



## **FYI General 10**

### **Consumer Use Tax**

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#### **GENERAL INFORMATION**

Consumer use tax must be paid by Colorado residents and businesses on purchases that did not include Colorado sales tax, such as those made over the Internet, by mail order, or by telephone.

#### **What is Consumer Use Tax?**

Consumer use tax is a complement to state sales tax. Consumer use tax is payable to the state by individuals and businesses when sales tax is due but has not been collected. Individuals and businesses have always been required to pay sales or use tax on taxable purchases from out-of-state vendors if the item is sold, leased, or delivered in Colorado for use, storage, distribution, or consumption in the state.

Colorado state use tax is the same rate as the sales tax, 2.9%. With proof of payment, sales tax paid to another state may be credited against state use tax due in Colorado for a particular item. Use tax is also collected by some special districts.

Use tax must be paid by businesses and individuals who purchase goods when the seller did not or could not collect sales tax (For example, purchases from an out-of-state retailer who does not collect Colorado sales tax.)

#### **What types of items is Consumer Use Tax owed on?**

Consumer use tax is owed when the article purchased is used or available for use after delivery is completed, as well as when keeping, storing, withdrawing from storage, moving, installing, or performing any other act by which control of the article is assumed by the purchaser. [§39-26-202, C.R.S.]

Colorado law requires that state sales or use tax be paid on all non-exempt tangible personal property that is sold, leased, or delivered in Colorado for use, storage, distribution or consumption in the state.

Sales tax, not use tax, must be collected on the sale of non-exempt goods by the seller when the seller possesses (or is required to possess) a license to collect the taxes of his/her taxing jurisdiction(s). When the purchaser takes possession of the item at the seller's location, all sales taxes imposed in that jurisdiction must be collected by the seller. The buyer does not have the option of paying use tax to the taxing authority instead of paying sales tax to the seller.

#### **SPECIAL DISTRICTS**

The Colorado Department of Revenue collects Regional Transportation District/Scientific and Cultural Facilities District/Metropolitan Football Stadium District (RTD/CD/FD) sales/use tax as well as the Rural Transportation Authority (RTA) sales/use tax, but does not administer or collect county or city use tax. Local use tax is paid directly to the taxing authority to which it is owed.

#### **Denver Metro Area Special Taxing Districts (RTD/FD/CD)**

Most of the Denver metropolitan area is located within a special tax district. For more information regarding special district taxes and special district tax boundaries see publication Colorado Sales/Use Tax Rates (DR 1002). Because the RTD/CD/FD has a use tax, businesses not located in the RTD/CD/FD that make regular shipments into the district or have established nexus (a sales presence) in the district should collect the RTD/CD/FD sales tax and remit it on their sales tax returns. If the RTD/CD/FD tax is not collected by the vendor, the consumer located within the district must pay use tax, using a consumer use tax return (see section entitled, "How to Remit Use Taxes").

#### **Rural Transportation Authority (RTA)**

The Rural Transportation Authority (RTA) is a sales/use tax applicable to certain areas within Colorado. For more information, please see the publication Colorado Sales/ Use Tax Rates (DR 1002) to determine if you are in a RTA.

### **Local Jurisdiction (City and County) Use Tax**

State-collected cities and counties may impose a use tax only upon motor vehicles, and upon building materials and supplies used in construction projects within their jurisdictional boundaries. Those state-collected cities and counties in Colorado that have use tax on motor vehicles and building materials will collect their own use tax when building permits are issued or when vehicles are registered.

All references in this FYI to local sales and use taxes apply only to city, county and special district sales and use taxes that are administered and collected by the State of Colorado. Certain cities collect their own local sales taxes (home-rule).

### **HOME-RULE CITIES**

Home-rule cities that collect their own local sales taxes should be contacted directly for their tax laws and regulations. For information on which cities administer their own taxes and how they may be contacted, please see Colorado Sales/Use Tax Rates (DR 1002) available on our Web site at [www.TaxColorado.com](http://www.TaxColorado.com). This publication also contains information on local sales/use tax rates for all state-administered cities and counties.

### **HOW TO REMIT USE TAXES**

**Both individuals and businesses can file consumer use tax online at [www.colorado.gov/revenueonline](http://www.colorado.gov/revenueonline)**

The online system has built-in tax rates for the jurisdictions applicable to the business or residence address. The system calculates the amount of tax owed based on the purchase total and will help you avoid errors and is easy to use.

