



September 2022 | Legislative Council Staff

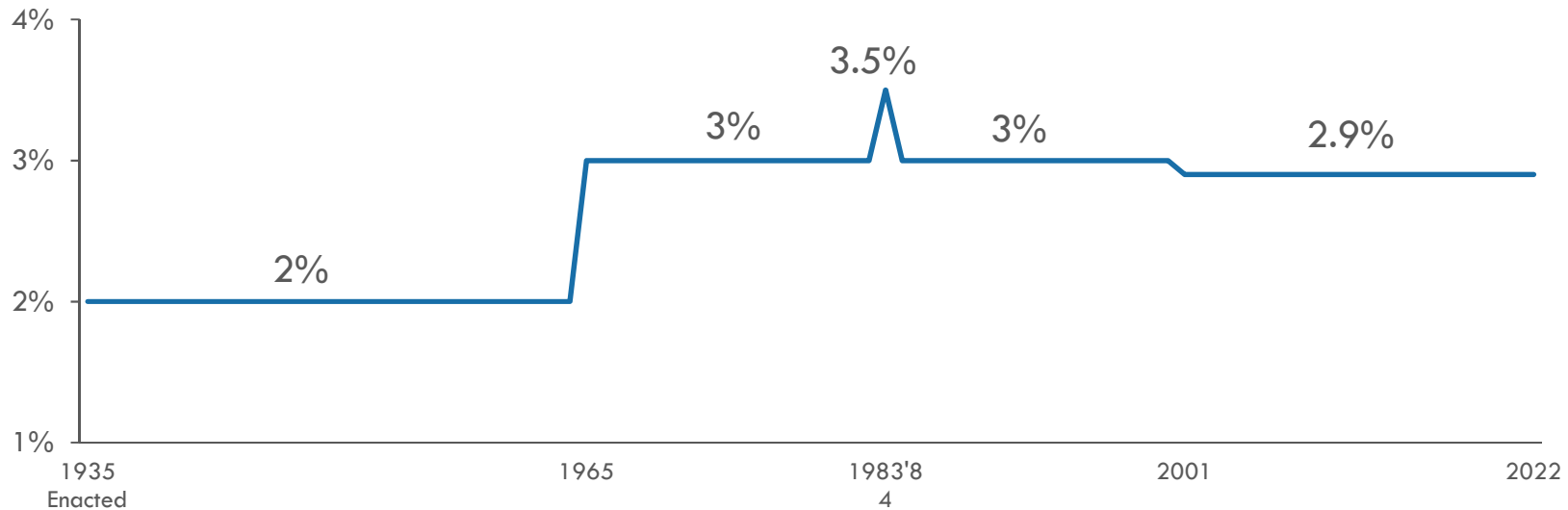
Sales and Use Tax on Services

Presentation to the Task Force Concerning Tax Policy

September 8, 2022

Colorado State Sales and Use Tax

Colorado's tax rate at 2.9% since 2001

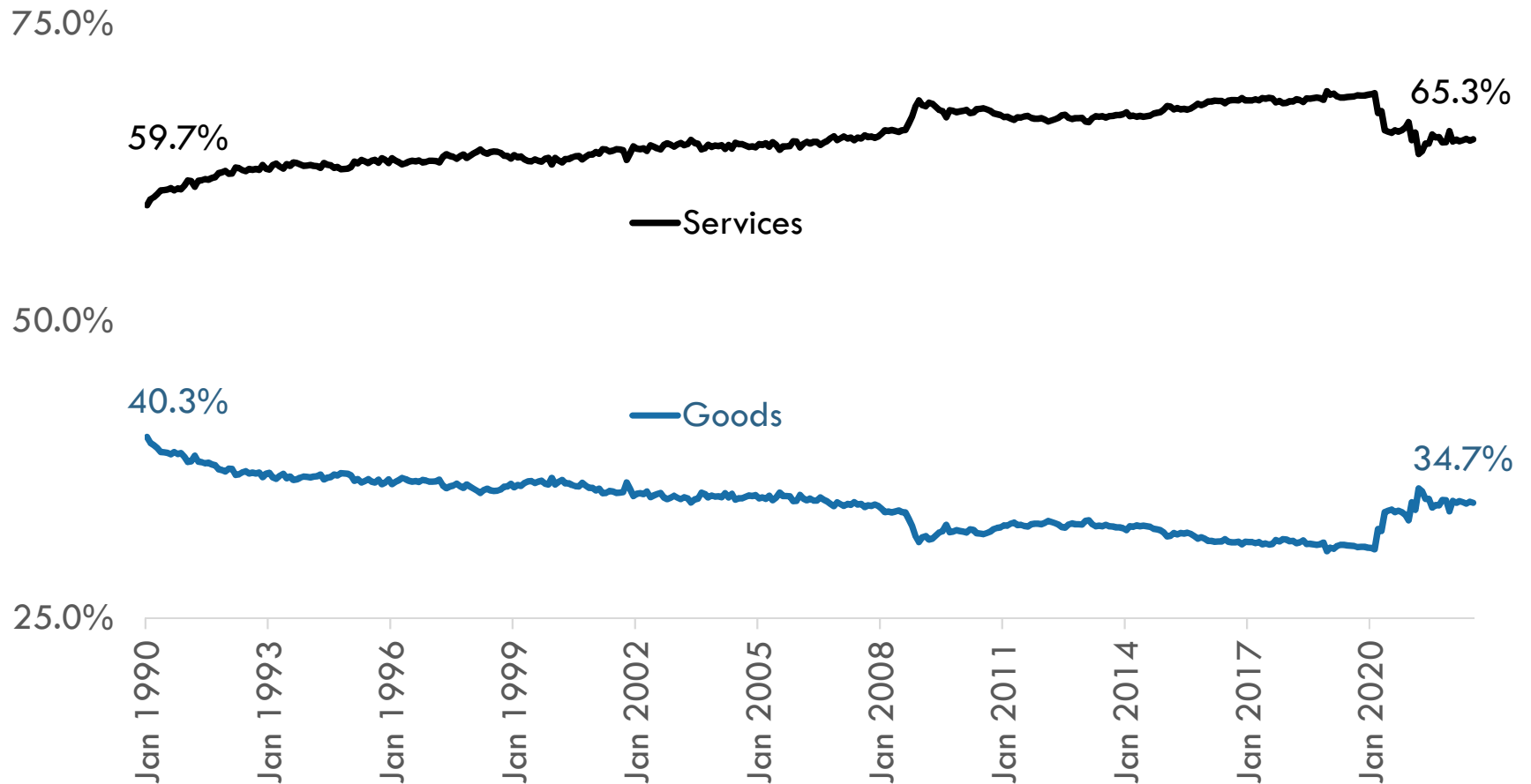


- Consumption tax levied on sales of tangible personal property
- Some services are also taxable including gas and electric service for commercial use, telephone services, food and drinking services, and lodging.

Source: Colorado Legislative Council Staff, Online Tax Handbook. Section 39-26-106 C.R.S.

