



## CITY OF COLORADO SPRINGS CONTRACTORS AND TAX EXEMPT ENTITIES

A contractor may not avoid the payment of the Colorado Springs sales or use tax on materials purchased by using the name of a tax-exempt entity for which work is performed. A certificate of exemption issued by the Department of Revenue, or any other taxing authority, does not authorize exemption from the City of Colorado Springs sales or use tax on construction materials.

Only "direct sales to" or "direct purchases by" an exempt entity when paying from their funds is a transaction tax exempt. If you are not the exempt organization then you, as the purchaser, are responsible for payment of tax. If the contractor does not pay City sales tax to the seller, the contractor may owe use tax to the City in which the construction site is located.

### 2.7.104: WORDS AND PHRASES DEFINED (DEFINITIONS)

#### CHARITABLE ORGANIZATION:

Any entity which: a) has been certified as a not for profit organization under section 501(c)(3) of the Internal Revenue Code, and b) is a religious or charitable organization. As used in this definition, a "charitable organization" is an organization 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.

#### SCHOOL:

An educational institution having a curriculum comparable to a grade, grammar, junior high, high school or college, or any combination thereof, requiring daily attendance having an enrollment of at least forty (40) students, and charging a tuition fee.

#### CONSTRUCTION MATERIALS:

Tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a completed structure or project including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders' hardware, caulking material, cement, concrete, conduit, electric wiring, and connections, fireplace inserts, electrical heating and cooling equipment, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, piping, pipe valves and pipefittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscaping materials, wallboard, wall coping, wallpaper, weather stripping, wire netting and screen, water mains and meters and wood preserver. The above materials, when used for forms or other items which do not remain as an integral or inseparable part of a completed structure or project are not construction materials.

## SALES AND USE TAX ORDINANCE

#### 2.7.404: CHARITABLE AND RELIGIOUS ORGANIZATIONS:

The purchase price paid or charged on direct sales to and direct purchase by religious, charitable and eleemosynary corporations, in the conduct of their religious, charitable and eleemosynary functions and activities only, provided that a letter of exemption from the City is possessed by the organization. These organizations, however, are required to collect sales tax when taxable sales are made by them. (1968 Code §3-75; Ord. 76-168; Ord. 01-42)

#### 2.7.437: SCHOOLS:

The purchase price paid or charged on direct sales to and direct purchases by a school other than a school held or conducted for private or corporate profit in the conduct of its educational functions and activities only are exempt, provided that a letter of exemption from the City is possessed by the school. The school is required, however, to collect sales tax when taxable sales are made by it. (1968 Code §3-75; Ord. 79-179; Ord. 01-42)

#### 2.7.418: GOVERNMENTS, SALES TO: (includes state funded school)

The selling price paid or charged on direct sales to and direct purchases by the United States government, the State of Colorado, its departments or institutions, and political subdivisions in their governmental capacity only, and all sales to or purchases by the City are exempt. No commercial, industrial or any other banking institution, organized or chartered by the United States government or by the State of Colorado shall be considered a governmental institution for the purpose of this exemption. (1968 Code §3-75; Ord. 76-168; Ord. 01-42)

#### 2.7.604: CONTRACTORS, OWNERS OR LESSEES OF REALTY:

Every purchase by a contractor shall be taxable as a purchase at retail unless the purchase is for taxable resale or otherwise exempt under this City Tax Code. Every contractor who shall build, construct, reconstruct, alter, expand, modify or improve any building, dwelling or other structure, or make improvement to real property, including all work performed on Federal, State, County, City, exempt institution and private construction job sites in this City and shall purchase construction materials, and every owner or lessee of realty situate in the City, upon which any article or articles

of tangible personal property acquired from sources within or without the City are attached or affixed and which contractor, owner or lessee has not paid the sales tax imposed by this City Tax Code thereon, to a retailer required or authorized to collect the same, shall pay a use tax by making a monthly return and paying the tax due to the City, on or before the twentieth day of the month following the purchase and on or before the twentieth day of each calendar month thereafter for the preceding calendar month.

A. Contents Of Return: Returns shall show the value of the tangible personal property purchased by the person, the use, storage, distribution or consumption of which became subject to the tax imposed by this City Tax Code during the period of time covered by the return.

B. Books And Records: Any person who shall build, construct, reconstruct, alter, expand, modify or improve any building, dwelling or other structure or improvement to real property within the City or who shall contract the aforesaid to be done and who shall purchase lumber, fixtures or any other building materials and supplies used therefor, or who shall contract for the purchase of the aforesaid shall keep and preserve all invoices, statements and other records showing the purchases.

C. Preservation Of Books And Records: Any failure to preserve the invoices, statements and records shall cause all estimates and assessments of the tax owed, pursuant to section 2.7.1002 of this article, to be the only evidence of the tax due.

D. Furnishing Of Information: It shall be the duty of the Regional Building Official<sup>4</sup> and the contractors and subcontractors who are hired to do the above stated work, or any portion thereof, to furnish the Director information as he may require as to any purchases of lumber, fixtures or any other building materials and supplies for the work.

E. Building Inspections: An inspection, including a periodic or final inspection, shall not be made by the Regional Building Official, nor shall a certificate of occupancy, whether temporary or final, be issued, unless all taxes due as provided by this City Tax Code, on all construction materials connected with the construction, reconstruction, alterations, expansion, modification or improvement to real property within the City have been paid or arrangements therefor made with the Director. (1968 Code §3-80; Ord. 76-168; Ord. 81-251; Ord. 01-42)

#### **CONTACT INFORMATION:**

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#### **REFERENCE MATERIAL (click blue hyperlinks below for access):**

- City of Colorado Springs, [Chapter 2, Article 7 Sales and Use Tax](#)
- City of Colorado Springs Tax Guide, [Refund of Taxes to Qualifying Entities for the Purchase of Construction Materials](#)
- City of Colorado Springs, [Contractors Rules & Lump Sum Contracts Overview](#)
- Colorado Department of Revenue, FYI Sales 63, [Government Purchases Exemptions](#)
- Colorado Department of Revenue, FYI Sales 2, [Sales Tax Exempt Status for Charitable Organizations: Application Requirements](#)
- Colorado Department of Revenue, FYI Sales 6, [Contractors and Retailer-Contractors—Definitions and Sales Tax Requirements](#)
- Colorado Department of Revenue, [Components of Contractor Compliance](#)
- El Paso County Policies, [Use Tax Collection System](#)
- Colorado Department of Revenue, [Charitable Organizations – Quick Answers](#), Does the Colorado Sales Tax exemption Certificate also allow purchase to be tax-exempt from city and county sales taxes? See Home-Rule Answer: This exemption does not apply to locally-collected sales tax levied by home-rule cities. Home-rule jurisdictions make their own tax regulations and must be contacted directly for information. For a list of “home-rule” cities please see the [DR 1002 Sales/Use Tax Rates Guide](#).