

FYI – For Your Information

Opening a Business In Colorado

GENERAL INFORMATION

This FYI provides general information for persons who are considering opening a business in Colorado. Three topics addressed in this FYI are: 1) trade name registrations, 2) sales tax licenses, and 3) employee hiring.

NOTE: When opening a new business call the **Colorado Business Assistance Center** at (303) 592-5920 for additional information. The **Colorado Business Assistance Center** provides management and financial assistance counseling.

To obtain a sales tax, wage withholding tax or other business tax account number, visit the Denver Service Center at 1375 Sherman St., Denver, or any Taxpayer Service Center in Colorado. You may also get the "Colorado Business Registration" Form (CR 0100) through the Department's Web site at www.taxcolorado.com or call the Department's Forms Hotline at (303) 238-FAST (3278).

If you have questions about existing accounts or regarding registration forms that have already been filed, call the Department of Revenue (DOR) at (303) 238-SERV (7378).

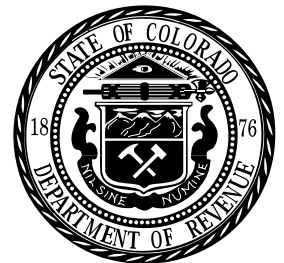
TRADE NAME INFORMATION

The Colorado Department of Revenue does not process the registration of trade names for any type of business. **All** filing of trade names, renewals, inquiries and collection of trade name fees is provided by the Colorado Secretary of State's office at www.sos.state.co.us

COLORADO SALES TAX LICENSES

Colorado imposes a sales tax on the sale of new and used "tangible personal property." This does not include real estate. In addition to the state sales tax rate of 2.9 percent, cities, counties, and special taxing jurisdictions impose sales taxes at various rates. Some cities, called "home rule cities" administer their own tax programs and these cities require separate sales tax licenses. These cities should be contacted directly to receive information about their requirements. See publication (DRP 1002) "Colorado Sales/Use Tax Rates" that lists all taxing authorities and their tax rates. It also lists addresses and telephone numbers of "home rule" cities. You may obtain a DRP 1002 on our Web site at www.taxcolorado.com

To establish a state sales tax account and obtain a state sales tax license, you must complete the tax application "Colorado Business Registration" Form (CR 0100). This form may be obtained through the Web 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) 205-8205
www.taxcolorado.com

SALES TAX LICENSES

Two types of state sales tax licenses are available.

Standard Sales Tax License

A person or business having a permanent location where retail sales are conducted on a regular basis must obtain a standard sales tax license. [§39-26-103, C.R.S.] The fee for a two-year license is \$16, plus a one-time-only \$50 deposit. The deposit is automatically refunded to the business after \$50 in state sales tax has been remitted to the department. Standard sales tax accounts must be renewed every two years at a fee of \$16. If you have more than one permanent sales location, each location must have a license. License fees are prorated in six-month increments during the two-year fee period.

A business selling *only* wholesale must have a sales tax license but will not have to pay the \$50 deposit.

Allow four to six weeks to receive a license in the mail. If you apply for a license in person at one of the Taxpayer Service Centers a temporary license will be issued immediately. The actual license will then be sent to you within two weeks.

Special Events Sales Tax Licenses

In many cases, it is the vendor's choice whether to purchase a Single Event Sales Tax License or a Multiple Events Sales Tax License, based on the number of events you plan to participate in and your license cost considerations. As a general rule, unless you know you will participate in only one event in a two-year period, it will be more cost-effective to purchase a multiple events license.

The organizer of a sales event which includes three or more vendors **may** obtain a license for the sales event and all its vendors. If the organizer obtains the license for the event, then the vendors need not obtain licenses individually. In that case, however, the organizer is required to remit all taxes collected by the vendors who do not have a license for the event and also for vendors who have a

license but who elect to have the organizer remit the tax. The organizer is required to provide the DOR with a list of the names and addresses of the vendors. The organizer must also provide the license numbers of all vendors who have obtained their own licenses for the event and are remitting the tax to the state themselves. Send these lists to the Special Events Coordinator, P O Box 13200, Denver, CO 80201-4600.

If the sales event organizer **does not** obtain the license, all vendors at the event must obtain their own licenses and collect and remit the tax.

In all cases, a standard sales tax license is required if you participate in an event that occurs more than three times at the same location during any calendar year.

A single event license is \$8 per event. A multiple event license is a two-year license for \$16 and the cost is prorated in 6-month intervals. If you have a standard retail or wholesale license and need to obtain a special events license there will be no additional cost for the special event license.

ELECTRONIC PAYMENT REQUIREMENT

EFT for Retail Sales

Filers are required to remit by electronic funds transfer (EFT) all state and local sales taxes collected by the Department of Revenue **if their liability for state sales tax for the previous calendar year was more than \$75,000**. A business may elect to remit their sales tax by EFT even if they do not fall under mandatory requirement.

