



OFFICE OF THE STATE AUDITOR  
KERRI L. HUNTER, CPA • STATE AUDITOR

---

Date: July 25, 2022

To: Sales and Use Tax Simplification Task Force

From: Colorado Office of the State Auditor

Re: List of tax expenditure reports

---

This document provides summary information on all tax expenditure reports issued by the Office of the State Auditor that have evaluated sales and use tax expenditure provisions through June 2022. We plan to briefly summarize this information at your July 27 meeting in addition to presenting our report on the Sales to Charitable Organizations Exemption.

We look forward to presenting our work to the task force.



**Sales and Use Tax Expenditures Evaluated by the Office of the State Auditor  
Calendar Year 2018 through June 2022<sup>1</sup>**

<b>Tax Expenditure</b>	<b>Description</b>	<b>Policy Considerations</b>	<b>Revenue Impact</b>
<a href="#"><u>Wholesales Exemption</u></a>	Provides an exemption from Colorado's retail sales tax for wholesale transactions.	None	\$4 billion (Calendar Year 2017)
<a href="#"><u>Food for Home Consumption &amp; Retirement Communities Exemptions</u></a>	FOOD FOR HOME CONSUMPTION EXEMPTION- exempts from sales and use tax most food that is purchased for home consumption and consumed off the premises where the purchase was made. FOOD FOR RETIREMENT COMMUNITIES EXEMPTION- exempts food and food packaging from sales and use tax if it is consumed by residents on the premises of a retirement community.	The General Assembly may want to consider establishing a statutory purpose and performance measures for the Food for Home Consumption exemption.	\$333.6 million combined (Tax year 2019)
<a href="#"><u>Gasoline and Special Fuel and Dyed Diesel Sales Tax Exemptions</u></a>	GASOLINE AND SPECIAL FUEL EXEMPTION- exempts from sales tax fuel products that are already subject to the State's motor fuel excise tax. DYED DIESEL EXEMPTION- exempts all sales of dyed diesel from sales tax.	None	\$241 million combined (Calendar Year 2017)
<a href="#"><u>Food Ingredients Exemption</u></a>	Exempts purchases of food ingredients from sales and use tax when the ingredients will be used to prepare or manufacture food products that will ultimately be sold for human consumption.	The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.	\$238 million (Calendar Year 2016)

<a href="#"><u>Agricultural Inputs Sales Tax Exemptions</u></a>	Sales of livestock (including poultry), livestock feed, seeds, orchard trees, livestock bedding, pesticides, and agricultural compounds are exempt from sales and use tax when made by agricultural producers. Sales of live fish for stocking lakes and ponds are also exempt.	The General Assembly may want to consider clarifying whether sales of several agricultural inputs, including fertilizer, soil conditioners, fish for nonstocking purposes, and animal embryos should be covered by the exemptions.	\$231.2 million combined (Calendar Year 2017)
<a href="#"><u>Medical Supplies Sales Tax Exemptions</u></a>	Allow purchases of certain medical supplies to be exempted from Colorado state sales tax, sometimes requiring that the items be dispensed pursuant to a prescription in order for the exemption to apply.	None	\$216 million (Calendar Year 2017)
<a href="#"><u>Residential Power Sales and Use Tax Exemption</u></a>	Allows purchases of fuel or electricity for residential use to be exempt from state sales and use tax.	None	\$107 million (Calendar Year 2019)
<a href="#"><u>Sales Tax Vendor Allowance</u></a>	Allows retailers that collect and remit Colorado state sales tax to retain a portion of the amount of state sales tax collected when they file their sales tax returns on time.	None	\$107 million (Tax Year 2018)
<a href="#"><u>Downloaded Software Exemption</u></a>	Exempts software that is downloaded at the time of purchase from sales tax. The exemption operates by excluding downloaded software from the definition of tangible personal property, which is generally subject to sales tax	The General Assembly may want to consider amending statute to establish a statutory purpose and performance measures for the deduction.	At least \$83 million (Calendar Year 2020)

