City of Colorado Springs

Tax Guide

Leased Space

Definition

Space that is leased is generally granted through a contract that permits the use or occupation of property during a specified period in exchange for a specified rent or other forms of payment. A leased space within a store often operates as a separate business from the lessee who owns or manages the store.

When a store leases space within the store to an individual or business who sell tangible personal property at retail, each person or business is required to hold a city sales tax license and must collect and remit city tax.

When a store leases space within the store, and accounts for the sales of the leased department as its own, and collects the money for the leased department, the store must include the sales of the leased departments on its own sales and use tax return. If the lessor does not file proper sales and use tax returns for the lessee, or fails to remit the taxes due, the liability for any such taxes will remain the responsibility of the lessee.

Common Examples

1. A department store leases its shoe department to another retailer. The department store accounts for the sales of the lessee and includes the lessee's portion of sales on its return. The department store is responsible for remitting sales tax related to the sales of the lessee. However, if the department store fails to, or refuses to, remit the sales and use tax for the lessee, then it will be responsible for filing its own sales and use tax return and remitting the tax.

2. A large retailer leases its cosmetic department to another company. The lessee keeps a separate set of books and is therefore responsible for filing its own sales and use tax return and remitting the tax.

CS CODE SECTION

2.7.104 Words and Phrases:
Engaged in Business,
Retailer,
2.7.102, 2.7.105, 2.7.201, 2.7.602,
2.7.701, 2.7.801

This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Tax Code.

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