

City of Colorado Springs

Tax Guide

Sales to Employees

Businesses located inside the City of Colorado Springs who sell tangible personal property or taxable services to their employees must collect and remit city sales tax on those sales. This applies even if the employer makes sales at retail only to employees and not to the general public. These sales are taxable whether paid directly or deducted from the employee's wages. Sales tax is calculated on the net price charged to the employee after discounts.

Common Examples

1. A supplier of golf equipment sells merchandise to its employees at a 20% discount off of the regular retail price. A \$1,000 set of golf clubs sold to an employee has a sales tax liability on the net price paid (\$800).
2. A business purchases new furniture and computer equipment for their office located in Colorado Springs. All items being replaced are offered for sale to employees at book value. Sales tax must be collected upon the purchase price. If the business is licensed with the City, sales tax must be remitted on that month's tax return. If the business does not have a city retail license, city tax collected from the employee sales must be remitted to the City. The business must complete a sales tax return and identify the type of sale on the form.
3. A restaurant allows a 50% discount for employee meals and deducts the amount from the employees' wages. The restaurant must charge city tax at the discounted rate for the employee meal and remit tax to the City.

CS CODE SECTION

2.7.104 Words and Phrases:
Consumption,
Distribution,
Storage and Use
2.7.102, 2.7.103 a,b,c, 2.7.301

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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