<a href="#"><u>Sales to Charitable Organizations Exemption</u></a>	<p>Exempts charitable organizations from paying state sales tax on purchases related to their charitable activities and functions.</p>	<p>Charitable organizations we surveyed reported some administrative difficulty in claiming the exemption due to some retailers refusing to apply the exemption and differences between state and home rule city local sales tax requirements.</p>	<p>\$45.5 million (Calendar Year 2016)</p>
<a href="#"><u>Machinery Used in Manufacturing Exemption</u></a>	<p>Exempts purchases greater than \$500 of machinery used predominantly and directly in manufacturing from sales and use tax.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.</p>	<p>\$45 million maximum</p>
<a href="#"><u>Energy Used for Industrial &amp; Manufacturing Purposes Exemption</u></a>	<p>Exempts sales or purchases of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel used for industrial or manufacturing purposes from state sales tax.</p>	<p>Taxpayers may lack adequate guidance on how to claim the exemption and calculate the exempt amount. Specifically, at the time of our review (July 2019) the Department of Revenue was no longer providing detailed guidance on how to claim it, although its staff reported efforts to improve guidance. Alternatively, the General Assembly may want to consider simplifying the administration of the Industrial Energy Exemption by allowing taxpayers to claim a flat percentage of their total energy use.</p>	<p>\$35.2 - \$87.9 million (Tax Year 2017)</p>
<a href="#"><u>Farm Equipment and Parts Exemption</u></a>	<p>Exempts sales of farm and dairy equipment and parts of any amount, and leases of equipment and parts worth \$1000 or more from sales and use tax.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.</p>	<p>\$16.3 million (Calendar Year 2019)</p>

<a href="#"><u>Long-Term Lodging Exemption</u></a>	<p>Excludes tax stays of 30 days or more at lodgings, such as hotels, home shares, and campgrounds from state sales tax.</p>	<p>The General Assembly could consider amending statute to clarify the exemption’s eligibility requirements and clarify its applicability to third-party payers.</p>	<p>\$12.3 million (Calendar Year 2017)</p>
<a href="#"><u>Prefabricated Homes Exemptions</u></a>	<p>PREFABRICATED HOMES PARTIAL EXEMPTION— exempts 48 percent of the purchase price of a manufactured or modular home from sales and use tax.  MANUFACTURED HOMES EXEMPTION— Exempts the sale, storage, usage, or consumption of a manufactured home constructed on or after June 15, 1976, in compliance with the National Manufactured Housing Construction and Safety Standards, from sales and use tax.  SUBSEQUENT HOME SALES EXEMPTION— Exempts subsequent sales of previously sold manufactured and modular homes from sales and use tax.</p>	<p>The General Assembly may want to consider establishing statutory purposes and performance measures for the exemptions, and amending statute to provide a corresponding use tax exemption for the Prefabricated Homes Partial Exemption.</p>	<p>\$7.3 million combined (Fiscal Year 2020)</p>
<a href="#"><u>Food Service Employer-provided Meals Exemption</u></a>	<p>Exempts meals provided by food service establishments to their employees at no charge or at a discount from sales and use tax.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption and clarifying which meals provided to food service employees by their employer qualify for the exemption.</p>	<p>\$6.4 million (Calendar Year 2019)</p>
<a href="#"><u>Components Used to Produce Renewable Energy Exemption</u></a>	<p>Exempts all sales, storage, and use of components used in the production of alternating current electricity from a renewable energy source from sales and use tax.</p>	<p>The General Assembly may want to consider: 1) Establishing performance measures for the exemption, and 2) Reviewing the cost-effectiveness of the exemption.</p>	<p>\$6.2 million (Calendar Year 2019)</p>

