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# **Colorado Department of Revenue**

**Sales/Use Tax – Printing Industry**

**Taxpayer Service Division**

# Agenda

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- ◆ Licensing Requirements
- ◆ Collecting Sales Tax
- ◆ Taxable/Non-Taxable Sales
- ◆ Use Tax
- ◆ Resources
- ◆ Questions?

# **State-Issued Licenses**

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

# Standard Retail License

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- 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. Online application is available. See slide 33 for details.

# Wholesale License

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- 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.

# Sales Tax License Application

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- To establish a state sales tax account and obtain a state sales tax license:
  - Apply online with Colorado Business Express:  
[www.Colorado.gov/cbe](http://www.Colorado.gov/cbe)
  - Complete form CR 0100, “Sales Tax/Withholding Account Application” which can be downloaded from our Web site,  
[www.TaxColorado.com](http://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.

# Filing Frequency

- How often you are required to file a sales tax return (monthly, quarterly or annually) depends on your sales volume. File returns in Revenue Online, [www.Colorado.gov/RevenueOnline](http://www.Colorado.gov/RevenueOnline) to avoid calculation errors.
- If taxable sales are \$10,000 or more per month (approximately \$300 or higher) you must file your Retail Sales Tax Return (DR 0100) monthly; if you anticipate sales less than \$10,000 per month, you may file quarterly.
- If, after a year of operation, you remit \$15 or less per month, you may request to file your return annually.
- Monthly returns are due by the 20th of the month following the reporting month. For example, the June return is due July 20. Quarterly returns are due the 20th of the month following the reporting quarter. Annual returns are due January 20.
- If a due date falls on a Saturday, Sunday or holiday, the return is due on the next business day.

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# **Collecting Sales Tax**

**Who Pays/Collects Sales Tax?**

**Point of Taxation**

**Examples**



# Who Pays Sales Tax?

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- When tangible personal property (TPP) is sold to an end user, sales tax should be collected by the seller.
- What is tangible personal property? Anything you can touch - exception real property (land) and certain services such as utilities and telephone services.
- Who is the end user? When a transaction takes place and the purchaser has no intent of re-selling the item(s) purchased, the purchaser is considered the end user.

# Collection of Taxes

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- Colorado Department of Revenue (CDOR) collects taxes for more than 308 statutory cities, counties and special districts – 740 different jurisdictional combinations.
- The CDOR DOES NOT collect tax for HOME-RULE CITIES who collect their own taxes. Refer to publication “Colorado Sales/Use Tax Rates” (DR 1002) for a list of these cities.
- The CDOR collects sales taxes for all counties with a sales tax, except Denver and Broomfield.

# Point of Taxation

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- Point of Delivery/possession is point of taxation. The destination is regarded as the point of sale and sales tax is collected for the taxing jurisdictions that the seller and buyer share in common.
  - Example: Retailer in Arapahoe county who delivers goods to buyer in Jefferson county does not collect sales taxes for Arapahoe county (sale doesn't occur in Arapahoe county) or Jefferson county (sale occurs there but no there is no sales tax nexus.) However, retailer should open a Retailer's Use Tax Account and collect the RTD/CD taxes because sales and retailer's nexus are in the RTD/CD.
  
- Local city and county taxes – Collect when:
  - (1) sale occurs in local jurisdiction and
  - (2) retailer has business presence (sales tax nexus) in local jurisdiction.
  - Sale occurs where/when delivery is made to the end user.
  - Retailer has sales tax nexus if it has business presence (e.g., a store).

# Sales Tax Nexus

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- Nexus is the actual physical location or substantial presence within the State of Colorado, even if the business is home-based in another state. Nexus determines whether or not a company has to register and comply with Colorado sales tax law.
- To establish substantial nexus for sales tax would require a retailer or manufacturer to have an office, store, warehouse, or other place of business, representative or an agent selling within Colorado.
- If retailer's only presence is by mailing catalog, advertising media, or Internet sales, then retailer does not have nexus. Refer to examples in the following slides for more details.

# Nexus Creating Activities

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- Obvious
  - Buildings, property
  - Employees
  
- Less Obvious
  - Sub-contractors, agents
  - Installation, training, maintenance
  - Rented/leased property

# Nexus Scenarios

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Does the way the product is delivered affect the application of the local tax?

