

FYI – For Your Information

Guidelines for Determining When to Collect State-Collected Local Sales Tax

GENERAL INFORMATION

The Colorado Department of Revenue is responsible for collecting and administering local sales taxes for all counties, statutory cities and special districts that impose a sales tax. Sales taxes collected by vendors in such areas are to be reported on the “Combined Retail Sales Tax Return” (DR 0100) and remitted to the Colorado Department of Revenue.

In some cases, home-rule city sales tax is administered and collected locally rather than by the state. The Colorado Department of Revenue has no jurisdiction over sales and use taxes imposed by home-rule cities when the state does not administer its local taxes. Taxes collected for such areas must be remitted directly to the home-rule jurisdiction. **This FYI does not address the local taxes of self-administered home-rule cities. You must contact a home-rule jurisdiction directly to obtain its tax regulations.** For information on local sales tax rates, request “Colorado Sales/Use Tax Rates” (DR 1002). This DOR publication is updated each January and July.

SALES TAXES ON TANGIBLE PERSONAL PROPERTY (EXCEPT MOTOR VEHICLES)

A retailer of tangible personal property with a business presence in a city,

county, and/or the Regional Transportation District/Cultural and Scientific Facilities District/Metropolitan Baseball Stadium District (RTD/CD/BD) must collect **all** applicable local sales taxes on transactions consummated within the boundaries of that area.

Deliveries of Goods

Local sales taxes and RTD/CD/BD taxes are **not** collected when the retailer or his agent delivers the tangible personal property, via the retailer’s company vehicle, to a destination outside the boundaries of the vendor’s local taxing jurisdiction(s) or to a common carrier for delivery outside the boundaries of the vendor’s local taxing area(s). Delivery of the tangible personal property into another local taxing area does **not** require the vendor to collect the local sales taxes of the delivery area if the vendor does not have a business presence there. However, sold goods that are turned over to a contractor/subcontractor or other agent who is not primarily a common carrier for delivery outside the local taxing jurisdiction (for example, a carpet store turning over sold carpet to an independent installer who then installs the carpet for the purchaser), does **not** constitute delivery to another taxing area under this rule. The goods are taxable in the local jurisdiction where the contractor/subcontractor picks up the goods.



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Taxpayer Service Division
1375 Sherman St.
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Sales Tax: (303) 232-2416
Withholding Tax: (303) 232-2416
Income Tax: (303) 232-2446
Severance Tax: (303) 232-2446
Fuel Tax: (303) 232-2451

Vendors making retail sales which are exempt from local sales tax due to the delivery location bear the burden of proving that delivery took place outside the taxing area. For audit purposes, retailers should maintain invoices showing specifics of such deliveries by common carriers. For deliveries with the retailer's own vehicle, the DOR recommends maintaining delivery invoices signed by the purchaser upon delivery which show date, time, place, and vehicle used.

RTD/CD/BD Use Tax

Because the RTD/CD/BD has a use tax, businesses that are not located in the RTD/CD/BD but make regular shipments into the district or have otherwise established nexus (a sales presence) in the district should collect the RTD/CD/BD tax and remit it on the "Combined Retail Sales Tax Return" (DR 0100). If the RTD/CD/BD tax is not collected by the vendor, the consumer located within the district must pay the tax on the "Consumer Use Tax Return" (DR 0252).

Mobile Vendors

Those retailers who carry their inventory with them and make sales from that inventory directly to customers are classified as mobile vendors, and all local taxes must be collected. If you have not made sales in a particular taxing area previously, list the amount of sales and compute the tax for the city and/or county on a separate sheet of paper and staple it to the front of your sales tax return. Be sure to write your account number and identify the city and/or county on the separate sheet. You will then begin receiving returns for this jurisdiction.

Out-of-State Retailers

Out-of-state retailers who file Colorado retailer use tax returns (DR 0173) are responsible for collecting state sales/use taxes (and RTD/CD/BD taxes, if applicable) but are not required to collect sales taxes for any state-collected city or county, provided the retailer has no place

of business in such state-collected city or county. For further information, request FYI Sales 5 "General Sales Tax Information for Out-of-State Businesses."

