

# **COLORADO DEPARTMENT OF REVENUE STATEMENT OF BASIS AND PURPOSE**

## **DOCUMENTING EXEMPT SALES**

**39-26-105(3)**

**1 CCR 201-4**

### **Basis**

The statutory basis of this rule is §§ 39-21-112(1) and 113, C.R.S. and §§ 39-26-102(19), 102(22), 105(3), 204(2), 703(1), 704(1), 708, 713(2)(d) and 718, C.R.S.

### **Purpose**

The purpose of this rule is to establish the requirements a retailer must meet to be relieved of liability for the collection of sales and use tax. Revisions to this rule include the creation of a standard of due diligence for retailers when exempting a purchaser from sales or retailer's use tax and a defined set of records that must be kept by the retailer exempting the sale. The due diligence requirement lists steps a retailer must take to confirm a purchaser's exemption status at the time of sale including:

- 1) confirming a license or exemption certificate is current and valid,
- 2) considering whether the goods sold are consistent with the purchaser's claim for exemption, and
- 3) verifying that the payment comes from funds drawn from the entity claiming the exemption. The rule further establishes specific records a retailer must keep when documenting sales that are exempt from sales or use tax.