- A retailer does not create a business presence with the destination local tax jurisdiction if the retailer only occasionally enters into the destination jurisdiction to deliver its goods, regardless of whether the retailer used a common carrier or its own vehicles to make those deliveries.
- However, if the retailer has more than merely occasional deliveries into a destination local tax jurisdiction, it is important to determine whether the retailer used its own vehicles or common carrier.
- A retailer who uses its own vehicles to make frequent deliveries will create a business presence in the destination local tax jurisdiction, but not create a business presence when it uses a common carrier.
- A company that makes deliveries of Company's product on behalf of the Company is an agent of the Company and the other companies deliveries will be treated as if they were made in the Company's vehicles.
- Colorado Private Letter Ruling (PLR-11-006)

# Nexus Scenarios cont.

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- Equipment
  - Company leaves equipment at customer's locations for use by Company employees when they service the customer's vehicles at the customer's business location in a local taxing jurisdiction where Company has no physical presence.
  - Because the equipment is left at the customer's place of business, the repair work is significant not only in terms of frequency but in the level of service provided. Company's repair services, in and of itself, creates a business presence.
  - Colorado Private Letter Ruling (PLR-11-006)

# Nexus Scenarios cont.

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- Employees

- Company sells products and services along with having employees stationed at Company's customer's business location in a local tax jurisdiction in which Company does not have any other physical presence. In this case, Company employees report daily to a single customer location for as long as the Company has a contract with the customer.
- The sustained presence of Company employees in the destination tax jurisdiction creates a business presence for the Company in that jurisdiction. Therefore, the destination tax jurisdiction can require Company to collect its taxes. Because a sale occurs where the product is delivered to the customer, Company must collect the sales tax of the destination local jurisdiction.
- Colorado Private Letter Ruling (PLR-11-006)



# Sales Tax Collection – Example #1

## Combined Sales Tax Rate

- Company is located in Castle Pines North, Colorado. If point of possession takes place at that location, the following sales taxes should be collected on those sales:

Colorado/State	2.9%
Scientific Cultural District	0.1%
Douglas County	1.0%
Castle Pines North	2.75%
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Total	6.75%

- Note: The Lincoln Station Local Improvement District near Interstate 25 on Park Meadows Drive has a sales tax of .5%. The northeast portion of Douglas County, Highlands Ranch, the Park Meadows Mall area, Lone Tree, Acres Green, and Lincoln Station LID are located in the Regional Transportation District, which has a sales and use tax of 1.0%. The Scientific and Cultural Facilities District sales and use tax of .1% applies to all of Douglas County except in the towns of Castle Rock and Larkspur.

# Sales Tax Collection – Example #2

## Combined Sales Tax Rate

- Company is located in Denver. If point of possession takes place at that location, the following sales taxes should be collected on those sales:

Colorado/State	2.9%
Scientific Cultural District	0.1%
Regional Transportation District	1.0%
City/County of Denver	3.62%
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<b>Total</b>	<b>7.62%</b>

# Sales Tax Collection – Example #3

## Combined Sales Tax Rate

- Company is located in Fort Collins. If point of possession takes place at that location, the following sales taxes should be collected on those sales:

Colorado/State	2.9%
Larimer County	0.6%
City of Fort Collins	3.85%
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<b>Total</b>	<b>7.35%</b>

# Sales Tax Collection – Example #4

## Combined Sales Tax Rate

- Company is located in Colorado Springs. If point of possession takes place at that location, the following sales taxes should be collected on those sales:

Colorado/State	2.9%
El Paso County	1.23%
Pike Peak RTA	1.0%
City of Colorado Springs	2.5%
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<b>Total</b>	<b>7.63%</b>

# Delivery Example #1

- Seller is located in:
  - State of Colorado
  - El Paso County
  - City of Colorado Springs (home-rule city)
  - Pikes Peak RTA
- Purchaser is located in:
  - State of Colorado
  - Douglas County
  - Highlands Ranch
  - RTD/CD
- Taxes Collected:
  - State
- No sales tax should be collected for Colorado Springs, El Paso County or the RTA, as these are not common taxing jurisdictions.
- If the seller has a sales tax “nexus” in Highlands Ranch, the seller should collect State, Douglas County, and the RTD/CD sales taxes.
- If the seller doesn’t have a sales tax “nexus” in Highlands Ranch, but makes deliveries into Highlands Ranch, the seller has a retailer’s nexus and should open a Retailer’s Use Tax Account and remit RTC/CD use tax.
- No city tax applies to sales in Highlands Ranch, as Highlands Ranch does not have a sales tax.

