

Sales/Use/Indirect:

Colorado: Letter Ruling Says True Object of DNA Testing Service Involving TPP is Nontaxable Service

Private Letter Ruling PLR-24-007, Colo. Dept. of Rev. (7/2/24). In a recently posted private letter ruling involving a company providing DNA testing and analysis and ancestral/health history reports to individual customers worldwide, the Colorado Department of Revenue (Department) held that the company's ancestral and health reports and saliva kits are *not* subject to sales tax in Colorado, but its use of saliva kits to collect a customer's DNA for generating the reports are subject to use tax in Colorado. In doing so, the Department reasoned that based on the provided facts, the "true object" for the customer is the service (*i.e.*, the DNA analysis that results in ancestral and health history reports), rather than the tangible personal property of the saliva kit. Accordingly, because the service and the tangible personal property are inseparable, and the true object of the customer is the service, the Department concluded that neither the company's ancestry and health history reports nor the saliva kits used in the analysis are subject to sales tax in Colorado. However, because the company, as a service provider, is the user of the saliva testing kits for its Colorado customers, the Department explained that it owes Colorado use tax on such kits. Please contact us with any questions.

URL: <https://tax.colorado.gov/sites/tax/files/documents/PLR-24-007.pdf>

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