

FYI – For Your Information

Special Regulation: Manufacturers and Prefabricators Acting as Contractors

A manufacturer or prefabricator may contract to build into real property that which he manufactures or prefabricates. If the contract provides for the transfer of title to the materials prior to the time the materials are built into the real property, and if the material price is separately stated from the installation price, the manufacturer will be considered to have sold the material. Therefore, sales tax must be charged only on the selling price of the material. If not properly segregated, the amount included for installation is also part of the taxable price.

If a manufacturer or prefabricator builds materials into real property and title to the materials does not pass until incorporated in the real property, the manufacturer is a contractor contemplated in the special regulation for retailer-contractor and then must follow those rules and pay use tax based on the acquisition cost of goods withdrawn from inventory, payable at the time of such withdrawal. (However, see Special Regulation on “Contractors” for the tax treatment of the over-the-counter sale of a complete unit.)

Citation:

Manufacturers and Prefabricators Acting as Contractors, Special Regulations for Specific Businesses, 1 CCR 201-5, page 25.



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