# Delivery Example #2

- Seller is located in:
  - State of Colorado
  - City of Fort Collins (home-rule city)
  - Larimer County
- Purchaser is located in:
  - State of Colorado
  - City of Loveland (home-rule city)
  - Larimer County
- Taxes Collected:
  - State
  - Larimer County
- Since the item was delivered outside of Fort Collins, no Fort Collins sales tax should be collected.
- However, if seller collected Fort Collins sales tax in error, purchaser should get a credit for those taxes and contact the city of Loveland to find out if use tax is due.

# Delivery Example #3

- Seller is located in:
  - State of Colorado
  - Garfield County
  - City of Glenwood Springs (home-rule city)
- Purchaser is located in:
  - State of Colorado
  - Garfield County
  - City of New Castle (home-rule city)
  - Roaring Fork RTA
- Taxes Collected:
  - State
  - Garfield County
  
- Since the item was delivered outside of Glenwood Springs, no Glenwood Springs sales tax should be collected.
- If the seller has a sales tax “nexus” in the city of New Castle, the seller should collect State, Garfield County, city of New Castle and the Roaring Fork RTA sales taxes.
- If the seller doesn’t have a sales tax “nexus” in the Roaring Fork RTA, but makes deliveries into the district, the seller has established a retailer’s nexus and should open a Retailer’s Use Tax Account and remit Roaring Fork RTA use tax.

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# **Taxable and Non-Taxable Sales**

**Printer Pays/Customer Pays?  
Resale License  
Tax-Exempt Certificate  
Pre-Press Process  
Direct Mail**



# Printer or Purchaser?

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- When customers' tangible personal property is retained at the printer's place of business, the department may examine various records applicable to this property when making a determination of the ownership of the property.
  - who is liable for the payment of insurance and personal property tax on the property,
  - who is allowed to deduct the depreciation expense on the property,
  - and who benefits from salvage of the item?

# Non-Taxable Services

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- The following items, **if separately stated** on the customer's invoice, **are not taxable**:
  1. Typesetting
  2. Color Separation
  3. Design
  4. Art
  5. Camera Mechanicals
  
- These services can be performed by a printer or subcontractor for a customer or another printer.

# Printing U.S.P.S.

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- When involved in commercial printing of postal cards or stamped envelopes purchased from the United States Postal Service, the amount subject to tax does not include the amount of postage involved.

# Partial Printing Jobs

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- Printed matter which is partially printed, invoiced to the customer, held in stock for further imprinting, and finally invoiced for subsequent imprinting is taxable on the full price charged by the printer for the item.
- Sales tax must be collected on the selling price of each part of the job.
- The subsequent imprinting before delivery is deemed to be completion of the initial sale, not a separate transaction.

# Resale Purchases

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

# Exempt Purchases for Resale

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- Newsprint
- Stock on which the finished product is printed
- Wrapping materials
- Printers ink
- Ink additives
- Overprint varnishes
- Anti-offset sprays
- Fountain etch solutions
- Gum solutions
- All component chemicals when used with the materials listed here
- Padding compound
- Stitching wire
- Staples
- Bookbinders tape
- Light sensitive film
- Plates
- Proofing materials

# Tax-Exempt Certificate

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- 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](http://www.Colorado.gov/RevenueOnline)

# Purchases NOT for Resale

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- The sale of the following items are taxable to purchasers who are not engaged in the business of reselling these items:
  - Catalogs
  - Books
  - Letterheads
  - Bills
  - Envelopes
  - Folders
  - Advertising Circulars
  - Other printed matter



# Pre-Press Preparation

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- Pre-press preparation materials (which shall be defined as light sensitive films, plates, and proofing materials) shall qualify as exempt purchases of tangible personal property to the extent such items are:
  1. Utilized for the production of a specific product for a specific customer, and
  2. Title passes to the customer as part of the total sale, and
  3. Adequate cost records for the particular job showing amount of pre-press preparation material are retained by the printer.

## Pre-Press Preparation cont.

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- If the final product is tax exempt because it is being shipped out of state by common carrier or otherwise, it will be necessary for the printer to be responsible for the amount of use tax due on the pre-press preparation materials and remit the amount of such tax to the Department.
- The basis for this requirement is that possession was taken in Colorado by the printer as agent for the customer of the pre-press preparation materials in order to produce the final product which itself is exempt from tax because it is shipped in interstate commerce.

