

CITY OF COLORADO SPRINGS TAX GUIDE

CONSTRUCTION CONTRACTORS

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 the Colorado Springs 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 of Colorado Springs sales or use taxes on construction materials.

Sales Tax

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

Materials picked up inside the City of Colorado Springs 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 of Colorado Springs, 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 of Colorado Springs 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 of Colorado Springs are subject to City sales tax.

If no Colorado Springs 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 is 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.

Construction Equipment

Colorado Springs 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 in 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 of Colorado Springs 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.

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.

RELATED TAX GUIDES TOPICS

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

CS Code Section 2-7-104: CONSTRUCTION MATERIAL DEFINED
CS Code Section 2-7-201: IMPOSITION OF TAX
CS Code Section 2-7-312: TANGIBLE PERSONAL PROPERTY
CS Code Section 2-7-402: AUTOMOTIVE VEHICLES
CS Code Section 2-7-430: USE MORE THAN THREE YEARS AFTER PURCHASE
CS Code Section 2-7-434: SALES OR USE TAX PAID TO ANOTHER CITY
CS Code Section 2-7-440: STORAGE EXEMPTION OF CERTAIN PROPERTY
CS Code Section 2-7-446: USE TAX – PRORATION OF CONSTRUCTION EQUIPMENT
CS Code Section 2-7-604: CONTRACTORS, OWNER OR LEASES OF REALTY
CS Code Section 2-7-601: EXEMPTION – BURDEN OF PROOF
CS Code Section 2-7-606: REGISTRATION OF AUTOMOTIVE VEHICLES

The tax guide dated 03/31/02 was revised and the reference to “El Paso County Building Use Tax” has been removed.

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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