FREE REFERENCE

Colorado business taxes, explained for 2026

Small businesses in Colorado register with the state revenue agency for income tax withholding and sales tax, and with the Colorado Department of Labor and Employment for unemployment tax. Colorado has a flat 4.4% income tax, a 2.9% state sales tax and a $30,600 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** A flat 4.4% income tax for 2026
- **Sales tax.** 2.9% state rate, about 7.89% combined with local
- **Unemployment.** Employers pay Colorado unemployment tax on the first $30,600 of each worker's 2026 wages

What taxes does a small business pay in Colorado?

Most Colorado businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Colorado?

Before your first payroll in Colorado:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Colorado withholding account with the Colorado revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Colorado Department of Labor and Employment. For 2026, the tax applies to the first $30,600 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Colorado's new hire registry, usually within 20 days.

Employees in Colorado also pay fAMLI paid leave at 0.44% of wages up to $184,500.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Colorado sales tax permit?

If you sell taxable goods or services in Colorado, yes. Register with the Colorado revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Colorado's economic nexus threshold.

SALES TAX IN COLORADO, MIDYEAR 2026	RATE
State rate	2.9%
Average local rate	4.99%
Average combined rate	7.89%
Highest local rate	9.1%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Colorado tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Colorado income tax on it at the personal rates: a flat 4.4% income tax. Colorado allows a standard deduction of $16,100 single and $32,200 joint. Denver, Aurora and a few other Colorado cities charge a small flat monthly occupational privilege tax.

Estimate yours with the Colorado income tax calculator.

Where are Colorado's tax forms and refund status?

- Colorado tax forms
- Colorado revenue agency
- Colorado refund status
- Colorado Department of Labor and Employment

Every state's links are on our state tax forms page.

Which calculators work for Colorado?

- Colorado paycheck calculator: take-home pay after every deduction
- Colorado income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Colorado unemployment

Common questions

Do I need a sales tax permit in Colorado?
Yes, if you sell taxable goods or services there. Register with the Colorado revenue agency before your first taxable sale.

What is the Colorado unemployment wage base for 2026?
$30,600. Employers pay Colorado unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Colorado have a state income tax?
Yes. Colorado has a flat 4.4% income tax for 2026.

Who runs payroll taxes in Colorado?
The Colorado revenue agency handles income tax withholding, and the Colorado Department of Labor and Employment handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com