

FYI – For Your Information

Special Regulation: Repossessed Property

If the reposessor of tangible personal property sold the property to the person from whom it was taken and remitted the tax on the total selling price, the retailer-reposessor may deduct the uncollected selling price from the gross sales on the sales tax return for the period during which the repossession occurred. Repossessed property must be held exclusively for resale by a person holding a valid sales tax license. The subsequent retail sale of the repossessed property is subject to sales tax.

No deduction or other credit may be taken from gross sales on account of the repossession when:

- (1) The repossessed property is a motor vehicle. However, a deduction may be allowed when there is a seller-financed sales. See §39-26-113(6), C.R.S.
- (2) The retailer-reposessor reports sales tax on the cash basis.
- (3) The retailer-reposessor reports sales tax on the accrual basis but elects under §39-26-102(5), C.R.S. to report on the cash basis the collections of such credit sales as that subject to repossession.

A seller is not liable for sales or use tax on the transaction of repossessing tangible personal property on which the seller retained a security interest as long as the repossessed property is placed in inventory and held for resale (at retail or wholesale). Repossessed property converted to personal or business use is subject to sales or use tax calculated at the fair market value at the date of conversion.



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