CD/FD and the buyer lives within the district. RTD, CD and FD sales taxes must be collected by the dealer.
2. Purchased from dealer located outside the RTD/CD/FD and the buyer lives within the district. RTD, CD and FD use taxes should be collected by the County Clerk before the vehicle is titled.
3. Purchased from dealer within the RTD/CD/FD and the buyer lives and registers his/her vehicle outside of the district. No RTD, CD and FD taxes are due.

B. State, city and county sales or use taxes should be collected in the following manner:

1. Purchased from Colorado dealer in same jurisdiction in which it is to be titled.
 - a. Dealer collects from buyer state sales and, if any, city and county sales taxes.

Example 1: Dealer and buyer are located in same city. Dealer collects state, city and county sales tax.

Example 2: Dealer and buyer are located in same county, but in different cities. Dealer collects state and county sales taxes, but not city. In this situation, if the city in which the vehicle is titled has imposed a use tax on vehicles, the county would collect the city use tax prior to titling. If, however, the city in which the vehicle is registered does not have a use tax on vehicles, no city tax is due.

Reference : C.R.S. 39-26-104; 32-9-119(2)(a); 29-2-105(1)(d).

2. Purchased from Colorado dealer in jurisdiction different from which it is to be titled.
 - a. Dealer collects from buyer state sales tax only. County collects local use taxes, if any, prior to registration and titling of the vehicle.
 - b. Reference: C.R.S. 39-26-104; 39-26-202; 39-26-208; 29-2-109; 32-9-119(2)(a).

SUBJECT: MOTOR VEHICLE PURCHASES FROM COLORADO DEALERS

3. Exception: Vehicle purchased from Colorado dealer by a nonresident with the intent to register and use vehicle in another state within 30 days.
 - a. No state or local sales or use tax is due if the vehicle is removed from Colorado within 30 days. Purchaser must obtain 60-day permit from the dealer or county. County may not issue another permit for that vehicle after the 60-day permit expires unless the owner can prove that title has been applied for and registration is being sought in another state with evidence such as copies of paperwork sent to the other state.
 - b. State and applicable local taxes are due if the vehicle remains in Colorado for more than 30 days even if it is registered in another state.
 - c. The dealer should complete the DR 0780 "Statement of Colorado Sales Tax Exemption For Motor Vehicle Purchase". The form must be signed by the purchaser. The form may be downloaded and printed from the forms section of the DOR Website at www.TaxColorado.com.
 - e. Reference: C.R.S. 39-26-113(5)(a); 42-3-102; 42-3-203(3)(a).
4. Exception: Nonresident military personnel stationed in Colorado may register their motor vehicles in their home of record and therefore pay sales tax to the state of their home of record.
5. Gap Protection, known as the "Total Loss Protection Plan", does not become part of the purchase price of a vehicle and is not subject to sales/use tax. The Gap Protection guarantees full payment to the lien holder, if the vehicle is totaled in an accident.

SUBJECT: MOTOR VEHICLE PURCHASES BY COLORADO RESIDENTS OUT OF STATE OR OUT OF COUNTRY

- A. Purchased out of state by Colorado resident using permanent Colorado address, for example, military personnel stationed out of state. Vehicle brought to Colorado for title.
1. County clerk collects from buyer state use and, if applicable, RTD/CD/FD and local use taxes (less the combined amount or amounts of any legally imposed sales or use taxes he/she paid on the vehicle to another state and any subdivision thereof applied first against the amount of any use tax due the state and then applied against the amount of any use tax due a subdivision) prior to registration and titling of the vehicle.
 2. Reference: C.R.S. 24-60-1301; 39-26-713(2)(f).
- B. Purchase out of state by Colorado resident using permanent Colorado address. No tax paid to other state. Vehicle titled in other state, but later brought to Colorado.
1. Same as for "A" above. (Note: A title from another state is not adequate proof that sales or use taxes were paid to that state. Although Colorado requires that all state and local taxes be paid on a motor vehicle before a title is issued, not all states have this requirement. Therefore, the county should demand to see proof of taxes paid in addition to title from the state in which the vehicle was purchased if the vehicle owner is claiming a credit against his/her Colorado use tax liability for taxes paid to the other state.)
 2. Reference: C.R.S. 39-26-202; 39-26-208; 29-2-109.
- C. Purchased out of the country by Colorado resident using permanent Colorado address, for example, military personnel stationed in a foreign country. Vehicle brought to Colorado for title.
1. County clerk collects from buyer state use and if applicable, RTD/CD/FD and local use taxes. No credit is allowed against Colorado State, RTD/CD/FD or local use tax for any taxes paid to the foreign country on the vehicle. Colorado maintains agreements of reciprocity regarding sales tax with all states. It does not honor sales tax paid to other countries.
 2. Reference: C.R.S. 39-26-202; 39-26-208; 29-2-109.
- D. Purchased out of the country by Colorado resident using permanent Colorado address, e.g., military personnel stationed in a foreign country. Vehicle titled and/or licensed in foreign country and later brought to Colorado.

