

FYI – For Your Information

Direct Pay Permit for Colorado Sales Tax

GENERAL INFORMATION

Effective Jan. 1, 2000, qualified purchasers are allowed to receive a Direct Payment Permit and remit sales taxes directly to the Department of Revenue rather than to the vendor at the time of purchase. Once a qualified purchaser has been issued a direct payment permit from the department, vendors are not required to charge sales tax on purchases made by permit holders. The permit is in effect until December 31 of the third year following the year in which it is issued, unless the department revokes it. The purchaser must file a renewal application at that time. A qualified purchaser holding a direct payment permit number shall file a return with the department on or before the 20th day of the month following the purchase. A qualified purchaser is allowed to retain a 3 1/3 percent vendor's fee of the Colorado portion of the tax to cover the expense in self-assessing and remitting this sales tax. The local taxes remitted are subject to the vendor's fee allowed by each local taxing jurisdiction.

A retailer or vendor who has received a Direct Pay Permit number from a qualified purchaser shall not be liable or responsible for the collection and remittance of the tax imposed by article 26 of Title 39 C.R.S. However the purchase price must be paid for directly from the qualified purchaser's funds and not the funds of any individual. [§39-26-103.5 C.R.S.]

The permit is **not** applicable to county lodging tax and/or county rental tax. [§§30-11-107.5 and 30-11-107.7

This permit is not applicable to self-collected and administered municipal sales taxes. Contact these municipalities directly for their rules or direct pay procedures.

REQUIREMENTS FOR ISSUANCE OF A DIRECT PAY PERMIT

The Department of Revenue may issue a Direct Payment Permit number to any person that submits the form "Colorado Direct Pay Permit Application" (DR 0002) and meets the following requirements:

- For the preceding 12-month period the applicant must have purchased in Colorado, in the aggregate, at least \$7 million of commodities, services, or tangible personal property that are subject to the tax imposed by article 26 of Title 39 C.R.S.

Exception: Purchases of commodities or tangible personal property to be erected upon or affixed to real property, including but not limited to, building and construction materials and fixtures, **are excluded** from the computation of the \$7 million of purchases.

- For the previous three years, the applicant must not have been delinquent in the filing and remittance of any tax imposed by Title 39 of the Colorado Revised Statutes and administered by the Department of Revenue.



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

Sales Tax: (303) 232-2416
Withholding Tax: (303) 232-2416
Income Tax: (303) 232-2446
Severance Tax: (303) 232-2446
Fuel Tax: (303) 205-5967

- The applicant must have in place an accounting system that is acceptable to the Department of Revenue, that will allow the taxpayer to report and the department to fully and accurately collect and allocate directly paid sales taxes to all cities, counties and special districts whose taxes apply to the purchase.

The form DR 0002 is available on the Department of Revenue Web site at www.revenue.state.co.us or it may be ordered through the department's Automated Forms Hotline at (303) 232-2414.

REPORTING REQUIREMENTS

A qualified purchaser (one who is issued a valid Direct Pay Permit) is responsible for remitting to the Department of Revenue all taxes that would have been due on the purchase if the purchase had been made without the use of a Direct Pay Permit. State sales tax is due on all tax free purchases made with a Direct Pay Permit number, and only those state collected city taxes, county taxes, and special district taxes are due if they would have been due on the purchase, as if the Direct Pay Permit Number had not been used. The permit holder must file a spreadsheet return approved by the Business Tax Accounting Section of the Taxpayer Service Division, and remit local taxes in such detail allowing accurate identification of each jurisdiction's local tax.

The accrued taxes are due before the 20th day of each month subsequent to the month in which any sale to the qualified purchaser was made for which sale the qualified purchaser's Direct Pay Permit number was used. The qualified purchaser is allowed to retain a 3 1/3 percent vendor's fee against the Colorado portion of the tax to cover the expense in self-assessing and remitting this sales tax.

REVOCATION

The Executive Director of the Department of Revenue may revoke the Direct Pay Permit of a qualified purchaser that has violated any provision of Article 26 of Title 39 Colorado Revised Statutes. Notice of revocation shall be mailed to a permit holder by first class mail and is subject to appeal.

VENDORS MAKING SALES TO QUALIFIED PURCHASERS

Vendors, who have received from a "qualified purchaser", a valid direct payment permit number which has been issued pursuant to 39-26-103.5 C.R.S., shall not be liable for the collection and remittance of the tax imposed by Article 26 of Title 39 C.R.S. on any sale made to that "qualified purchaser" that is paid for directly from such qualified purchaser's funds and not the personal funds of any individual.

Vendors making sales to a "qualified purchaser(s)" are required to include all such sales in gross sales and services on a "Combined Retail Sales Tax Return" (DR 0100). The vendor must itemize such sales as an "other" deduction in arriving at Net Taxable Sales. "Other" deductions are taken on the reverse side of the DR 0100 form.

Where applicable, vendors remain responsible for collecting and remitting the county lodging and/or the county rental tax. [§§30-11-107.5 and 30-11-107.7]

FURTHER INFORMATION

For more information on related DOR topics, consult the following publications:

- General 5 “General Information About Colorado State Taxes”;
- Sales 1 “How to Document Sales to Retailers and Tax Exempt Organizations”;
- Sales 9 “Sales Tax Licenses”;
- Sales 58 “Parents and Branches: Requirements for Sales Tax Remittance by Spreadsheet”;
- Sales 62 “Guidelines for Determining When to Collect State-Collected Local Sales Tax.”

Single FYIs are free from the Department of Revenue. They may be obtained at any statewide Taxpayer Service Center, or by writing the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (i.e., General 1, Sales 57, etc.) when ordering FYI publications. FYIs and commonly used forms are available on the Web at www.revenue.state.co.us

For a complete set of FYIs (approximately 130), you may purchase ***The Complete Book of FYIs*** at a low cost from the State Forms Center, Division of Correctional Industries, 4200 Garfield St., Denver, CO 80216. An order form is contained in FYI General 1, or call the State Forms Center, (303) 321-4164, for more information.