If filing by paper, state and RTD/CD/FD use tax payments must be remitted to the Colorado Department of Revenue with Consumer Use Tax Return (DR 0252) and RTA Consumer Use Tax Return (DR 0251) for the Rural Transportation Authority use tax.

### **Due Date for Individuals**

Individual use tax is due by April 15 for the prior tax year. For example, state and RTD/CD/FD owed on items purchased during 2010 must be remitted to the Department of Revenue on or before April 15, 2011.

### **Due Dates for Businesses**

If your business's total use tax owed is less than \$300 per year, the return is filed on an annual basis, due on January 20 of the following year. If total tax owed exceeds \$300 at the end of any month, the return is due by the 20th of the following month. Penalty and interest are due on late payments.

### **Machinery and Machine Tools**

RTD, CD, FD sales tax is imposed upon machinery and machine tools even when those items are exempt from state sales and use tax. See FYI Sales 10, Manufacturing Equipment Exemption.

### **Exemptions**

Certain goods are exempt by statute from sales and use taxes. These include prescription drugs, newsprint, and sales to government and charitable organizations. See §§39-26-704, 705, 717 and 718, C.R.S. for a listing of tax exemptions. See §39-26-102 C.R.S. for definitions.

### **DELIVERY INTO ANOTHER TAXING JURISDICTION**

When an item is delivered by the seller's vehicle or by common carrier to the buyer's location, only the sales taxes that apply to the jurisdictions that both the seller and buyer are located would be collected. For building materials or motor vehicle purchases where the seller does not collect the local sales tax of the buyer's home jurisdiction, use tax may be due to the local jurisdiction where imposed. Local sales tax may be assessed against a purchaser if it was due but not collected at the time of sale.

**Example 1:** If the buyer and seller are both in the city of Parker (Douglas County), the seller would collect state, RTD/CD/FD, Douglas County and Parker city sales taxes as both the seller and buyer share all the same taxing jurisdictions.

**Example 2:** If the seller is located in Parker (Douglas County) and the buyer is in Lakewood (Jefferson County) and the items are shipped to the buyer via the seller's vehicle or common carrier, the seller would collect state and RTD/CD/FD tax – those are the only two jurisdictions both seller and buyer have in common. Lakewood is a home rule city which administers its own tax; therefore, if no sales tax was collected by the seller, the buyer would need to contact Lakewood directly regarding use tax which is remitted directly to Lakewood.

**Example 3:** The seller's business is located in Colorado Springs, the buyer is in Denver, and the articles are shipped by common carrier. The seller would collect state sales tax. The seller would not collect RTD/CD/FD tax or Denver city tax because the seller does not have a place of business within the district(s) and has not otherwise established a nexus (business presence.) The buyer would pay RTD/CD/FD use tax to the Department of Revenue and would need to contact the city of Denver for information on city use tax.

## **BUILDING MATERIALS**

Cities and counties may impose a use tax on construction and building materials stored, used or consumed in their jurisdictions.

This use tax is paid directly to the city and/or county by the purchaser. Construction materials for projects for tax exempt entities (for example: government, tax-exempt charities, schools) are exempt from sales and use tax. To qualify for this exemption, the contractor must secure an Exemption Certificate from the Department of Revenue for each exempt project by submitting to the department a Contractor Application For Exemption Certificate (DR 0172). The DR 0172 may be obtained on the Web site.

No sales tax of any state-collected local jurisdiction is owed on the sale of construction materials if those materials are picked up by the purchaser, and if the purchaser presents to the seller a building permit or other documentation acceptable to the local government where the purchase takes place, showing that a use tax has been paid or is required to be paid to another local entity [§29-2-105(2) C.R.S.] If sales tax has been paid on the materials to another city or county, a credit must be given to the purchaser against the use tax liability. The amount of the credit must be equal to the amount of the sales tax paid to the local jurisdiction where purchased. For further information, see FYI Sales 6 "Contractors and Retailer-Contractors."

## **MOTOR VEHICLE SALES**

For vehicles requiring registration, local tax liability depends upon where the purchaser resides, not the address of the seller. (Boats, airplanes and camper slide-ins are not considered motor vehicles. This section does not apply, even if they are sold in conjunction with a trailer or other vehicle requiring license plates.) Motor vehicles are subject to state and local sales taxes at the time of purchase. Some state-collected cities and counties impose local use tax on vehicles. See FYI Sales 62, Guidelines For Determining When to Collect State-Collected Local Sales Tax.