How to pay through EFT

To establish **any** electronic funds account with the Department, submit a completed application "Authorization For Electronic Funds Transfer (EFT) for Tax Payments," Form DR 5785. Also see Form DR 5782 "Electronic Funds Transfer (EFT) Program for Tax Payments." Both forms are located at on the Web at www.taxcolorado.com

COLORADO WAGE WITHHOLDING

If you plan to have employees in your business, you are required to establish a Colorado wage withholding account by filing the "Colorado Business Registration" (CR 0100). There is no registration fee for a withholding account.

Filing the CR 0100 will also establish your unemployment insurance account. Unemployment insurance forms and additional information on unemployment insurance can be obtained by calling the Colorado Department of Labor and Employment (303) 318-9100 or 1-800-480-8299 (outside of the metro area only).

You can obtain information about withholding tax, including information about simplified withholding filing by telephone by obtaining a copy of **FYI Withholding 5 "Colorado Withholding Tax Requirements"** from the Web at www.taxcolorado.com. Also visit the Web for additional information on the department's online "Tax Information Index."

WHAT TO DO WHEN PURCHASING OR SELLING A BUSINESS

When a business is purchased by another party, both the old and new business operator must follow certain steps with the Department of Revenue and with other agencies. [Reg. 39-26-117.1].

- The seller should close the business tax account or change its address (if the business is moving) with the Department of Revenue.
- The purchaser may request a tax status letter (DR 0096) from the seller. The Department of Revenue will issue the letter at the present owner's (seller's) request. The letter will indicate whether all business tax filings are current. There is a \$7 fee for each type of tax reviewed.
- The seller must pay any sales taxes that have been collected prior to the sale of the business. The sales taxes must be filed within 10 days of the sale. The new business owner may become liable for any unpaid tax due on sales made by the previous owner.

- The new business should open a business tax account with the Department of Revenue.
- The sale of a business often includes tangible personal property. Therefore, the buyer who is purchasing business assets must pay state sales tax and, if applicable, city, county and/or special district sales taxes on that property. The sales tax must be paid on tangible personal property such as equipment, furniture, and fixtures, whether used or new. The business purchaser remits the applicable sales taxes on the purchase of the business tangible property using the "Retail Sales Tax Return for Occasional Sales" (Form DR 100A). It must be filed with the department on or before the 20th day of the month following the date of purchase. If vehicles are involved in the sale, sales tax on vehicles is paid to the county where the vehicles are registered.

- If the business sale took place in a home-rule city, both the old and new owner should contact the city for additional sales tax information.
- If a business is purchased through a stock transfer, the business can retain the same sales tax account number. This type of transaction is not considered a sale and therefore, is not a change in ownership status, see 39-26-102 (10)(b), C.R.S.

FOOD SERVICE LICENSE

If the business is a restaurant or food service, the new business owner should contact the county health department where the business is located for registration requirements. However, restaurants, food establishments and food vendors must obtain a retail sales tax license through the Colorado Department of Revenue by filing Form CR 0100 "Colorado Business Registration." The CR 0100 is also used to establish a Food Service license issued by the Colorado Department of Revenue. Food service businesses are automatically sent a renewal form each November. If a retail food establishment closes, the business owner must indicate so on the final return or notify the Department of Revenue of the closure date (last day of business). See also FYI Sales 24 "Eating and Drinking Establishments." Both the CR 0100 and FYI publication are located on the Web at www.taxcolorado.com

LIQUOR LICENSE

If a business or restaurant sells liquor by the drink or is a liquor store they must obtain a retail sales tax license as well as a liquor license. If a business is a liquor wholesale distributor they must obtain a wholesale license to become a liquor distributor. The retail and wholesaler's license for liquor is obtained by filing Form CR 0100 "Colorado Business Registration," in addition to required liquor licenses. If the business sells or distributes liquor, the Liquor Enforcement Division, (303) 205-2300, must be notified of the ownership change. To obtain more information on liquor licenses and requirements visit the Liquor Enforcement Web site at: http://www.revenue.state.co.us/Liquor_dir/liquor.html

HOW TO OBTAIN FORMS AND WHERE TO SEND COMPLETED FORMS

Forms may also be obtained on our Web site at www.taxcolorado.com

You should mail completed Colorado tax, registration or license forms to the Department of Revenue, Denver, CO 80261-0005, or you may also deliver them to one of the five DOR Taxpayer Service Centers in Denver, Colorado Springs, Fort Collins, Grand Junction and Pueblo. If you already have an account number for your business, please include it in any correspondence you send.

FURTHER INFORMATION

FYIs and commonly used forms are available on the Web at www.taxcolorado.com

The Department also provides automated sales tax information for and about businesses at www.taxview.state.co.us
This system includes:

- Colorado Sales Tax Rates - finds specific city, county and special district rates.
- Verification of Sales Tax License Exemption Numbers - determines whether a Colorado sales tax license or exemption certificate is valid.
- Tax Rates by Account Number - finds sales tax rates and locations for specific sales tax accounts.

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.