

## CITY OF COLORADO SPRINGS TAX GUIDE

### CHARITABLE, RELIGIOUS, AND GOVERNMENTAL EXEMPTION

#### **CHARITABLE AND RELIGIOUS EXEMPTIONS**

The City of Colorado Springs Tax Code provides a sales and use tax exemption on direct sales to and direct purchases by charitable, religious or eleemosynary corporations, when the tangible personal property or service is used in the conduct of their charitable, religious or eleemosynary (1) functions and activities.

The organizations claiming an exemption must have a letter of exemption issued by the City of Colorado Springs, and must charge and collect sales tax when taxable sales are made by them.

A tax exemption certificate issued by the State of Colorado for exemption from State and El Paso County taxes, does not entitle the organization to an exemption from Colorado Springs taxes.

The definition of CHARITABLE, within the terms of the Colorado Springs tax ordinance is as follows:

- A. An entity which has been certified as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code and is a religious or charitable organization, and
- B. which exclusively, and in a manner consistent with existing laws and for the benefit of an indefinite number of persons, freely and voluntarily ministers to the physical, mental or spiritual needs of persons, and which thereby lessens the burdens of government.

#### **GOVERNMENT EXEMPTIONS**

Direct sales to and direct purchases by the US Government, the State of Colorado, and their political subdivisions, including City municipalities, are exempt from sales and use tax under the Colorado Springs Sales & Use Tax Ordinance.

#### **EXAMPLES OF PURCHASES THAT ARE NOT TAX-EXEMPT:**

- A. A banquet or other activity where the participants buy a ticket or reimburse the exempt or government organization for the meal or lodging; (2)
- B. Purchase of a taxable item, such as a room or a meal paid for with the personal funds of an individual (i.e., check, credit card, or cash), even though the funds may be reimbursed by the exempt or government organization;
- C. Purchases made by a charitable organization to be used in a non-charitable function or activity.

For a purchase made by a qualifying organization to be exempt, it must be billed to the organization and paid directly from the funds of the organization. A "petty cash" purchase must be authorized by an official purchase order of the exempt organization. The purchase order must be maintained by the vendor as a basis for exempting the sale.

**Construction contractors**, who perform work under a real property contract for any of the above mentioned tax exempt organizations are considered the ultimate users and consumers of all construction building materials and therefore are subject to the City's sales or use tax upon their purchase of the construction materials used to perform the contract.

## **RELATED TAX GUIDE TOPIC**

### Fund Raising

CS Code Section 2-7-102: LEGISLATIVE INTENT

CS Code Section 2-7-104: WORDS & PHASES DEFINED: CHARITABLE ORGANIZATION

CS Code Section 2-7-201: IMPOSITION OF TAX

CS Code Section 2-7-404: CHARITABLE AND RELIGIOUS ORGANIZATIONS

CS Code Section 2-7-418: GOVERNMENTS, SALE TO

CS Code Section 2-7-601: EXEMPTION BURDEN OF PROOF

CS Code Section 2-7-602: RETAILER'S RESPONSIBILITY

CS Code Section 2-9-101: LODGERS AND AUTOMOBILE RENTAL TAX

### Notes:

- (1) Eleemosynary is defined as: of, relating to, or supported by charity.
- (2) An Affidavit of Exemption from City of Colorado Springs Sales Tax is available upon request. This affidavit must be completed by all exempt organizations requesting an exemption from City Sales and Lodgers Tax from local hotels and motels. Hotels and motels must maintain a copy of this affidavit on file to document tax-exempt sales.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT CITY OF COLORADO SPRINGS TAX CODE FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE CITY OF COLORADO SPRINGS SALES AND USE TAX ORDINANCE.

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