There are situations where the seller does not collect sales tax at time of sale. For example, in a motor vehicle sale between two private parties (private sales), the seller does not possess a license to collect sales tax on motor vehicles. Also, when the buyer and vehicle dealer are based in different taxing jurisdictions, the dealer may not have a license to remit the local use tax imposed by the city or county where the buyer resides. In such a case, dealers are required to collect local (and RTD/CD/FD, and RTA, if applicable) use taxes and send them directly to the Motor Vehicle Department of the purchaser's county of residence with the title application. In a cash sale, the dealer doesn't collect use tax, purchasers buying a motor vehicle outside the limits of the local taxing entity where they reside will pay any local use tax when titling and registering the motor vehicle.

## **MOTOR VEHICLE LEASING**

### **What Is a Lessor?**

A "lessor" is defined as a leasing company, broker or dealership that prepares the lease and/or delivers the leased property to the lessee.

### **What is a Lessee?**

A "lessee" is defined as the person or company that leases the property from the leasing company, broker or dealership that prepares the lease.

### **Tax on Motor Vehicle Leases**

Motor vehicle leases are subject to the same sales and use taxes as motor vehicle sales. If the locations of the lessor and lessee are in different local jurisdictions, the lessor is not responsible to collect local use taxes of state administered jurisdictions on the monthly lease payment. If the lessee's jurisdiction imposes a use tax on motor vehicles, such use tax is collected in full from the lessee prior to registration of the vehicle. If the lessee's jurisdiction has no use tax on motor vehicles, then no local tax is due on either lease payments or at the time of registration. See FYI Sales 56, Sales Tax on Leases of Motor Vehicles and Other Tangible Personal Property for more information on motor vehicle leasing.

## **OUT-OF-STATE RETAILERS**

If someone purchases goods from a vendor who is located outside of Colorado, the buyer must either pay sales tax to the vendor, if the vendor bills the buyer, or that individual must pay Colorado consumer use tax (and RTD/CD/FD and RTA tax, if the purchaser is based or resides within the district) to the Department of Revenue. In transactions involving out-of-state retailers, state-administered city and county use tax is not applicable. Purchasers may not refuse to pay Colorado sales tax or special district sales tax because the retailer is out-of-state. These purchases are subject to tax, unless otherwise exempt. For further information, see FYI Sales 5, General Sales Tax Information for Out-of-State Businesses.

## **SPECIAL NOTE: INSTANCES WHERE SALES TAX, NOT USE TAX, IS OWED**

### **Inventory Items**

A retailer purchasing goods that are for resale may buy the goods tax exempt. A Colorado sales tax license is required for such purchases. Retailers purchasing items for their own use (office supplies, furniture, display racks, etc.) must pay all applicable sales taxes on those items at time of purchase. If items are purchased for resale, and then later removed from inventory for the retailer's use, state and local sales tax, not use tax, is then due on those items. Report the amount on line 10 of the Retail Sales Tax Return (DR 0100).

### **Real Property**

Sales tax is not normally owed in real estate transactions. However, when any tangible personal property (furniture, fixtures and equipment) not permanently attached to the property is part of the sale, state and local sales taxes are due on those furnishings. Some examples of real estate sales where this might occur include furnished resort condominiums, restaurants containing food preparation equipment and dining furniture, hotels with furnished rooms, and office buildings with office furnishings and equipment included. Sales tax is only due on the tangible personal property accompanying the real estate sale, not on the real estate itself. In most cases, the seller or real estate agent do not collect sales tax on personal property at the time of the transaction. In such cases, the purchaser is responsible for remitting the sales tax, not use tax, to the state. The purchaser must remit this tax on the Retail Sales Tax Return for Occasional Sales (DR 0100A). The return and tax payment are due 20 days after the purchase date.

## **AUTOMATED BUSINESS INFORMATION**

The Colorado Department of Revenue offers automated services for and about businesses. The Sales Tax Information System provides the following automated services:

- Colorado Sales Tax Rates - finds specific city, county and special district rates.
- Verification of Sales Tax License Exemption Numbers - determines whether a Colorado sales tax license or exemption certificate is valid.
- Tax Rates by Account Number - finds sales tax rates and locations for specific sales tax accounts.

These services make it possible for taxpayers to help themselves to information 24-hours a day. Web users may use the online service at [www.taxview.state.co.us](http://www.taxview.state.co.us).

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FYIs provide general information concerning a variety of Colorado tax topics in simple and straightforward language. Although the FYIs represent a good faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these FYIs.