<a href="#"><u>School Sales Exemptions</u></a>	<p>PRIVATE SCHOOLS EXEMPTION— Exempts sales of tangible personal property to private, nonprofit schools from sales tax.</p> <p>PTA &amp; PTO EXEMPTION—Exempts sales by parent teacher associations and organizations that benefit a public K-12 school from sales tax.</p> <p>SCHOOL-RELATED SALES EXEMPTION— Exempts sales by schools, school booster organizations, or any other school organization that benefit a public or private K-12 school from sales tax.</p>	<p>The General Assembly may want to consider: 1) Amending statute to establish a statutory purpose and performance measures for the three School Sales Exemptions, 2) Clarifying or consolidating eligibility requirements for the PTA &amp; PTO Exemption and the School Related Sales Exemption, and 3) Repealing the Private Schools Exemption because it is likely obsolete.</p>	<p>\$4.9 million combined (Tax Year 2019)</p>
<a href="#"><u>Newsprint &amp; Printer's Ink and Newspapers Exemptions</u></a>	<p>NEWSPRINT &amp; PRINTER'S INK EXEMPTION- exempts newspaper publishers and commercial printers from state sales and use tax on their purchases of newsprint and printer's ink.</p> <p>NEWSPAPERS EXEMPTION- excludes the sale of newspapers from state sales and use tax.</p>	<p>The General Assembly could consider clarifying the publications that are eligible for the Newspapers Exemption and whether it should apply to digital editions of newspapers.</p>	<p>\$3.2 million combined (Calendar Year 2017)</p>
<a href="#"><u>Sales by Charitable Organizations Exemption</u></a>	<p>Allows charitable organizations with limited net sales proceeds to exempt their sales of tangible personal property, commodities, or services from sales tax. The funds raised by exempt sales must be used for the organization's charitable function.</p>	<p>The General Assembly may want to consider amending statute to establish a statutory purpose and performance measures for the exemption. Additionally, we found that some Department of Revenue regulations related to the exemption were not up to date at the time of our review (September 2021)</p>	<p>\$1.28 million (Calendar Year 2019)</p>

<a href="#"><u>Biogas Production Components Sales Tax Exemption (Expired)</u></a>	Exempted the sale, storage, and use of components used in biogas production systems from state sales and use tax	The General Assembly could consider expanding the Biogas Exemption to include biogas used to produce electricity and heat that is consumed on site	\$1.2 - \$2.2 million (5/2014 through 7/2018)
<a href="#"><u>Wood From Trees Killed or Infested by Certain Beetles Sales Tax Exemption (Expired and reenacted)</u></a>	Exempted products made from Colorado-harvested wood killed or infested by mountain pine or spruce beetles from state sales and use tax.	The General Assembly may want to consider whether the exemption is meeting its purpose to the extent intended and could consider extending the exemption to include timber killed by additional species of insects.	\$483,000 (Calendar Year 2018)
<a href="#"><u>Biotechnology Sales and Use Tax Refund</u></a>	Allows qualified biotechnology taxpayers to claim a refund for state sales and use taxes paid on the sale, storage, use, or consumption of tangible personal property to be used in Colorado directly and predominately in research and development of certain biotechnology applications	The General Assembly may want to consider: 1) Establishing performance measures for the Biotechnology Refund, and 2) Reviewing its effectiveness and whether it should be designed as a refund rather than a sales tax exemption applied at the time of the sale.	\$478,000 (Tax Year 2015)
<a href="#"><u>Enterprise Zone Manufacturing Machinery Exemption</u></a>	Exempts from sales and use tax machinery, machine tools/parts, and materials used for the construction and repair of machinery and machine tools/parts valued in excess of \$500 that are used exclusively for manufacturing tangible personal property in an enterprise zone, including property used in mining and other types of natural resource extraction and processing.	None	\$370,000 (Calendar Year 2017)
<a href="#"><u>Property for Use in Space Flight Exemption</u></a>	Exempts the sale, storage, and use of qualified property for use in space flight from sales and use tax.	None	\$12,000 (Tax Year 2019)