1. Same as for "C" above.
2. Reference: C.R. S. 39-26-202; 39-26-208; 29-2-109.

SUBJECT: MOTOR VEHICLE PURCHASES BY NONRESIDENTS

- A. Brought into Colorado by a resident from another state, who titled and registered the vehicle in his/her home state, for his/her own use and later titled in Colorado when owner becomes a Colorado resident.
 - 1. No state or local sales or use tax is due when Colorado title is issued.
 - 2. Reference: C.R.S. 39-26-203(1)(m).
- B. Purchased out-of-country by a nonresident of Colorado and brought to Colorado for registration and first use.
 - 1. County collects state use and, if applicable, RTD/CD/FD and local use taxes. (Any separately stated foreign taxes that are sufficiently identified as a foreign tax paid on the vehicle are to be deducted from the purchase price of the vehicle. Such foreign taxes are not allowed as a credit against Colorado state or local use taxes.)
 - 2. Reference: C.R.S. 39-26-202, 39-26-203, 39-26-208, 29-2-109.
- C. Purchased by a nonresident in Colorado from a Colorado dealer.
 - 1. The same guidelines apply as for Colorado residents. (See page 8 of this section. If purchaser intends to register the vehicle in another state within 30 days, also see page 13, item "3" of this section.)
- D. Purchased by a nonresident in Colorado from an unlicensed individual.
 - 1. The same guidelines apply as for Colorado residents. (See page 6 of this section. If purchaser intends to register the vehicle in another state within 30 days, also see page 6, item "3" of this section.)
- E. Purchased out-of-country by a nonresident of Colorado, registered and substantially used in the foreign country where purchased before coming to Colorado to be registered. Substantial use means approximately one year or longer.
 - 1. No state or local sales or use tax is due. However, if a vehicle is purchased just prior to coming to Colorado and such vehicle is first used on vacation outside Colorado, it will not be considered "substantial use" and use tax will be due as in "B" above.
 - 2. Reference: C.R.S. 39-26-203(1)(m).

SUBJECT: MOTOR VEHICLE SALES AND EXCHANGES BETWEEN UNLICENSED INDIVIDUALS

- A. Sale between two private parties in same jurisdiction.
 - 1. County collects state sales and, if applicable, RTD/CD/FD and local sales taxes. In other words, for the purposes of this situation, county collects local sales tax whether the jurisdiction has a use tax on motor vehicles or not. County remits state sales tax and RTD/CD/FD sales tax in the manner that it remits state use tax.
 - 2. Reference: C.R.S. 39-26-104; 32-9-119; 29-2-105.
- B. Sale between two private parties in different jurisdictions.
 - 1. County collects state sales tax and, if applicable, RTD/CD/FD and local use taxes. In this situation, no local tax is collected unless the jurisdiction in which the purchaser resides has a use tax on motor vehicles.
 - 2. Reference: C.R.S. 39-26-104; 39-26-202; 39-26-208; 29-2-109.
- C. Two vehicles are exchanged between two private parties.
 - 1. No state or local sales or use tax.
 - 2. However, if cash or other consideration in addition to vehicles was involved in the exchange, then tax is due on the amount of cash or fair market value of the consideration. In this case, sales tax is due if both parties are in the same jurisdiction as in "A" above. But use tax is due if the parties are in different jurisdictions as in "B" above.
 - 3. Reference: C.R.S. 39-26-104(1)(b)(I)(A)&(B) and 39-26-704(5).

SUBJECT: MOTOR VEHICLE PURCHASES BY CITIZENS OF FOREIGN COUNTRIES

- A. Purchased outside of Colorado by citizen of a foreign country and then brought into Colorado.
 - 1. No state or local sales or use tax is due, even if the vehicle is being brought to Colorado for first use.
 - 2. Reference: C.R.S. 39-26-203(1)(m).

