



## **FYI Sales 71**

### **Sales Tax Exemption on Industrial Utility Usage**

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Sales of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel used in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone and radio communication is exempt from the 2.9% state sales and use tax.

See FYI Sales 30 and form DR 1666 (Sales Tax Exempt Certificate Electricity & Gas for Industrial Use), which must be completed and submitted to the utility company to claim the exemption, for more information.

#### **Temporary Exception to State Exemption**

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 were not exempt from the 2.9% state sales and use tax.

#### **Except:**

- Fuel or energy used for agricultural purposes remained exempt from the 2.9% state sales and use taxes.
- Fuel or energy used for railroad transportation services remained exempt from the 2.9% state sales and use taxes.
- Fuel or energy used in the generation of electricity remained 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 have been taxable. \*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 for residential use remained exempt.
- Gasoline and special fuel (diesel) that was subject to excise tax, even when excise tax is refunded, remained exempt.

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.

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FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.