Sales/Use/Indirect: Colorado DOR Explains Transition to Destination Sourcing and Mandated Compliance for All

2022 Transition to Destination Sourcing, Colo. Dept. of Rev. (12/21). The Colorado Department of Revenue (Department) explains that pursuant to state sales and use tax law changes enacted in 2019, all businesses located within Colorado, regardless of their sales volume, must begin complying with Colorado's destination sourcing rules below by February 1, 2022, warning that it is "not authorized to grant exceptions to this statutory requirement." In doing so, the Department notes that upon original enactment of the 2019 statutory law changes, some exceptions to destination sourcing were given to certain small businesses and that businesses with over $100,000 in sales "should already be using destination sourcing to determine sales tax rates." Now that Colorado's "Geographic Information System" (GIS) is online and available for everyone to use, the Department explains that state statutes require any Colorado-based businesses using the temporary origin sourcing exception to transition to destination sourcing by 90 days from the date the Department announces that such system is live – that is, by February 1, 2022.
URL: https://tax.colorado.gov/transition-to-destination-sourcing

The Department explains that "destination sourcing" generally means that Colorado sales tax is calculated based on the address where the taxable product or service is delivered to the consumer rather than based on the business's location. Specifically, the Department provides that a non-lease retail sale is made at the location to which it is sourced in accordance with the following rules:

- If the purchaser takes possession of the purchased property or first uses the purchased service at the seller's business location, the sale is sourced to that business location;
- If the property or service is delivered to the purchaser at a location other than seller's business location, the sale is sourced to the location the purchaser receives the purchased property or first uses the purchased service;
- If the purchaser requests delivery of the property or service to another recipient (i.e. the purchase is a gift), the sale is sourced to the location the recipient takes possession of the purchased property or first uses the purchased service; and
- If a sale cannot be sourced using the preceding rules, section 39-26-104(3)(a), C.R.S., provides additional guidelines for sourcing retail sales based upon the seller's records, the purchaser's payment instrument, or the location from which the property was shipped.

The Department also has posted some answers to related "frequently asked questions" (FAQs) concerning Colorado's transition to destination-based sourcing. Please contact us with any questions.

Copyright © 2022 Deloitte Development LLC
All rights reserved.

— Lance Williams (Denver)
Managing Director
Deloitte Tax LLP
lancwilliams@deloitte.com

Mikaela Neumuller (Denver)
Manager
Deloitte Tax LLP
mneumuller@deloitte.com

Jeff Maxwell (Denver)
Senior Manager
Deloitte Tax LLP
jemaxwell@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Copyright © 2022 Deloitte Development LLC
All rights reserved.