- B. Purchased in Colorado by citizen of a foreign country.
 - 1. The same sales and use tax guidelines apply to citizens of foreign countries as apply to Colorado residents who purchase vehicles in Colorado except as provided by the U.S. Department of State's Diplomatic Tax Exemption Program.
 - 2. For diplomats, all official and personal vehicle purchases must be authorized for tax exemption by the US Department of State, Office of Foreign Missions. The dealer must contact the Office of Foreign Missions directly for authorization. Colorado is located in the OFM-Los Angeles district. The telephone number currently is (310) 235-6292.
 - 3. Reference: C.R.S. 39-26-114.1(a)(III)(1) and 39-26-114(1)(a)(III).

SUBJECT: MOTOR VEHICLE PURCHASES--SALVAGE VEHICLES

- A. Purchaser wrecks new vehicle shortly after purchasing it and before it is titled.
 - 1. County collects any applicable use taxes when vehicle owner applies for a "Salvage Title." In other words, the county collects the same taxes that would have applied if the owner were titling and registering the vehicle.
 - 2. Reference: C.R.S. 39-26-104; 39-26-202; 39-26-208; 29-2-109.
- B. Vehicle is sold under a "Salvage Title."
 - 1. A licensed dealer should collect any applicable taxes when he sells the vehicle to a person who is not in the business of selling salvage vehicles or parts from salvage vehicles.
 - 2. When the salvage title is applied for by a dealer for resale or by a holder of a sales tax license, such as a junkyard, who will sell parts, no tax is due. This is classified as a wholesale transaction. In order to qualify as a wholesale transaction, the parts must be resold in the course of the purchaser's regular business activities. For example, a wholesale transaction does not occur when a junkyard or salvage dealer sells parts or a salvaged vehicle to a restaurant. The assumption would be made that parts would not be resold in the course of the restaurant's regular business activities. It is the responsibility of the junkyard or salvage dealer to verify that the transaction is actually a wholesale transaction.
 - 3. Counties should collect tax from unlicensed individuals. If tax was paid to a dealer, the purchaser should present the receipt as proof.

SUBJECT: MOTOR VEHICLE PURCHASES--BASIS FOR COMPUTING TAX

- A. The basis for computing sales or use tax on a motor vehicle shall be the purchase price less gross trade-in allowance (and any separately stated taxes that are sufficiently identified as paid to a foreign government).
 - 1. A credit shall be allowed against Colorado taxes for the amount or combined amounts of any legally imposed sales or use taxes paid on the vehicle to another state and any subdivision thereof. The credit shall be applied first against any use tax due the state and then applied against the amount of any use tax due a subdivision.
 - 2. Foreign taxes, however, are not allowed as a credit against Colorado state or local use tax. Such taxes, as provided in this section "A," are deducted from the purchase price of the vehicle before computing the Colorado tax.
 - 3. Reference: C.R.S. 39-26-102(7)(b) and 39-26-203(1)(k).

- B. When application for title is submitted to title a vehicle purchased from an unlicensed individual, the proper price on which sales or use tax is to be assessed is determined as follows:
 - 1. The purchaser must furnish the county with adequate documentation to substantiate the purchase price.
 - 2. If the stated purchase price is less than the "Kelley Blue Book" wholesale price, the purchaser must provide the county with a signed statement that verifies the actual price paid for the vehicle. (A sample statement is on the next page, which counties may copy for use in their offices. These statements should be included with the title paperwork that is sent to the Department of Revenue.) Otherwise, the county must use the average retail price as indicated in the "Kelley Blue Book" for computing the tax.
 - 3. Reference: C.R.S. 39-26-201(1) and 36-26-102(7).

