

FYI – For Your Information

Direct Pay Permit for Colorado Sales Tax

GENERAL INFORMATION

Qualified purchasers of goods subject to sales or use tax 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.

Once issued, the permit is in effect until December 31 of the third year following the year in which it is issued. The purchaser can file a renewal application unless the department has revoked the permit.

WHO IS A QUALIFIED PURCHASER

A qualified purchaser (one who is issued a valid direct pay permit) is an individual or business that has purchased a minimum of \$7,000,000 of goods or tangible personal property during the last 12-months normally subject to sales or use tax. This would exclude purchases of resale inventory, commodities or tangible personal property to be erected upon or affixed to real property.

[C.R.S. 39-26-103.5(a)]

REQUIREMENTS FOR ISSUANCE OF A DIRECT PAY PERMIT

The Department of Revenue may issue a Direct Payment Permit number to any person that submits Form DR 0002 "Colorado Direct Pay Permit Application" 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 sales and use 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.
- The applicant must have in place an accounting system that is acceptable to the Department of Revenue, and 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.

Form DR 0002 "Colorado Direct Pay Permit Application" is available on the Department of Revenue Web site at www.taxcolorado.com



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

Forms and other services:
(303) 238-FAST (3278)
Assistance:
(303) 238-SERV (7378)
Fuel Tax: (303) 205-5602
www.taxcolorado.com

REPORTING REQUIREMENTS

A qualified purchaser 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, that includes accurate identification of each jurisdiction's local tax.

The accrued taxes are due on or 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 2 1/3 percent service fee against the Colorado portion of the tax to cover the expense in self-assessing and remitting this sales tax. Local taxes remitted are subject to the service fee allowed by each local taxing jurisdiction.

REVOCATION OF A PERMIT

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.

The Director will issue a proposed order providing at least 60 days written notice of revocation of a Colorado Sales Tax Buyer's Direct Permit to the address recorded with the department for the permit holder. The proposed order shall contain reasons for the revocation. The Director will issue a denial of a request for the Buyers Direct Pay Permit in the same manner.
[Regulation (39-)26-103.5.6)]

VENDORS MAKING SALES TO QUALIFIED PURCHASERS

Vendors, who have received from a "qualified purchaser," a valid direct payment permit number, shall not be liable for the collection and remittance of the sales tax on any sale that is paid for directly from such qualified purchaser's funds and not the personal funds of any individual. [C.R.S. 39-26-103.5]

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

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

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

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

FURTHER INFORMATION

FYIs, commonly used forms and additional tax information are available on the Web at www.taxcolorado.com

FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent 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 authority to bind the Department, has not formally reviewed and/or approved these FYIs.