

FYI – For Your Information

Out-of-State Sales Tax-Exempt Organizations Doing Business in Colorado

General Information

Colorado allows out-of-state tax-exempt organizations to use the exemption certificate issued by their home state taxing authorities when doing business with Colorado vendors on an occasional basis. No advance notice to the Colorado Department of Revenue is required.

Out-of-state tax-exempt organizations are allowed to make sales tax-exempt purchases upon providing the vendor with a tax exemption number or some other documentation of tax-exempt status from another state.

A titled representative of the organization should be prepared to assume full legal responsibility for the organization's tax-exempt purchases in Colorado should the Department later determine that sales tax should have been paid. The representative will be required to sign an affidavit attesting to the organization's tax-exempt status and that the item or service purchased meets both requirements outlined below. The vendor might also request positive identification from the representative.

Limits to the sales tax exemption

Tax-exempt organizations may purchase otherwise taxable goods and services without paying Colorado state-administered sales taxes only if **both** of the following requirements are met:

1. Payment is made from the organization's funds and no reimbursement will be made to the organization through direct payment, collection or donation from any person(s) for the use or consumption of the goods or services; **and**
2. The items or services purchased are used in conjunction with the organization's regular religious, charitable, educational or governmental activities.

If the transaction does not meet both the above requirements, the vendor is legally obligated to charge the organization sales tax.

If a dispute arises between the vendor and the organization as to whether a sale is taxable, state law requires the vendor to charge the tax and the purchasing organization to pay it. [§39-26-102 (22), C.R.S.] The organization may file a "Claim for Refund" (DR 0137), which is available upon request from the Department of Revenue, or on the Web at www.taxcolorado.com. If the Department subsequently determines that the sale was nontaxable, the organization will receive a refund for taxes paid.



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)
www.taxcolorado.com

FURTHER INFORMATION

- See also FYI Sales 1 “How To Document Sales to Retailers, Tax-Exempt Organizations and Direct Pay Permit Holders”

FYIs and commonly used forms 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 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.