<a href="#"><u>Bingo-Raffle Equipment Exemption</u></a>	<p>Exempts bingo-raffle licensees from sales and use tax on purchases, storage, use, or consumption of equipment related to games of bingo or raffles. Qualified organizations must have been in existence for 5 years to obtain a license and include religious, charitable, labor, fraternal, educational, voluntary firefighters', and veterans' organizations, as well as political parties and the Colorado State Fair Authority</p>	<p>The General Assembly may want to consider amending statute to establish a statutory purpose and performance measures.</p>	<p>Minimal</p>
<a href="#"><u>Sales to Residents of Bordering States (Repealed)</u></a>	<p>Exempted sales to residents of adjoining states that do not impose a retail sales tax from Colorado sales tax.</p>	<p>The General Assembly could consider repealing or clarifying the applicability of this exemption, since all adjoining states now impose a sales tax..</p>	<p>\$0</p>
<a href="#"><u>On-Demand Aircraft Used Outside the State Sales Tax Exemption (Expired)</u></a>	<p>Excluded aircraft typically used for non-scheduled, "on-demand" flights that are primarily outside of Colorado from sales and use tax.</p>	<p>The General Assembly may want to consider evaluating the eligibility requirements of the On-Demand Aircraft Exemption to determine if they should be expanded to allow more purchasers to take the exemption.</p>	<p>\$0</p>
<a href="#"><u>Complimentary Marketing Property to Out-of-State Vendees Exemptions (Repealed)</u></a>	<p>Provide a sales and a use tax exemption available to businesses that transfer items to an out-of-state vendee to use in selling the businesses' products and do not receive any payment from the vendee for these items.</p>	<p>The General Assembly could consider repealing the exemptions since they appear to be rarely, if ever used. However, because they may add clarity to the application of the State's sales and use taxes, the General Assembly may want to keep them in place.</p>	<p>\$0</p>

<a href="#"><u>Short-term Testing of Property for Use in Out-of-State Manufacturing Exemption</u></a>	<p>Exempts from sales and use tax tangible property that will be used in “manufacturing and or similar type of activities” outside of the state, which first undergoes testing or similar activity (e.g., modification and inspection) in Colorado for a period of 90 days or less.</p>	<p>None</p>	<p>Could not determine, likely small</p>
<a href="#"><u>Farm Close-Out Sales Tax Exemption</u></a>	<p>Sales of property used for farming or ranching by agricultural producers who are abandoning operations and holding a farm close-out sale, are not subject to state sales tax.</p>	<p>The General Assembly may wish to review this expenditure’s exemption of on-road motor vehicles sold at farm close-out sales, which appears inconsistent with other exemptions.</p>	<p>Could not determine</p>
<a href="#"><u>Commercial Trucks and Trailers Licensed Out-of-State and Nonresident Motor Vehicle Exemptions</u></a>	<p>COMMERCIAL TRUCKS EXEMPTION- exempts the sale or long- term lease of commercial trucks and trailers from sales and use tax if they are used exclusively outside of Colorado or in interstate commerce, removed from the state within 30 days, and permanently licensed and registered outside of Colorado. NONRESIDENT MOTOR VEHICLE EXEMPTION- exempts from sales and use tax motor vehicle sales and long term leases to nonresidents of Colorado when the vehicle is registered outside of the state.</p>	<p>None</p>	<p>Could not determine</p>
<a href="#"><u>Leases of Tangible Personal Property for 3 Years or Less Exemption</u></a>	<p>Allows lessors of tangible personal property the option of paying sales and use tax up-front on their acquisition of the property, or exempting the initial acquisition from sales tax and collecting sales tax from customers for their lease payments.</p>	<p>None</p>	<p>Could not determine</p>

