

City of Colorado Springs

Tax Guide

Leases and Rentals

When the right to continuous possession or use of tangible property or taxable service is granted under a lease, lease-purchase agreement, rental, grant of a license, or royalty agreement, city sales tax shall be collected and paid upon the payments charged. The full amount of the payments, including any interest charged, is subject to city sales or use tax.

Common Examples

1. A business leases computer hardware for 36 months with an option to purchase at the end of the term. The lease stipulates that the business must also reimburse the lessor for personal property taxes they are required to pay at the end of the year. The lessor is responsible for collecting city sales tax on the monthly payment, property tax reimbursement, and the purchase option if exercised.
2. An individual leases a vehicle while residing outside of the city. The individual relocates into the city during the term of the lease. Upon moving into the city, the lessor is now required to collect and remit city sales tax on the monthly lease amount.
3. A construction contractor leases large machinery and terminates the lease agreement early. The termination fee set forth in the contract is taxable as it is an inseparable right that can only be exercised in conjunction through the use of the tangible property.
4. A photographer sells royalty agreements to advertising companies that allow the use of the photographs for advertising purposes. The royalty fee is subject to city tax.
5. An individual purchases access to an online game and is granted a right to use the game for 72 hours. The purchase is taxable.
6. Coin-operated devices which do not vend articles of tangible property are considered short-term rentals and are subject to city

CS CODE SECTION

2.7.104 Words and Phrases:
Engaged in Business,
Purchase or Sale,
Storage,
Use
2.7.102, 2.7.201, 2.7.301,
2.7.309, 2.7.805D

Related Tax Guides

Automobile Rentals

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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