Statement of Purchase Price of Motor Vehicle

DR 0070

SECTION: STATE SALES AND USE TAXES

SUBJECT: VEHICLES PURCHASED BY A DEALER

- A. Does a motor vehicle dealer have to pay tax when he/she titles a vehicle under his/her own name even though the vehicle will be used for business purposes?
1. If the dealer qualifies to receive and use Dealer Full-Use Plates, Dealer Demo License Plates, Depot License Plates, and/or Dealer In-Transit License Plates, and the vehicle is used within the requirements of the statute, the dealer's right to the sales tax exemption continues. Sales/use tax is not due on those transactions.
 2. All other vehicles operated in Colorado by a dealer which do not qualify for any of the special license plates are subject to full sales tax on the net cost of the vehicle less any trade-in allowance.
 3. Reference: see Sales Tax FYI 14, "Special Regulation: Automobile Dealers, Vehicles Used in a Manner That Continues the Right to the Resale Exemption"
- B. Can a motor vehicle dealer give away a vehicle in his/her inventory?
1. Yes, as long as the dealer retitles the vehicle in the dealership's name.
 2. Sales tax must be collected when the dealer retitles the vehicle from a Dealer's Resale title to a Colorado title. The dealer originally purchased the vehicle free of sales tax, because he planned to sell the vehicle in the regular course of his business activities.
 3. For additional information, see Sales Tax FYI 32, "Gifts, Premiums and Prizes"

SUBJECT: MOTOR VEHICLE LEASES

A. Do leasing companies have to pay tax on motor vehicles purchased for the purpose of leasing?

1. No. Leasing companies must complete and return to the Department of Revenue "Permit to Collect Sales Tax on the Rental or Lease Basis" (form DR 0440). The department will review the DR 0440. After the DR 0440 is approved a certificate will be issued. This certificate entitles the leasing company to register and title motor vehicles without paying state or state-collected local sales or use taxes. (On leases 36 months or less, leasing companies may elect to pay the taxes when they acquire the vehicle.)

A sample DR 0440 on page 24 may be copied by counties for use in their offices. Please do not distribute copies of this form to anyone except leasing companies. Instruct leasing companies to return the completed DR-0440 to: Business Tax Assistance, Department of Revenue, 1375 Sherman Street, Room 208, Denver, Colorado 80261.

B. Definition of terms on leasing:

1. Lessor is defined as the leasing company and a dealership that prepares the lease or delivers the vehicle to the lessee. Both must be considered as the lessor.
2. Lessee is defined as the person or company that leases the vehicle from the lessor.

C. How are taxes collected on leased vehicles?

1. State sales tax is to be collected by the lessor on the lease payments.
2. RTD/SCFD/FD sales/use taxes are to be collected by the lessor on the lease payments when a lessor has any location within the RTD/SCFD/FD district.
3. State-administered city and county taxes. The method of collection is dependent upon whether the lessor and lessee are located in the same jurisdiction.
 - a. If lessor and lessee are in the same jurisdiction, the lessor must collect all applicable city and county sales taxes on lease payments.
 - b. If lessor and lessee are in different jurisdictions and lessee's jurisdiction imposes a use tax on motor vehicles, such use tax is collected by the county clerk at the time of titling/registration.

SUBJECT: MOTOR VEHICLE LEASES

If lessee's jurisdiction has no use tax on motor vehicles, then no local tax is due on neither lease payments nor at the time of titling/registration.

4. Home rule cities have their own guidelines concerning tax on leases and should be contacted directly.
- D. Leasing company sells motor vehicles that were used for leasing.
1. The leasing company would collect sales tax from the purchaser according to the same guidelines set forth for any other motor vehicle sale by a licensed dealer. (See page 8 of this section.)
 2. If the lessor sells the car to the same lessee who has been leasing it, the lessor should collect the same taxes as the original lease transaction. For example, if the lessee is located in different jurisdiction than when the original lease was transacted, the taxes of the old jurisdiction still apply.
 3. If a lessor sells the vehicle to a customer different from the original lessee, sales/use tax is computed on the purchase price of the vehicle.
 4. If the lessee finds an individual to buy his lease, sales/use tax is computed on the price of the car paid by the individual. The leasing company will usually sign over the title to the lessee. It is not a taxable transaction for the lessee to immediately sign over the title to the individual as long as the individual can show proof that he made payment for the pay-off of the vehicle. If the leasing company or county clerk collects the tax, the tax is computed on the purchase price, including any charges involved in the retirement of the lease contract.
- E. How are early buy-outs handled?
1. When a leased vehicle is purchased by the lessee before the lease is due to end, tax is due on the purchase price of the vehicle. The purchase will include the contracted residual value of the vehicle that was never taxed and the remainder of the principal of the lease contract.
 2. It is probable that the purchase amount used to compute the local use tax will be different from the amount used to compute the sales tax amount. Local use tax may have been paid up front when the lease was contracted.

3. Even though the leasing company may not possess a motor vehicle dealer's license, the leasing company may use a DR 0024 to show tax collected on the lessee's purchase of the vehicle. A bill of sale in letter form is acceptable as long as it has separated the amount of tax collected by tax type (State, RTD/CD/FD, city, county, etc.).
4. As usual, if the tax figures collected on the purchase of the vehicle and shown on the DR 0024 are not clear, the county may request a Statement of Fact for clarification.

