

FYI – For Your Information

Special Regulation: Financial Institutions

Banks, savings and loan associations, and similar financial organizations who offer gifts or premiums of tangible personal property as an inducement for opening an account, making a deposit or adding to an account are, for purposes of the Act, making sales of tangible personal property (see (1) below), or are making purchases (see (2) below).

These gifts and premiums are purchased by the financial institution and given to the customer or offered to the customer at a reduced price when a deposit is made to the customer's account. The purchase of these gifts and premiums or sales thereof are to be reported in the following manner:

(1) The sales of these premiums and gifts at their reduced price are treated as retail sales and the financial institutions must collect the sales tax from the depositor.

(2) The difference between the bank's purchase price and the cash price paid by the depositor will be taxable to the financial institutions. If an item is given to the depositor, the item's purchase price (cost) will be reported on the appropriate line of the sales tax return.

[Following amended, 2002]
(3) If an item is given to the depositor, in consideration of depositing funds or using other financial services from which the bank may profit, the item's purchase price (cost) will be reported as a taxable sale on the appropriate line of the sales tax return, subject to state and applicable local sales tax.



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

Forms and other services:
(303) 238-FAST (3278)
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www.taxcolorado.com