

# Consumer Use Tax Return Information and Instructions

This form must be filed if:

- You recently acquired a new retail sales tax license, see below letter A.
- You recently acquired a new use tax only account, see below letter A.
- You are a Colorado Springs Resident and have not paid sales tax on your purchases, see below letter C.

Please note established businesses with an **existing** retail and/or use tax license should remit **future** use tax due to the City of Colorado Springs using line 10 of your sales tax return.

## What is use tax?

Use tax is a tax due on the purchase, lease or rental of tangible personal property (excluding inventory for resale) and on certain services. The tax is due when no City of Colorado Springs sales tax was paid. Use Tax applies to the same type(s) of transactions as the sales tax, and at the same tax rate of 3.07%. The difference between the two: sales tax is paid to the seller of the item(s) who then remits the tax to the City; use tax is paid directly to the City. If you do not pay sales tax on the purchase of a taxable item, you pay city use tax.

## Specific Instructions for the types of users:

### A. New Business Owner:

- Any person who starts or purchases a business in the City must complete the use tax return and report all property purchased including machinery and equipment, office equipment, furniture, supplies, etc. List the purchase price of all taxable property using columns A-D.
- If property is exempt, or if the City sales tax or comparable city tax has been paid, do not list those purchases, tax is considered paid in full.

### B. Existing Business:

- Any existing business with a city sales and/or use tax license should use their city sales tax return, not this use tax return, to report purchases of property subject to the city use tax.
- Any business that does not have city sales and/or use tax license that makes a one-time purchase subject to the city use tax must report the purchase using columns A-D of this use tax return.
- If a business makes repeated purchases that are subject to the use tax, the business must obtain a city Use Tax Only Account. Visit our website for more information.

### C. Colorado Springs Residents:

- City Tax Code 2.7.427 permits a one hundred dollar (\$100) use tax exemption for residents. Any resident who purchases an appliance, household furniture, furnishings, wearing apparel or accessories, outside of the city, and subsequently brings the item into the city for personal use, with a value of less than one hundred dollars, is exempt from consumer use tax. The exemption is to be applied to each item's individual price and is limited to the listed categories above. This exemption does not apply to online purchases or for business use.

## What if I am late?

Returns and tax payments are due on or before the due date printed on the return or the 20<sup>th</sup> day of the new month following the purchase. Failure to file the return and pay the tax by the due date may result in a penalty of 10% of the tax plus interest.

Please retain records of purchases for at least three years. The burden of proof of exempt sales and purchases lies with the taxpayer.

## Question/Answer:

### How would I begin to locate all this information, examples could include yet not limited to?

- Asset depreciation schedule (as filed on your Federal Income Tax returns)
- Itemized list of property purchased or rented on a contract

- Items purchased to use in your business that City sales tax was not paid such as an internet purchase, out of state purchase, out of city purchase, Craig's list, eBay, Amazon, items purchased on a military installation etc.
- Balance Sheet (Financial Accounting Records)
- Assets as recorded in your General Ledger
- Invoice copies & related payment information

**What if I bring the item from home or originally bought the item for home use?**

- If you purchased the item and used it at home, you must list the store or individual you bought the item from along with an address (if known) in Column B.
- If you paid City sales tax on the item when you purchased it, no use tax is due.
- If you did not pay City sales tax on the item when you purchased it, City use tax is due.

**If I lease or rent tangible personal property, is tax still due?**

- A lease or rental of tangible, personal property is subject to tax. City sales tax is due on your monthly payments.
- If your lease/rental agreement DOES NOT show City sales tax charged, City use tax is due on your monthly payments. The monthly payments are to be reported on your City sales tax returns (line 10) which will be mailed to you on a monthly or quarterly basis, depending on the filing status indicated on the application for your City license.

**Is use tax due on the purchase of business "property"?**

City use tax is due on the purchase of business property if no City sales tax was paid to the seller. This DOES NOT include inventory for resale.

- Example: if a business buys a cash register from a local store and pays sales tax to that store, no use tax is due.
- Example: A business buys a cash register from an out-of-state company via catalog or internet purchase and pays no City sales tax on that purchase, City use tax is due. Use Column D.

**Is use tax due on the purchase of a "business"?**

- If the purchase contract separately lists the value of furniture, fixtures, equipment, and operating supplies that are purchased as part of a business, and NO City sales tax was paid to the seller, City use tax is due on the listed purchase price, or on the fair market value, whichever is greater.
- If the purchase contract is a lump-sum deal with no provision for City sales tax, City use tax is due on the book value of assets set up for the Federal income tax depreciation purposes or the fair market value, whichever is greater.

**Is use tax due if I brought tangible personal property in from another city and I paid sales tax on the item(s)?**

- If the sales tax rate due and paid to another Colorado municipal city is **less** than 3.07%, use tax would be due on the difference between the two rates. Example: The tax rate due and paid to another Colorado city was 2%, you would owe an additional 1.07% City tax. If the sales tax rate paid to another Colorado municipal is **greater** than 3.07%, no additional City tax is due.

**Is use tax due if I brought tangible personal property in from another state?**

- If the sales tax rate due and paid to another state, or another state in combination with any political subdivision of that state, is equal to the total rate of 8.20% (the combined rate of the State of Colorado, City of Colorado Springs, El Paso County, and PPRTA), no use tax is due the City of Colorado Springs. If the sales tax rate due and paid to another state, or another state in combination with any political subdivision is greater than the combined rate of the State of Colorado, El Paso County and the Pikes Peak Rural Transportation Authority of 5.13%, then the rate of tax paid in excess of this rate is allowed as a credit against the City of Colorado Springs rate of 3.07%. Example: The tax rate paid to another state was 6.0%, you would owe 2.2% tax to the City ( $6.0\% - 5.13\% = .87\%$  / Then  $3.07\% - .87\% = 2.2\%$ ).