SUBJECT: MOBILE HOMES

- A. New manufactured home purchased from a sales tax licensed Colorado dealer.
1. If dealer and purchaser are located in the same taxing jurisdiction, dealer collects state and local sales taxes on 52 percent of the purchase price.
 2. If dealer and purchaser are located in different taxing jurisdictions, dealer collects state sales tax on 52 percent of the purchase price. There is no local use tax collected by the clerk on mobile homes.
 3. A trade-in allowance is allowed against the purchase price of a mobile home for the purposes of calculating sales or use tax if the trade-in mobile home has never been entered onto property tax rolls. The new purchase price is reduced by the full trade-in allowance allowed by a dealer. The result is then reduced to the 52% taxable base. Example: A trade-in allowance would be allowed for a mobile home owned by a construction worker who moved the home from work location to work location without ever establishing the mobile home as real property (real estate) in any one location.
 4. Reference: C.R.S. 39-26-113; 39-26-721-1; 29-2-109(1); 42-3-102(5).
- B. New mobile home purchased out of state either from a dealer or individual by Colorado resident.
1. County collects state use tax on 52 percent of the purchase price less the amount of any taxes paid by Colorado resident to the state in which it was purchased or any subdivision of that state.
 2. Reference: C.R.S. 39-26-721-1, *Matthews v. Department of Revenue*, 193 Colo. 44, 562 P.2d415 (1977).
- C. Used mobile home, regardless of where purchased or whether seller is a licensed dealer.
1. No state or local sales or use tax is due, if the mobile home was acquired by an individual while a resident of another state, and the mobile home was moved to Colorado while the owner was acquiring Colorado residency. Reference C.R.S. 39-26-203(1)(l).
 2. No state statutory city or county sales or use tax is due, as long as the purchaser can prove that Colorado or another state's sales or use tax was once paid on the sale price during the life of the mobile home. Reference: C.R.S. 39-26-721(2), and *Matthews v. Dept. of Revenue*, 193 Colo 44, 562 P.2d415 (1977).

3. If the purchaser cannot prove that sales or use tax has been paid, county collects state use tax on 52% of the purchase price. Tax paid on a lease basis where the residual value was not subject to tax does not change the tax due under this subsection.
- D. Taxes imposed by home rule cities are not subject to these guidelines. Contact home rule cities directly.
 - E. Taxes imposed by cities or counties on construction or building materials are not subject to these guidelines. These cities or counties must enforce construction or building material taxes via building code, zoning or other departments.

SECTION: STATE SALES AND USE TAXES

SUBJECT: BOAT TRAILERS AND BOATS

- A. The same sales and use tax guidelines that apply to motor vehicles apply to boat trailers.
- B. Counties are not responsible for collecting sales or use taxes on boats. However, boat owners who have not paid sales or use taxes on boats should be encouraged to pay the applicable taxes directly to the Department of Revenue. The appropriate form for remitting use tax on boats is the "Consumer's Use Tax Return" (DR 0252).

SUBJECT: Special Mobile Machinery (SMM) EQUIPMENT

What is the tax liability for Special Mobile Machinery?

1. Special Mobile Machinery (SMM) are various forms of tracked and wheeled construction, warehouse and other mobile machinery that are viewed by Colorado law to be vehicles subject to registration. The county Motor Vehicle office will issue either 'SMM' (special mobile machinery) license plates for vehicles with some on-road use, or "Z" tabs for vehicles with no on-road use. This requirement to register remains regardless of the possible manufacturing machinery exemption from Colorado sales tax. No 2.9% Colorado state sales tax will be charged at registration on qualifying manufacturing machinery if a copy of the "Sales Tax Exemption on Purchases of Machinery and Machine Tools" Form (DR 1191) is presented to the county Motor Vehicle office. The county should not collect State tax or for local jurisdictions that exempt machinery. These would be listed on the DR1002 exemption code (B). The RTD/CD/FD, and local taxes will be collected where applicable as there is no exemption for manufacturing machinery.
2. A special determination has been obtained for cement mixers only. It has been determined that 63% of the purchase price is the truck and 37% of the purchase price is the mixer. State sales tax should be collected on 63% of the purchase price. Check the "Exempt" column of the DR 1002 "Colorado Sales/Use Tax Rates." Some state administered cities and counties exempt machinery for manufacturing. RTD, Cultural and Football districts and many state-administered cities and counties do not offer this exemption on equipment used in a manufacturing process. Again, the DR 1191 should be included with the paperwork to register the vehicle.
3. SMM equipment that is registered by the County Clerk is considered to be a vehicle for sales/use tax purposes, because of the registration requirement. Consequently, registered SMM equipment is subject to a local jurisdiction's motor vehicle use tax provisions.
4. Some renters of SMM equipment may wish to join the 2% SMM program administered at the county level rather than paying ownership tax for one year's registration of the equipment. After being authorized for joining the program, the SMM rental company will charge an additional 2% tax in addition to the sales tax rate on the rental of the equipment. As part of the authorization process, the county may wish that the rental company furnish a copy of the certificate that was issued when the DR 0440 exemption was issued.

