

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
Phone (303) 866-3091
FAX (303) 866-2400



John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

GIL-13-001

January 24, 2013

XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX

Re: Purchase Price That Includes Sales Tax

Dear XXXXXXXXXXXXXXX,

You submitted on behalf of a shooting club ("Company") a request for guidance to determine whether it is permissible for Company to sell retail items at a stated price that includes sales tax.

The Colorado Department of Revenue ("Department") issues general information letters and private letter rulings. A general information letter provides a general overview of the relevant tax issues and is not binding on the Department. A private letter ruling provides a specific determination for a specific set of facts, is binding on the Department but not on the taxpayer, and requires payment of a fee. For more information about general information letters and private letter rulings, please see Department regulation 24-35-103.5 at www.colorado.gov/revenue/tax > Tax Library > Rulings.

The Department initially treats your request as one of a general information letter. If you would like the Department to issue a private letter ruling on the issues you raise, you can resubmit a request and fee in compliance with regulation 24-35-103.5. It is important to remember that general information letters, such as this one, are general discussions of tax law and are not a determination of the tax consequence of any particular action or inaction.

Issue

Is Company allowed to sell retail items at a stated price that includes sales tax? If so, must Company advise the purchaser, either verbally or by signage, that the price paid by purchaser includes sale tax and specifically how much sales tax the purchaser is paying?

Company is a shooting club located in Colorado that regularly purchases ammunition and reloading components for resale. Company would like to sell these items for an even amount. Company does not furnish customers with a receipt for their purchases.

Discussion

Colorado law expressly states that a retailer must disclose to the buyer the amount of tax paid on a transaction.

“It is unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof imposed by this part 1 [sales tax] will be assumed or absorbed by the retailer or that it will not be added to the selling price of the property sold or if added that it or any part thereof will be refunded.”¹

The Department promulgated a regulation that further explains this prohibition.

Every retailer or vendor, except one selling malt, vinous or spirituous liquors by the drink and electing to include the tax in the selling price, and except vending machine operators, shall collect sales tax on all taxable sales as an item separate and distinct from the selling price. It is a misdemeanor for a vendor, with the above exceptions, to hold out or state, directly or indirectly, that the tax or any part thereof will be assumed, absorbed or refunded by the vendor or that the tax will not be added to the purchase price.²

Therefore, Company must either provide an invoice for the sale and separately state the price for the tax or have a conspicuous sign that shows the price of each item and separately states the amount of tax for each item offered for sale.

Miscellaneous

This letter represents the good faith opinion of Department personnel who are knowledgeable on state taxes issues. However, the Department does not make a specific determination here on any of the issues raised and the Department is not bound by this general information letter.

The Department administers state and state-administered local sales and use taxes. This letter does not address sales and use taxes administered by home-rule cities and home-rule counties. You may wish to consult with local governments which administer their own

¹ §39-26-108, C.R.S. You can view statutes on the Department’s web site at www.colorado.gov/revenue/tax > Tax Library > Statutes.

² Department Regulation 39-26-108. You can view regulations on the Department’s web site at www.colorado.gov/revenue/tax > Tax Library > Regulations > Final Regulations > Sales and Use Tax.

sales or use taxes about the applicability of those taxes. Visit our web site at www.colorado.gov/revenue/tax for more information about state and local sales taxes.

Enclosed is a redacted version of this letter. Pursuant to statute and regulation, this redacted letter will be made public within 60 days of the date of this letter. Please let me know in writing within that 60 day period whether you have any suggestions or concerns about this redacted letter.

Sincerely,

Neil L. Tillquist
Colorado Department of Revenue
Tele: (303)866-5627
Email: neil.tillquist@state.co.us