FYI – For Your Information

Special Regulation: Gifts, Premiums and Prizes

Purchases of tangible personal property for use as gifts, premiums or prizes, for which no valuable consideration is received from the recipient, are subject to tax on the total purchase price; the purchaser is deemed to be the user-consumer of such property. Examples would be gifts given to all individuals who attend a time-share real estate presentation, regardless of whether the individual buy or invest in the proposals. If the property is purchased from a licensed Colorado vendor, sales tax should be paid to the vendor upon such purchases. If no sales tax is paid upon such purchases, the use tax should be paid directly to the department of revenue by the purchaser. Any person purchasing tangible personal property to give away in any manner without contingencies, is a user or consumer and is liable for the tax thereon; such property includes advertising gifts and articles given as prizes, premiums, and for goodwill.

Where the donor of a tangible personal property gift and the receiver of the gift are involved in other financial dealings and the gift is contingent upon the "donee" entering into other transactions, the transfer of taxable property is subject to sales tax as a quid pro quo sale. Where the gift receiver's true object is to obtain the tangible personal property "gift," or the value of the "gift" exceeds the other values obtained by the "donee", the "donor" must remit sales tax on the fair market value of the taxable tangible personal property. Where the gift is secondary to the other transactions, the donor shall be subject to sales tax on the acquisition cost of the property. Examples include a service station giving a case of soda pop to everyone who buys over a minimum amount of gasoline, the soda pop is treated as sold by the service station at the station's cost.



Colorado Department of Revenue Taxpayer Service Division 1375 Sherman St. Denver, Colorado 80261

Forms and other services: (303) 238-FAST (3278) Assistance: (303) 238-SERV (7378) Fuel Tax: (303) 205-5602 www.taxcolorado.com

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