SUBJECT: VEHICLES WON IN A RAFFLE

- A. Under most circumstances a vehicle awarded in a raffle will be taxable.

The Department of Revenue will accept private appraisal, a Federal 1099 form, or a blue book price to establish the value. Tax is then computed on that value.

Sales tax must be paid by either a donating dealer, the sponsor of the event or the winner of the vehicle.

If the vehicle is won from a motor vehicle dealer, the dealer must pay sales/use tax and take title in its own name. The dealer then can give the vehicle to the recipient with no tax due.

If the sponsor of the raffle pays the sales tax on the price of the vehicle and takes title in its name, the sponsor can give the vehicle as a tax free gift to the recipient.

If raffle or contest rules state that sales tax is the responsibility of the winner, that person must pay the tax if no other entity has paid the tax.

To register and license the vehicle in Colorado, the winner must pay the sales tax or prove payment by others. Colorado statutes prohibit issuing the title and registration if the tax due on the value of the vehicle has not been paid.

Colorado requires that the sales tax be paid only once per transaction, and that transaction is usually the acquisition of the car by the sponsor of the raffle.

Reference: See FYI Sales 32, "Special Regulation: Gifts, Premiums, and Prizes."

SUBJECT: REBATES

1. Dealer discounts on the sale of motor vehicles are not taxable. But when a manufacturer offers a rebate on the selling price of a vehicle, the entire sales price of the vehicle, regardless of the amount of rebate, is subject to tax. The total amount of money that the dealer receives from another source is taxable, whether it is from the consumer or the manufacturer or both.
2. Reference: see Regulation (39) 26-102.7(a) and FYI Sales 22 “Special Regulation: Coupons.”

SECTION: STATE SALES AND USE TAXES

SUBJECT: Interstate Commerce Carrier (ICC) CARRIERS Updated December 2009

What is the tax liability for a vehicle used in interstate commerce?

1. To qualify for a sales tax exemption for long distance, travel for hire trucks that are permanently registered in another state or used in interstate commerce, the vehicle must be permanently registered in another state. If the vehicle is registered in Colorado, the sales tax exemption does not apply. To qualify for the exemption from Colorado sales and use tax, the vehicle must be removed from the state within 30 days after delivery and the purchaser must provide an affidavit to the manufacturer or dealer that the vehicle will be permanently licensed and registered outside of Colorado and will be removed from the state within 30 days.
2. Information previously printed in this section regarding using a bill of lading to assist in proving the interstate commerce exemption is no longer valid.
3. Reference: C.R.S. 39-26-712.

SECTION: STATE SALES AND USE TAXES

Updated December 2009

SUBJECT: SUBSTITUTION OF COLLATERAL

Updated December 2009

1. When a vehicle is damaged or totaled in an accident, and then replaced by another vehicle, the person who owns the new car must pay motor vehicle taxes on the replacement. Some insurance companies insure only for the cost of the vehicle, not for the taxes. If the totaled vehicle cannot be used as a trade-in for a replacement vehicle or exchanged for a replacement vehicle, sales/use tax is computed on the purchase price of the replacement vehicle.
2. When the titled owner of a vehicle sells or transfers his vehicle to another prior to paying the total amount of the loan, the new purchaser owes sales/use tax on the remaining loan amount of the vehicle. In effect, the new purchaser has bought the vehicle for the remaining amount left owed on the original loan.
3. Reference: C.R.S. 39-26-113.

