

# ***FYI – For Your Information***

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## ***Special Regulation: Advertising Agencies***

Advertising agencies primarily furnish a service for their customers and, in connection with furnishing such service, acquire items of tangible personal property which are used by the agencies to perform a service or which go to their customers in connection with the performance of the service.

- (1) If the advertising agency is primarily performing a service and does not sell tangible personal property, it does not need a sales tax license. Purchases of articles delivered in Colorado are subject to sales tax imposed by a Colorado vendor, or are subject to Colorado consumers use tax if purchased outside of Colorado or from an unlicensed Colorado source.
- (2) If an agency acquires articles for sale to its clients, the agency must have a sales tax license to purchase such property tax free for resale. The sales tax charged by the agency would

apply to the total amount of the retail sales of property prepared by its employees or acquired from outside sources. Sales by an advertising agency or direct mail advertising pieces, hand-outs, throwaways, and similar articles are subject to sales tax if delivered to customers in Colorado.

- (3) An agency could operate under both (1) and (2) of this regulation. If so, records must be maintained to account for retail sales to customers. Also, purchases subject to sales tax, because of their use in the performance of service contracts, must be accounted for.

**Citation:**

Advertising Agencies Special Regulations for Specific Business, 1 CCR 201-5, page 1.



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