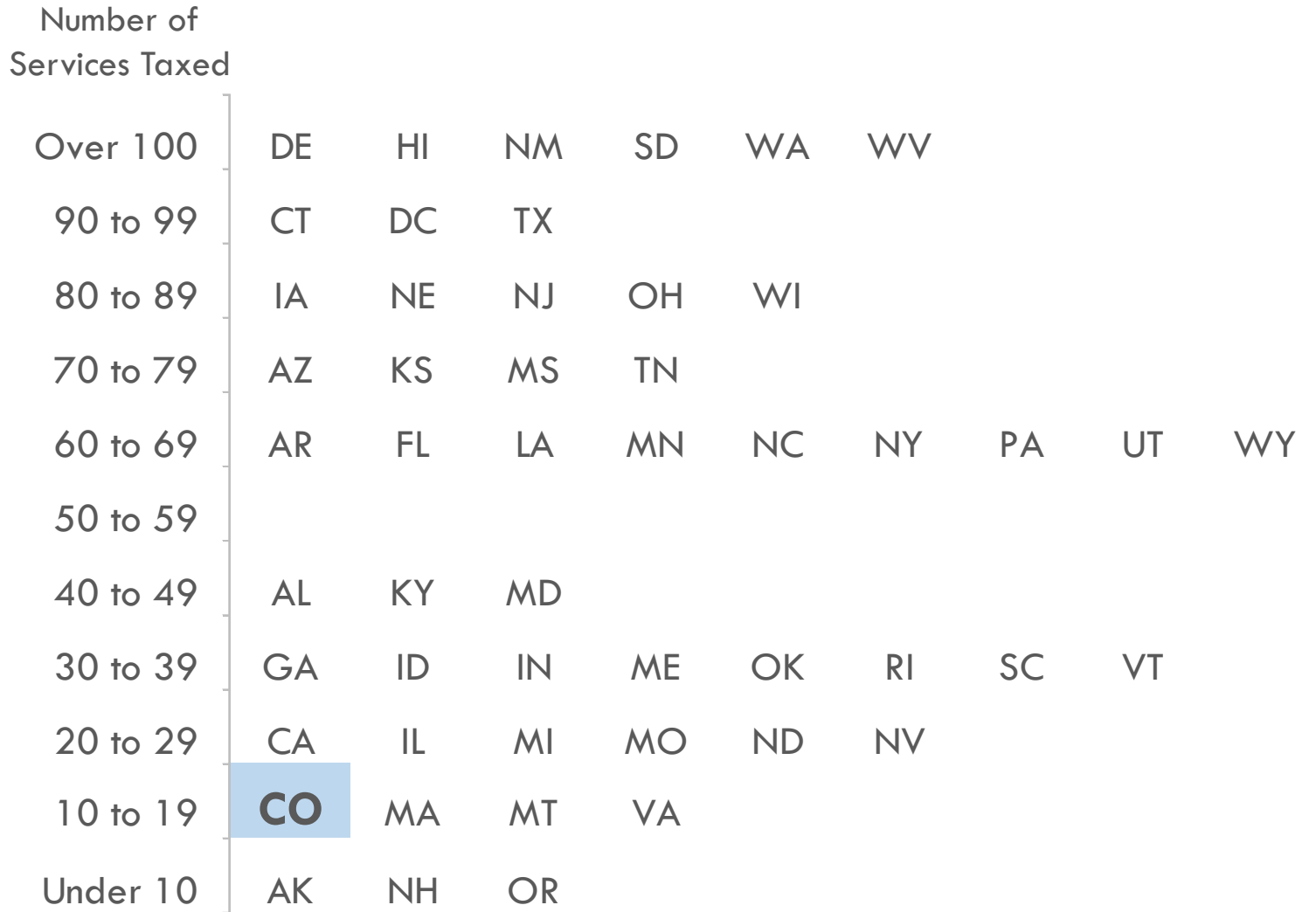
Services Comprise a Growing Share of Consumption

Goods share of personal consumption expenditures fell as low as 30.8 percent in February 2020



Source: U.S. Bureau of Economic Analysis accessed from the FRED database, Federal Reserve Bank of St. Louis.
Data are through July 2022.

Colorado taxes services at a lower prevalence than all but six states, taxing 19 of 176 services surveyed