SECTION: STATE SALES AND USE TAXES

SUBJECT: TRANSFER OF ASSETS

- A. Sales tax is computed on the "sale" or "sale and purchase" price. These terms do not include:
1. A division of partnership or limited liability company assets among the partners or members according to their pro rata share of the partnership or company.
 2. The formation of a corporation by the owners of a business and the transfer of their assets to the corporation in exchange for the corporation's stock.
 3. The transfer of assets of shareholders in the formation or dissolution of professional corporations.
 4. The dissolution and pro rata distribution of the corporation's assets to the shareholders.
 5. Transfer of assets from parent corporation to a subsidiary corporation which is owned at least 80% by the parent or vice versa as long as the transfer is in exchange for stock or securities of the corporation.
 6. A transfer of a partnership or limited liability company interest.
 7. A transfer in a reorganization qualifying under Section 368(a)(1) of the "Internal Revenue Code of 1954" as amended.
 8. The formation of a partnership or limited liability company by the transfer of assets to the organization or the transfer to an organization in exchange for proportionate interests in the organization.
 9. Repossession by a chattel mortgage or foreclosure by a lien holder.
 10. The transfer of assets between a parent and subsidiary corporations, between subsidiary corporations held by the same parent, or between corporations owned by the same shareholders in the same percentage of stock ownership amounts, when the tax was paid by the transferor corporation when it purchased the vehicle.

Remember: These rules only apply to the receipt of stock or securities. If cash is used, the transaction is taxable.

Reference: C.R.S. 39-26-102.10.

- B. In a partnership that dissolves, what tax liability exists, if any, for vehicles transferred from the partnership to the partners owned by that partnership?

SUBJECT: TRANSFER OF ASSETS

1. None, as long as the allocation of a vehicle to one or the other partner is part of the actual dissolution agreement and all partnership assets are given to the partners in proportion to their interests in the partnership. The same holds true for a limited liability company.
 2. However, if one partner purchases the vehicle from the partnership, the same sales and use tax guidelines would apply as for any other sale between unlicensed individuals. (See page 6 of this section.)
 3. Reference: C.R.S. 39-26-102.10(a),(g) and (i)C.
- C. Is the gift of a vehicle a taxable transaction?
1. No. A vehicle can be given away as long as the owner has a clear title on the vehicle. The owner cannot "give" a vehicle that carries a lien. The transfer of a bona fide gift of a vehicle is not a sale.
 2. Reference: Regulation 39 26-102.10.

SUBJECT: TAX EXEMPT VEHICLE SALES TO NATIVE AMERICANS

- A. In order for a vehicle sale to a Native American to be exempt from sales/use tax, the purchaser must be an enrolled tribal member of the Ute or Ute Mountain Ute tribe living on his tribal reservation. The purchaser must be able to document tribal affiliation and residency to be exempt.
- B. The tax exemption is extended to the spouse of the tribal member as long as the tribal member's affiliation and residency is documented and the vehicle will be co-registered and co-titled.
- C. The vehicle does not have to be delivered onto the reservation for the exemption to be granted. The tribal member may accept delivery of the vehicle at the dealer's place of business.

SUBJECT: OTHER TYPES OF SALES/USE TAX EXEMPTIONS

- A. A governmental entity, charitable organization, etc., is exempt from state-administered sales and use taxes on the purchase or lease of a vehicle if the organization possesses a DOR issued 98 exemption number. If the organization possesses a DOR issued 98 exemption number, it can be presumed that the entity is also exempt from ownership tax on vehicles. Usually, if the organization is exempt from personal property tax, it will also be exempt from ownership tax. Reference: C.R.S. 42-3-104(7).
- B. Vehicles and equipment purchased at a farm close out sale are exempt from sales/use tax per Regulation (39) 26-716(4)(a).
- C. Banks do not need a sales tax license to sell vehicles they repossess. The bank has a security interest in the vehicles because it is the lien holder. To recoup its investment on the foreclosed lien, the bank could sell the vehicles to individuals, to businesses or to licensed auto dealers. If an individual or a business that is not an auto dealership purchases the vehicle, sales tax and/or local tax are due. If the bank keeps the vehicle for itself as a company car, the bank also must pay state and local sales taxes.
- D. Totaled vehicles purchased by insurance companies are not subject to sales tax. In most cases, the insurance firms will sell the vehicles to salvage companies. When a salvage company sells the parts, those parts are taxable. But if the vehicle is eventually made drivable again, tax must be collected on the vehicle.