Building Materials

Local sales tax is not due on building materials if the purchaser presents a building permit or other documentation acceptable to the local jurisdiction where the materials are purchased showing that a local use tax has been paid or is required to be paid to another local entity [§29-2-105(2) C.R.S.]. City and county use taxes on building materials are remitted directly to the local jurisdiction, not to the Department of Revenue.

Independent Distributors

These distributors are not required to have a sales tax license if the company itself has a license and remits all applicable sales taxes. The local tax liability is determined by the address of the independent distributor. If you feel you fall into this category, you may contact the Department of Revenue at (303) 232-2416 for more information.

Boats

Vendors of boats, boat motors and boat parts must collect all applicable state and local sales taxes. Boats are not treated as motor vehicles. However, boat trailers which require licensing and registration **are** treated as motor vehicles and are taxed as such (see below).

SALES TAXES ON MOTOR VEHICLES

When the motor vehicle dealer and the purchaser reside in the same local taxing area, the dealer **must** collect all applicable local sales taxes (RTD/CD/BD, other special districts, county and city) in addition to the state sales tax. The state-administered taxes are to be paid to the Department of Revenue on the "Combined Retail Sales Tax Return" (DR 0100).

RTD/CD/BD taxes apply to all purchasers living within the boundaries of this district. In order to facilitate titling procedures, dealers not located in the district should collect the tax from residents of the district and send the tax directly to the motor vehicle department of the purchaser's county of residence along with the title application. RTD/CD/BD taxes are **not** applicable to purchasers buying within the district but **not residing** in the district.

Purchasers buying a motor vehicle outside the limits of the local taxing entity where they reside will be required to pay any locally-imposed use tax when registering the motor vehicle. As with RTD/CD/BD tax, dealers should collect local use taxes and send them directly to the motor vehicle department of the purchaser's county of residence along with the title application.

Motor vehicles must be registered in the local jurisdiction of residence of the purchaser. For a private individual, this means the county and town where he/she is registered to vote. For a business purchaser, this means the business address from which the vehicle is principally operated and maintained. [§1-2-102 and 31-10-201 C.R.S.]

Motor vehicle sales or trades between unlicensed, private individuals **are** subject to sales/use tax. The purchaser must pay the tax on the purchase price when registering and titling the vehicle.

A NOTE ON USE TAX

Use tax must be paid by the purchaser of goods for the purchaser's own use in cases where the seller did not or could not collect sales taxes. [§39-26-202 C.R.S.] This would include, for example, purchases by mail from an out-of-state firm which is not collecting Colorado sales tax. It would also include goods and equipment purchased tax-exempt by a business and used by the business rather than being placed in inventory for re-sale. Merchandise that is purchased tax free for resale but later removed from

inventory and used by the business must be reported on line 10 of the "Combined Retail Sales Tax Return" (DR 0100) and all applicable taxes remitted.

Except for certain special districts which levy a sales tax, state-administered local jurisdictions do not have a use tax except that, at local jurisdictions' election, they may impose a use tax on building materials and/or motor vehicles. The RTD/CD/BD (a combined special district which levies a sales/use tax) requires a use tax be paid on all taxable goods in situations where sales tax is not collected.

FURTHER INFORMATION

For more information on related topics, consult the following FYIs:

- General 10 "Consumer Use Tax";
- Sales 1 "How to Document Sales to Tax-Exempt Organizations";
- Sales 4 "Guidelines For Determining the Appropriate Sales Tax Rate For Taxable Food Items";
- Sales 6 "Contractors and Retailer - Contractors";
- Sales 9 "Sales Tax Licenses";
- Sales 55 "Flea Markets."

Single FYIs are free from the Taxpayer Service Division. Call the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (General 1, Sales 9, etc.) when ordering FYI publications. FYIs and commonly used forms are available on the Internet at www.state.co.us under "Government" and "Department of Revenue."

For a complete set of FYIs (approximately 130, on sales, income, excise and withholding taxes), you may purchase ***The Complete Book of FYIs*** at 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 ordering information.