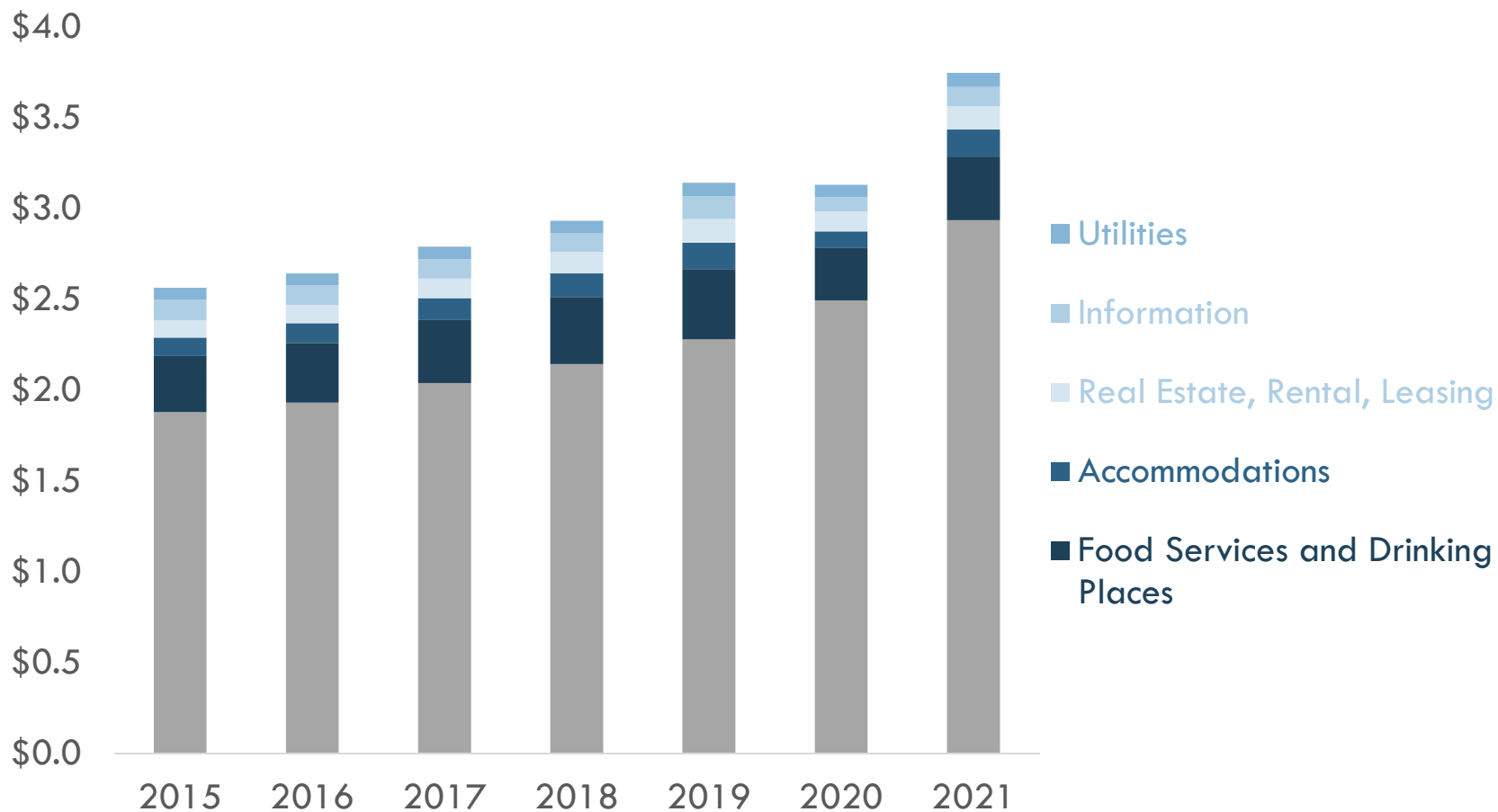
Source: Federation of Tax Administrators, Taxation of Services Survey, 2017. Survey covered sales tax, special excise taxes, and gross receipts taxes.

Based on the 2017 Federation of Tax Administrators' survey categories, Colorado's taxation of services includes:

- Commercial gas and electric service
- Telephone services
- Printing and photo finishing
- Book, music, and video downloads (digital goods)
- Video streaming services
- Equipment rentals
- Vehicle leases
- Mainframe computer access to store or process data
- Photocopying

Taxable services comprise a significant share of the sales tax base

Contribution of large service sectors from 2015 to 2021 in Colorado
State sales tax revenue, Dollars in Billions*



Source: Colorado Department of Revenue, Retail Sales Reports. Sales tax revenue for 2020 and 2021 estimated by Legislative Council Staff. *Sales tax data for each sector includes both goods and services.

Resources

- Title 39 Article 26 of Colorado Revised Statutes
- Colorado Department of Revenue, Sales Tax Guide
<https://tax.colorado.gov/sales-tax-guide>
- Colorado Legislative Council Staff, Online Tax Handbook
<https://leg.colorado.gov/agencies/legislative-council-staff/sales-and-use-taxes%C2%A0>
- Colorado Department of Revenue, Tax Profile and Expenditure Report
<https://cdor.colorado.gov/data-and-reports/tax-profile-and-expenditure-reports>

Questions?

David Hansen

Senior Economist • Legislative Council Staff
david.hansen@state.co.us • 303-866-2633
www.leg.colorado.gov/lcs