SECTION: STATE SALES AND USE TAXES

Updated December 2009

SUBJECT: VEHICLES SOLD ON A TOW BILL

Updated December 2009

1. In the case of a private tow of an abandoned vehicle with an appraisal of more than \$200, the tow carrier may not sell the vehicle to anyone with a proprietary interest in the tow operation. The vehicle may be sold through a licensed dealer, wholesaler, or wholesale motor vehicle auction dealer that has no proprietary interest in the tow carrier's business operation per C.R.S. 42-4-2104 and 42-4-1805 (4)(a).
2. In the case of a public tow in which an abandoned vehicle is sold by a law enforcement agency to the tow carrier that provided the service of towing and storing the vehicle, the purchase price of the sale becomes the appraised value of the vehicle. In order to sell the vehicle, the tow carrier must pay tax based on the appraised value of the vehicle and establish title in the tow carrier's business name.
3. If the vehicle is purchased by the tow operator to satisfy a debt, i.e. towing, storage, law enforcement expenditures, processing and other fees; the total of these fees should be entered in the 'Total Sales Price' box on the DR 2173 Motor Vehicle Bill of Sale. C.R.S. 42-4-1805(4)(a) states "Transferring the title of a motor vehicle to an operator to satisfy a debt created pursuant to this part 18 shall not be deemed to be the sale of a motor vehicle." Therefore, because it is not considered a sale, no sales tax is due.
4. If the vehicle is sold to a scrap yard that will part out the vehicle, no tax is due. The tax will be collected when the parts are sold.

SUBJECT: VEHICLE LEASES BETWEEN INDIVIDUALS

A. Is it possible for one individual to lease a vehicle to another individual?

1. Yes. In most cases an individual will lease a vehicle that he already owns to someone else. As long as he has already paid the tax on the vehicle when it was purchased, and as long as the contract is for thirty-six months or less, there are no additional sales or use tax due. The same holds true if the vehicle is registered in a different jurisdiction than it was originally registered.
2. If the lease contract is for longer than thirty-six months, the individual must apply for a sales tax license and a DR 0440 exemption. Sales tax must be collected on the monthly lease payment. Local use tax is due prior to registration of the vehicle if applicable. A DR 0026 "Statement of Taxes Paid on a Lease" must be submitted to the county. In short, the individual becomes a lessor just like any other leasing company on file.

SUBJECT: CAP REDUCTIONS ON LEASES

How are cap reductions handled?

1. A cap reduction is a down payment collected by the dealership or leasing company in order to lock in the deal.
2. This is the figure that appears on the DR 0024, which is included along with the rest of the paperwork.
3. Because the deal is booked at a certain rate and because the cap reduction is part of the deal, the same tax rate charged on the lease contract should also be collected on the cap reduction. If there is a local use tax involved, it should be collected and reported in the same manner as the local use tax on the lease.
4. A cap reduction or down payment is part of the purchase price of a vehicle lease and is taxable. However, sales tax on cap reductions should not be sent to the county. Instead, sales tax should be remitted on the "Combined Retail Sales Tax Return" (DR 0100) and sent to the Colorado Department of Revenue. A "Standard Sales Tax Receipt" (DR 0024) showing tax collected for the cap reduction and a "Statement of Taxes paid on Lease" (DR 0026) must be completed for the remainder of the lease transaction and submitted to the county. Local use tax is remitted directly to the county. If taxes are due to a home-rule city, contact the city directly for specific information. Tax on cap reductions can be reported by the dealership or the leasing company. As with the purchase of a leased vehicle, if no DR 0024 is available, the Department will accept the pertinent information on a Statement of Fact form.

SUBJECT: DR 0026 INFORMATION

What is the "Statement of Sales Tax Paid on Motor Vehicle Leases" (DR 0026)?

1. This form shows which taxes are being collected on the lease payments by the lessor and which, if any, must be paid up front before the vehicle is registered and titled. The document is required for all leases, except wholesale leases.
2. The "Paid on Lease" statement may be misused by some motor vehicle leasing companies. The phrase may be used on the "Statement of Taxes Paid on Motor Vehicle Leases" (DR 0026) when leasing a fleet of vehicles (more than one). Because the fleet is on one contract, taxes may be collected on a monthly basis through the payments. However, if local use tax is involved, the tax must be collected up front. County Motor vehicle offices do not have to accept DR 0026 forms with the words "Paid on Lease" if the lease is not for a fleet or if local use tax is due on the fleet.