<a href="#"><u>Railroad: Equipment Sales and Use Tax and Construction Materials Sales Tax Exemptions</u></a>	<p>EQUIPMENT EXEMPTION- provides a sales and use tax exemption for locomotive, railcars, and other rolling stock for use in interstate commerce, and includes component parts to be affixed or attached to the equipment.</p> <p>CONSTRUCTION MATERIALS EXEMPTION- provides a sales tax exemption to interstate or foreign rail carriers for purchases of building and construction materials used in the construction and/or maintenance of a railroad.</p>	<p>None</p>	<p>Could not determine</p>
<a href="#"><u>Aircraft Used in Interstate Commerce Exemption</u></a>	<p>Provides a sales and use tax exemption to commercial airlines for the purchase, storage, or use of aircraft used in interstate commerce.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.</p>	<p>Could not determine</p>
<a href="#"><u>Construction and Building Materials Exemption</u></a>	<p>Exempts contractors and subcontractors from sales and use tax on building and construction materials that are purchased and incorporated into a structure, highway, road, street, or other public work project that is owned and used by certain tax-exempt entities, such as federal, state, and local governments; not-for-profit schools; and charitable organizations.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption, and clarifying eligibility requirements.</p>	<p>Could not determine</p>

<a href="#"><u>Exemption for Donations by Manufacturers to Government and Charitable Organizations</u></a>	<p>Exempts from sales and use tax donations of manufactured goods exceeding \$1,000 in aggregate value from manufacturers to the U.S. federal government, the State of Colorado (including its political subdivisions, departments, and institutions), local governments, and Internal Revenue Code 501(c)(3) tax-exempt organizations.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.</p>	<p>Could not determine</p>
<a href="#"><u>Materials Used in Iron, Steel, and Vanadium-Uranium Ore Manufacturing and Processing Exemption</u></a>	<p>Exempts from sales and use tax the purchases, sales, storage, use, or consumption of refractory materials and carbon electrodes used in manufacturing iron and steel for profit and inorganic chemicals used in the processing of vanadium-uranium ores.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption, and repealing the exemption for inorganic materials used in vanadium-uranium ore processing, since there are no longer any facilities in the state that process vanadium-uranium ore.</p>	<p>Could not determine</p>
<a href="#"><u>Precious Metal Bullion and Coin Exemption</u></a>	<p>Exempts all sales, storage, use, or consumption of precious metal bullion and coins from state sales and use tax</p>	<p>The General Assembly may want to consider amending statute to establish a statutory purpose and performance measures for the exemption.</p>	<p>Could not determine</p>
<a href="#"><u>Pre-press Printing Exemption</u></a>	<p>Exempts from sales and use tax printers' purchases of eligible prepress materials, such as film proofs and plates, used to print products sold at retail.</p>	<p>The General Assembly may want to consider establishing a statutory purpose and performance measures for the exemption.</p>	<p>Could not determine</p>

<a href="#">Non-Resident Aircraft Sales &amp; Aircraft Parts Exemptions</a>	<p>NON-RESIDENT AIRCRAFT SALES EXEMPTION-Provides non-residents with a sales and use tax exemption for the purchase of an aircraft that will be removed from the state within the latter of either 120 days or 30 days after the completion of maintenance or refurbishments associated with the sale.</p> <p>AIRCRAFT PARTS EXEMPTION- Provides a sales and use tax exemption for the purchase, storage, or use of components and parts that are permanently affixed to an aircraft.</p>	<p>The General Assembly may want to consider: 1) Establishing a statutory purpose and performance measures for the exemptions, 2) Reviewing the effectiveness of the Fly-away and Aircraft Parts Exemptions.</p>	<p>Could not determine</p>
<a href="#">Sales and Use Tax Exemption for Loans of Historic Aircraft to Museums</a>	<p>Exempts historic aircraft loaned to museums from state sales and use tax. In order to qualify, the aircraft must be on loan for public display, demonstration, educational, or museum promotional purposes to a publicly owned or nonprofit museum in the state.</p>	<p>None</p>	<p>Could not determine</p>
<p><sup>1</sup> The Office of the State Auditor plans to release reports on the following additional sales tax expenditures in 2022, all of which will be included in the 2022 Tax Expenditures Compilation Report scheduled for release September 15, 2022: Commercial Vehicles Used in Interstate Commerce Exemption, Low-emitting Vehicles Exemption, Medical Marijuana Sales Tax Exemption for Indigent Patients, Rural Broadband Equipment Refund.</p>			