

FYI – For Your Information

Special Regulation: Contractors

(1) Contractors defined: Any individual, partnership, firm, association, corporation, trust, estate or joint venture who performs work on real property for another party under the terms of an agreement, is a contractor within the meaning of this regulation. An individual working for a salary or wages is not considered a contractor.

“Contractor” includes building contractors, road contractors, grading and excavating contractors, electrical contractors, plumbing and heating contractors, and also includes any other person engaged, under a contractual arrangement, in the construction, reconstruction, or repair of any building, bridge or structure. For the purpose of this rule, “sub-contractor” has the same meaning as “contractor.”

(2) Application of sales tax: All contractors, as defined in (1) above, who purchase in this state tangible personal property which is to be built in by them into some building or structure, are regarded for purposes of the Act as retail purchasers and must pay sales tax to the vendors. Contractors must pay tax on all tangible personal property used in their business or on their jobs if the delivery, storage, use or consumption of the property is in Colorado. The contractor must pay the use tax directly to the state. Sales or use tax is payable on all purchases of

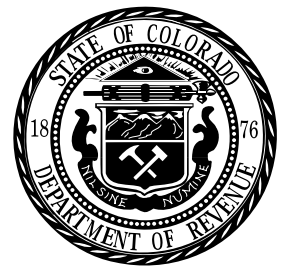
equipment, material, supplies, tools, etc.

Building materials purchased by contractors for construction work on property owned by the United States Government, State of Colorado, charitable organizations, schools, or political subdivisions are taxed or exempted from sales or use tax depending on the date of acquisition.

The contractor must file an application for an exemption certificate on a form prescribed by the Department of Revenue. If approved, the department will issue an exemption certificate to the contractor. [See C.R.S. 1973, 39-26-114(1)(a)(XIX) and 39-26-114(1)(d)].

(3) Application of sales and use tax for the retailer-contractor: Some contractors as defined in (1) above, also may be retail merchants of building supplies or construction materials which were purchased tax-free for resale. The contractor who invoices separately for labor and materials must charge sales tax on the marked up billing price of all materials. If the contractor bills with a lump sum contract, all supplies and materials are taxable on the contractor's cost.

An over-the-counter sales of a complete unit not made to order, with an agreement for installation of the unit, is not a building contract. This rule includes sales of stoves, refrigerators, furnaces, air conditioners, washing machines, dryers,



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Taxpayer Service Division
1375 Sherman St.
Denver, Colorado 80261

Forms and other services:
(303) 238-FAST (3278)
Assistance:
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Fuel Tax: (303) 205-5602
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carpets, electrical fixtures, ready-made cabinets, storm doors, garage doors, storm windows, screens, sod and similar items. On such sales the sales tax must be collected from the purchaser by the retailer-contractor. If the installation charges are segregated in the bid proposal or sales invoices, these charges are not taxable. Repairs of such articles are not considered repairs to real property as contemplated in the "contractor's rule."

(4) Sales Tax Returns: (a) Contractors are not required to file sales tax returns. They will pay the sales tax to the persons in Colorado from whom they make purchases of tangible personal property or, if purchased out of Colorado or from an unlicensed person, the contractor will report the tax on a consumer's use tax return. (b) Retailer-contractors are required to include in their sales tax returns the tax on the acquisition cost of materials and supplies removed by them from their tax free stocks and used on jobs for which an exemption certificate has not been obtained under the circumstances described in paragraph (3), preceding.

(5) Licenses: Retailer-contractors must have a Colorado store/sales tax license for each store location. No sales tax license will be issued to regular contractors. They are not retailers of tangible personal property and are deemed to be users or consumers of all articles used by them.

(6) Subcontractors: Any subcontractor purchasing materials for his job is the user or consumer of the materials and liable for the payment of the sales or use tax on the purchases. No sales tax license will be issued to subcontractors.

Citation:
Contractors, Special Regulations for Specific Businesses, 1 CCR 201-5, page 10.