

## SALES TAX EXEMPTION ON PURCHASES OF MACHINERY AND MACHINE TOOLS

Seller		Colorado Sales Tax Account Number	
Address			
City		State	ZIP
Purchaser		Colorado Sales Tax Account Number	
Address			
City		State	ZIP
Date of Purchase	Amount of Purchase	Is Equipment <input type="checkbox"/> Leased <input type="checkbox"/> Purchased	
Description of Item(s) Including Machine Parts			
How Used in Manufacturing			
End Product	How Sold <input type="checkbox"/> Wholesale <input type="checkbox"/> Retail <input type="checkbox"/> New <input type="checkbox"/> Used		
<b>THIS SECTION IS FOR BUSINESSES LOCATED IN ENTERPRISE ZONES</b> (SEE INSTRUCTIONS ON REVERSE SIDE)			
Amount of Purchase for Machinery, Machine Tools and Parts			
Materials used in the construction of machinery and machine tools (after 06/07/89)			
<i>I hereby certify that _____ is</i> <div style="text-align: center; font-size: small;">(Name of Purchasing Firm or Person)</div> <i>entitled to the exemption on purchases of machinery or machine tools.</i>			
By (Authorized Signature of Purchasing Firm)		Title	

## DR 1191 INSTRUCTIONS

### **GENERAL INFORMATION**

Purchases of machinery or machine tools and parts thereof are exempt from state sales and use tax when the machinery will be used in manufacturing. [C.R.S. 39-26-114(11)].

To qualify the machinery must:

- Be used in Colorado,
- Be used directly and predominantly to manufacture tangible personal property for sale or profit.
- Be of a nature that would have qualified for the federal investment tax credit under the definition of section 38 property found in the Internal Revenue Code of 1954, as amended. This includes tangible personal property with a useful life of one year or more and limits qualifying purchases of used equipment to a maximum of \$150,000 annually,
- Be included on a purchase order or invoice totaling more than \$500,
- Be capitalized.

### **ENTERPRISE ZONES**

The manufacturing exemption is expanded to exempt additional purchases from sales and use tax when machinery is used solely and exclusively in an enterprise zone. Equipment that is used both within and outside an enterprise zone only qualifies for the regular statewide exemption, as is equipment used at a location prior to that location's designation as an enterprise zone. [C.R.S. 39-30-106(1)]

- Machinery used solely and exclusively in a designated enterprise zone may be *capitalized or expensed* to qualify for the exemption.
- Materials for construction or repair of machinery or machine tools are exempt from the state sales and use tax if the machinery is used exclusively in an enterprise zone.
- Mining operations are included in the definition of manufacturing when performed in an enterprise zone. For further information, see FYI Sales 69, "Enterprise Zone Exemption for Machinery and Machine Tools Used in Mining."

### **LOCAL TAXES**

Cities and counties may or may not exempt manufacturing equipment from local sales taxes. Refer to publication DRP 1002 for a list of localities that exempt this equipment from local tax. The Regional Transportation District, Cultural District, Football District (RTD/CD/FD) imposes a sales tax on manufacturing equipment, but cannot impose a use tax on the equipment.

### **CLAIMING THE EXEMPTION**

Complete Form DR 1191 Sales Tax Exemption on Purchases of Machinery and Machine Tools. Give one copy of the completed form to the seller of the machinery and a second copy to the Department of Revenue. The purchaser must also keep a copy. An exemption cannot be claimed for sales tax paid in another state which is credited against Colorado sales or use tax. NOTE: Acceptance of this certificate by the seller removes any sales tax liability from the seller and the purchaser is liable for any subsequent sales or use tax liability for the purchase.

For further information regarding the manufacturing exemption, see FYI Sales 10 available on our Web site at [www.TaxColorado.com](http://www.TaxColorado.com), or call (303) 238-SERV (7378).