# Pre-Press Preparation cont.

- When selling to tax-exempt organizations, and if separately invoiced, pre-press preparation materials used in the production of a product sold to the tax-exempt entity will not be deemed subject to sales/use tax by the printer.
- Except as stated with respect to out of state shipments, in order to avoid liability for the payment of use tax on pre-press preparation materials, the printer must maintain adequate records of such materials in detail as to each specific job, so that the indication of pre-press material designation on the ultimate billing can be determined upon audit and segregated from other pre-press materials, manufacturing aids or plant property.
- There must be an audit trail which clearly reflects the passing on to the customer of a particular item of pre-press preparation material and collecting of sales tax on a particular invoice when such sales are subject to tax.
- FYI Sales 47, “Special Regulation: Printers and Printing”

# Labor/Service

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- A printer may **not** deduct from the selling price any charge for:
  1. Labor
  2. Service
- In performing the printing, even if the labor and/or service charges are billed separately from the charge for stock.
- The labor and/or service is expended in the production of the article sold; consequently, it is manufacturing labor incorporated in the product.

# Direct Mail Advertising

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- **Effective March 1, 2010**, direct mail advertising materials that are distributed in Colorado by any person engaged solely and exclusively in the business of providing cooperative direct mail advertising are taxable at the state sales/use tax rate of 2.9 percent but remain exempt from all state-collected city, county, and special district sales tax.
- Examples include: discount coupons, advertising leaflets, and other printed advertising including accompanying envelopes and labels.
- The companies that supply materials to businesses engaged solely and exclusively in the business of providing cooperative direct mail advertising are responsible for charging and remitting the sales tax.
- The companies engaged in providing cooperative direct mail advertising that receive materials, that were not taxed, must file a Consumer Use Tax Return (DR 0252). File returns online via Revenue Online – [www.Colorado.gov/RevenueOnline](http://www.Colorado.gov/RevenueOnline).

# Colorado Use Tax

**What is Use Tax?**

**Use Tax Rates**

**Examples**

**FYI General 10, “Consumer Use Tax”**

# What is consumer use tax?

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- A use tax may be imposed to prevent someone from evading a sales tax by buying goods in a non-taxing state and shipping them into the state that imposes the sales tax.
- States and municipalities impose use taxes on purchases/rentals that are made outside the taxing jurisdiction but would have been taxable had they taken place within it. Such transactions escape the normal sales tax collection because retailers outside the state or municipality are not required to collect the sales tax unless there is an established nexus (business presence).
- The use tax protects retailers located in the state or municipality because it removes the incentive for consumers to shop outside that locality in order to avoid paying the sales tax.

# Colorado Law Requirement

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- Consumer use tax is owed when the article purchased is used or available for use after delivery is completed, as well as when keeping, storing, withdrawing from storage, moving, installing, or performing any other act by which control of the article is assumed by the purchaser. [§39-26-202, C.R.S.]
- Colorado law requires that state sales or use tax be paid on all non-exempt tangible personal property that is sold, leased, or delivered in Colorado for use, storage, distribution or consumption in the state.
- The buyer does not have the option of paying use tax to the taxing authority instead of paying sales tax to the seller when the seller possesses (or is required to possess) a Colorado sales tax license.



# Internet Sales

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- For Colorado businesses, the sales of goods through the Internet are treated the same as the sale of tangible personal property through traditional selling methods such as selling via a store front with delivery options.
- If you are in Colorado and purchase goods over the Internet, the seller will charge sales tax on the purchase if the seller that is licensed to collect Colorado sales tax or the seller will collect retailer's use tax.
- If you are buying from a seller not licensed to collect Colorado sales/use taxes, you will owe the state 2.9% use tax, and any applicable local use taxes, such as special district taxes (e.g., RTD/CD/RTA) on those purchases.
- Use tax is paid on form DR 0252, "Consumer Use Tax Return."
- FYI Sales 79, "Sales of Taxable Items Over the Internet"

# Use Tax Rates

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- State use tax rate = 2.9%
- RTD = 1%
- CD = 0.1%
- RTA = Rates vary (Refer to publication DR 1002 for details.)
  
