



FYI Sales 71

Sales Tax Exemption on Industrial Utility Usage

Effective March 1, 2010 through June 30, 2012 sales and purchases of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel used in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone, and radio communication, street transportation services, and all industrial uses **are not exempt** from the 2.9% state sales and use tax.

Except:

- Fuel or energy used for agricultural purposes remains exempt from the 2.9% state sales and use taxes.
- Fuel or energy used for railroad transportation services remains exempt from the 2.9% state sales and use taxes.
- Fuel or energy used in the generation of electricity remains exempt from the 2.9% state sales and use taxes. However, fuel used to produce other energy that will later be used in the generation of electricity may be taxable. See example below.*
- Gas and electricity for residential use remains exempt.
- Gasoline and special fuel (diesel) that is subject to excise tax, even when excise tax is refunded, remains exempt.

***Example:** Company A purchases coal to produce steam. Company A sells the steam to Company B, Company B then uses the steam in the generation of electricity. The coal that Company A purchased to produce the steam IS subject to tax, the steam that company B purchased from Company A to generate electricity is NOT subject to tax. However, if company B purchases coal to produce the steam, in house, then is used the generation of electricity, the coal would not be subject to tax.

Gas and electricity used in the processing of food, restaurants, is NO longer exempt from state sales tax.

Please see the publication Colorado Sales and Use Tax Rates (DR 1002) to determine if energy used in industrial and other related purposes is subject or exempt from state-collected city, county and special district taxes.

Please see Emergency Regulation 39-26-102.21 for more information.

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