

City of Colorado Springs

# Tax Guide

## Construction Contractors

### CS CODE SECTION

2.7.104 Words and Phrases:  
Construction Material,  
Price or Purchase Price,  
Purchase or Sale  
2.7.102, 2.7.201, 2.7.312, 2.7.402,  
2.7.434, 2.7.440, 2.7.446, 2.7.601,  
2.7.604, 2.7.606

### Related Tax Guides

Manufacturers  
Exemption – Burden of Proof  
Special Mobile Machinery and  
Equipment  
Rentals with Charges for  
Operators

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*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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### Definition

The term “construction contractor” applies to general contractors and subcontractors and includes all building contractors, highway and road contractors, electrical, plumbing, and heating contractors, excavators, and others engaged in the construction, reconstruction, improvement, or wrecking of any physical structure that is part of real estate.

### Tax on Construction Materials

All building materials purchased, used, or consumed inside the City of Colorado Springs by a construction contractor are subject to city sales or use tax unless the materials are purchased for resale by a seller holding a valid City of Colorado Springs sales tax license.

A contractor may not avoid the payment of city sales or use tax on materials purchases by using the name of a tax-exempt entity for which work is performed. The contractor is the consumer of materials purchased and is subject to city tax regardless of the nature of the property owner.

### State Exempt Projects

The State of Colorado provides an exemption for contractors (called an “89#”) for the purchase of construction and building materials that become permanently affixed to real property when the owner of the real property is a non-profit school, a governmental entity, or a charitable, or religious organization.

The State exemption also applies to El Paso County sales and use taxes on construction materials. **The City of Colorado Springs Code does not have the same exemption.** A certificate of exemption issued by the Colorado Department of Revenue, or any other taxing authority, does not authorize exemption from city sales or use tax on construction materials.



## Sales Tax

Materials delivered by a Colorado Springs vendor to a construction contractor at a job site or other location in the City are subject to city sales tax.

Materials picked up inside the City are subject to city sales tax regardless of whether the materials are used inside or outside the City.

Materials delivered by a Colorado Springs vendor to a location outside the City, for use outside the City, are exempt from city sales tax.

## Use Tax

All materials purchased by a contractor from an unlicensed vendor and brought into the City are subject to city use tax unless the materials are brought into the City for temporary storage only and are not used or consumed in the City. If there is any use, consumption, alteration, or distribution of the materials in the City, their purchase is taxable.

## Tax on Construction Tools, Supplies, and Equipment

### New Purchases

All purchases of tools, supplies, and equipment from a Colorado Springs licensed vendor that are delivered or received inside the City are subject to city sales tax.

If no city sales tax was paid, the City Code imposes a use tax on the purchase of tools, supplies, and equipment used or received in Colorado Springs. However, if sales tax was legally paid on a purchase to another Colorado municipality, the City of Colorado Springs allows a credit for the rate of tax legally paid to another municipality up to the rate of city use tax.

### Used Equipment

Machinery and equipment which has been used prior to being brought into the City of Colorado Springs are subject to City use tax on the actual or fair market value of the equipment at the time the equipment is first brought into the City. Credit is allowed for the rate of legally imposed sales or use tax previously paid to another municipality up to the rate of city use tax. See Section 2-7-430 for tax exemption on tangible personal property used more than three years outside the City.

### Motor Vehicle Exemption

Business motor vehicles principally operated and maintained outside the City of Colorado Springs are exempt from city tax. If a construction contractor is located outside the City and comes into the City for a construction project, motor vehicles that are principally operated and maintained at a location outside the City are not subject to city sales or use tax.



## Construction Equipment

The city sales or use tax applies to the purchase or use of construction equipment (cranes, graders, backhoes, loaders, bulldozers, welders, etc.) in the City. Any equipment owned by a local construction company is subject to city tax when the equipment is purchased or first brought into Colorado Springs.

Construction companies located outside the City are subject to city tax when equipment is brought into Colorado Springs unless a comparable local tax has been previously paid. EXCEPTION: The City Code provides a prorated use tax on construction equipment brought into the City for a period of thirty (30) consecutive days or less if the taxpayer has complied with the provisions of Section 2-7-446.