- State-collected cities and counties may impose a use tax only upon motor vehicles, and upon building materials and supplies used in construction projects within their jurisdictional boundaries. Those state-collected cities and counties in Colorado that have use tax on motor vehicles and building materials will collect their own use tax when building permits are issued or when vehicles are registered.
  
- State-collected local jurisdiction examples:
  - Dillon – No use tax
  - Estes Park – Use tax on motor vehicles only (2%)
  - Morrison – Use tax on motor vehicles/building materials (3%)

# Use Tax Example #1

- Your business is located in Brush (Morgan County)
- You purchase and pick up a desk from a seller located in unincorporated Jefferson County for your business location in Brush.
- Sales tax paid to seller: State, RTD/CD, County)
- No use tax is due. Sales tax was paid for State and there is no use tax on these items in the state-collected local city and county jurisdictions.

# Use Tax Example #2

- Your business is located in Aurora (Arapahoe County)
- You purchase a computer in Westminster (Jefferson County) and have it delivered to Aurora.
- Seller collects: State, and RTD/CD sales taxes since they are the common taxing jurisdictions between the buyer and seller.
- However, you are located in a home-rule city and may owe use tax that's paid directly to Aurora. Aurora should be contacted for details.
- In addition, the seller should contact Aurora since it is a home-rule city, those cities should be contacted to find out if a nexus has been established and city sales tax should be collected.

# Use Tax Example #3

- Your business is located in Colorado Springs (El Paso County)
- You purchase and pick up a computer in Monument (El Paso County) **not** subject to the Baptist Road RTA.
- Seller collects the following sales taxes: State, Monument and El Paso County. Point of possession is in Monument.
- No use tax is due for the State or El Paso County. Note: You paid 3% sales tax to the city of Monument. However, Colorado Springs is a home-rule city and will need to be contacted directly to find out if additional use tax is due.
- In addition, your business is located within the boundaries of the Pikes Peak RTA. 1% use tax for the RTA is due.

# How do Businesses Pay the Tax?

- If your total use tax owed is less than \$300 per year, the return is filed on an annual basis, due on January 20 of the following year. If total tax owed exceeds \$300 at the end of any month, the return is due by the 20th of the following month.
- File and pay online via Revenue Online, [www.Colorado.gov/RevenueOnline](http://www.Colorado.gov/RevenueOnline). The online system has built-in tax rates for the location of your business or residence address. The system calculates the amount of tax owed based on the purchase total and will help you avoid errors. You can pay your tax online too.
- If filing by paper, the state and RTD/CD use taxes are filed using the [DR 0252, "Consumer Use Tax Return"](#).
- The Rural Transportation Authority uses tax is filed using form [DR 0251 "RTA Consumer Use Tax Return"](#).
- For more information about state and special district taxes please see the [DR 1002, Sales and Use Tax Rates](#).

# Resources

**CDOR Contacts**  
**Email – Revenue Online**  
**CDOR Contacts**  
**YouTube Channel**  
**Home-Rule Cities**

# CDOR Contacts

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## Colorado Department of Revenue

- [www.TaxColorado.com](http://www.TaxColorado.com)
  - Forms, FYI publications, Online Customer Support, Statutes & Regulations, Links to other government agencies, Tax Index, Tax Alerts, Weblog (Get Connected)
  
- 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 - 14<sup>th</sup> & Sherman)
  - Colorado Springs, Fort Collins, Grand Junction, Pueblo



# Secure Email Messages

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- Need to communicate with us about your tax account?
- Send a secure message through Revenue Online, [www.Colorado.gov/RevenueOnline](http://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 Education

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## Free Tax Workshops – 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 and CPE credit is available.
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. Tax Update Classes – Content online and CPE credit is available.

# CDOR – YouTube Channel

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- Did you know you can view your account information in Revenue Online? If not, you will need to sign up for account access. We have a video on our YouTube channel that provides instructions on the sign up process.
- In addition, there are videos available on the following topics: Income Tax, Sales Tax, Use Tax, Frequently Asked Questions – Taxpayer Service Division Service Centers, and How to Manage Your Multi-Location/Jurisdiction Account.
- Go to: [www.TaxColorado.com](http://www.TaxColorado.com) and click on “Contact Us” then “Get Connected” then “Videos.”

# Home-Rule Cities

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- Contacts listed on pages 8-10 of the DR 1002
- Can also be located via: [www.Colorado.gov/RevenueOnline](http://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.

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# Questions?

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