



FYI General 14

Opening a Tax Account in Colorado

GENERAL INFORMATION

This FYI provides general information for persons who are considering opening a sales tax or wage withholding tax account in 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%, cities, counties, and special taxing jurisdictions may 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. Refer to the publication Colorado Sales/Use Tax Rates (DR 1002) for a listing of all taxing authorities and their tax rates.

Two types of state sales tax licenses are available, a standard sales tax license and a special event sales tax license. For detailed information, see FYI Sales 9, Sales Tax Licenses. To establish a state sales tax account and obtain a state sales tax license, complete and submit a Sales Tax/Wage Withholding Account Application (CR 0100).

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. 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 a business has more than one permanent sales location, each location must have a license. The two-year license is valid from January 1 of even-numbered years through December 31 of odd-numbered years. 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. Charitable licenses do not require the \$50 deposit. There is an \$8 fee for the license.

Allow four to six weeks to receive a license in the mail. Apply for a license in person at one of the Taxpayer Service Centers to have a temporary license issued immediately. The actual license will then be sent 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 participating in and license cost considerations. As a general rule, unless a business plans to 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, the organizer is required to remit all taxes collected by the vendors who do not have a license for the event and for vendors who have a license but elect to have the organizer remit the tax. The organizer is required to provide the Department of Revenue 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 a business participates 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 six-month intervals. If a business has a standard retail or wholesale license and needs to obtain a special events license, there will be no additional cost for the special event license.

WAGE WITHHOLDING

If a business plans to have employees, a Colorado wage withholding account must be established. Complete and submit the Sales Tax/Wage Withholding Account Application (CR 0100). There is no registration fee for a withholding account. For more information on wage withholding, please see Publication FYI Withholding 5, Colorado Withholding Tax Requirements.

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.

- The seller should close the 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 seller's (owner's) request. The letter will indicate whether all 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 tax account with the Department of Revenue.
- The sale of a business often includes tangible personal property. Therefore, the taxpayer who is selling the business assets must collect and remit state sales tax and, if applicable, city, county and/or special district sales taxes on that property. If sales tax is not collected on the tangible personal property by the seller, then the buyer is required to pay the applicable sales tax.

The sales tax must be paid on tangible personal property whether used or new. The applicable sales taxes on the purchase of the business tangible property is remitted using the Retail Sales Tax Return for Occasional Sales (DR 0100A). 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.

OTHER TYPES OF LICENSES

CHARITABLE LICENSE

Please see Publication FYI Sales 2, Sales Tax Exempt Status for Charitable Organizations: Application Requirements for information on license requirements.

CIGARETTE LICENSE

A retailer is not required to obtain a cigarette license to sell Colorado stamped cigarettes in their business establishment to consumers. However, the retailer is required to have a valid Colorado sales tax license in order to sell tangible personal property.

CONSUMER USE

There is not a license requirement for consumer use tax. Please see Publication FYI General 10, Consumer Use Tax for more information.

FOOD SERVICE LICENSE

If the business is a restaurant or other food service establishment, the new business owner should contact the county health department where the business is located for registration requirements. Restaurants, food establishments and food vendors must obtain a sales tax license through the Colorado Department of Revenue by filing a Sales Tax/Wage Withholding Account Application. Food service licenses are issued and renewed by the county health departments. 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 Publication FYI Sales 24, Eating and Drinking Establishments for more information.

FUEL DISTRIBUTOR LICENSE

If a business distributes, supplies, exports, imports, carries or blends any gasoline or special fuel in Colorado, they must obtain a fuel distributor license. The business must apply for a fuel license before starting any of the above activities. Multiple operations are listed on the fuel distributor license, but the license only applies to those activities applied for and approved by the department. An additional application is required to amend the license. The penalty for operating without a license for an applicable activity is applied each day as a separate offense starting at \$5,000 and going to \$15,000 per day. If the business is a fuel wholesale distributor, they must obtain a wholesale license by filing Sales Tax/Wage Withholding Account Application (CR0100) in addition to the required fuel license. For more information, please see FYI Excise 5, Colorado Motor and Aviation Fuel Application, Licensing, and Reporting Requirements.

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 Sales Tax/Wage Withholding Account Application (CR 0100) in addition to required liquor licenses. If the business sells or distributes liquor, the Liquor Enforcement Division 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.colorado.gov/revenue/liquor>

MEDICAL MARIJUANA LICENSE

The law requires that all businesses selling medical marijuana be licensed through the Colorado Department of Revenue and collect and remit sales tax to the department on all taxable sales.

Any businesses selling medical marijuana that does not have a Colorado sales tax license should immediately file and submit the Sales Tax/Wage Withholding Account Application (CR0100) to set up a sales tax account and receive a license. Please note there is a fee and a sales tax deposit required with the license application. More information on what other licensing is required can be found on the Department of Revenue Enforcement Group Web site at <http://www.colorado.gov/revenue/enforcement>

MOBILE LICENSE

Businesses often mistake themselves for a mobile business. A mobile business is a retailer who carries their inventory with them and makes sales from that inventory directly to customers. Examples of a mobile business are tool supply trucks or food trucks.

All appropriate sales tax for each location must be collected and remitted to the Colorado Department of Revenue. Sales tax returns for sales in every jurisdiction must be filed. A sales tax license is required for each location if the mobile business is at the same location more than three times in a calendar year. Obtain a sales tax license by completing a Sales Tax/Wage Withholding Account Application (CR0100) with any appropriate fees.

RETAILERS USE LICENSE

The Colorado use tax of 2.9% should be collected by vendors who have no business location in the state but sell products in Colorado. RTD/CD/FD/RTA and local taxes must also be collected, if applicable. There is no license fee for a retailers use tax license.

TOBACCO LICENSE

A retailer is not required to obtain a tobacco license to sell tobacco products, if the retailer purchases tax-paid tobacco products for resale to the consumer from a Colorado licensed wholesaler. The retailer is required to have a valid Colorado sales tax license in order to sell tangible personal property and to collect the sales tax due on tobacco product sales. A **tobacco products license** is required if a distributor is the first to receive tobacco in the state on which excise tax has not been paid. To become a Colorado tobacco distributor, download, complete and submit a Tobacco Products Distributor Application (DR 0222) along with the license fee and an Authorization for Electronic Funds Transfer (DR 5785). Additionally, depending on your business, an MSA reporting form DR 1285 or DR 1286 is required. For additional information on MSA (Master Settlement Agreement) reporting please see Publication FYI Excise 18, Master Tobacco Settlement Agreement.

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.