

City and County of Denver, Colorado

TAX GUIDE

Topic No. 10

CHARITABLE AND RELIGIOUS EXEMPTION

The DRMC provides exemption from the sales, use, lodger's and facilities development admission tax on sales to charitable or religious corporations, when the purchased property or service is to be used in the conduct of the regular charitable or religious functions and activities.

CHARITABLE CORPORATIONS

The meaning of CHARITABLE CORPORATION, within the terms of the DRMC, is strictly defined, and must include ALL of the following characteristics.

- A. The corporation must be organized and operated exclusively to provide charitable gifts.
- B. The gift must be for the benefit of an indefinite number of persons who are either residents of the City or using facilities of the City on a regular basis.
- C. The gift must lessen the economic burden of the City.
- D. Lessening the economic burden of the City by making a gift to the uneducated means providing free instruction or training to a majority of enrollees on subjects useful to the individual and beneficial to the community by schools having a regularly scheduled curriculum, a regular faculty, and a regularly enrolled body of students in attendance at a place where educational activities are regularly carried on.

RELIGIOUS ORGANIZATIONS

Religious organizations are not required to obtain a Manager of Revenue letter of exemption if they meet ALL of the following criteria:

- A. They are incorporated and registered with the Secretary of State.
- B. They hold regular worship services where the general public is invited to attend.
- C. They are recognized by the State Property Tax Administrator as a religious organization.

Other religious organizations must obtain a letter of exemption from the Manager of Revenue and provide it to vendors, who must keep it on file to substantiate the exempt transaction.

CHARITABLE OR RELIGIOUS TRANSACTIONS

To be exempt, purchases made by a qualifying organization 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.

The following transactions are not exempt:

- A. Sales between the exempt organization and its members;
- B. Sales of tangible personal property to the public, even though the property sold was acquired by the charitable corporation as a gift or donation or that the proceeds of the sale are to be used for charitable purposes;
- C. Banquets or other activities where the participants buy a ticket or reimburse the organization for the meal or lodging;

- D. Purchase of a taxable item, such as a room or 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 corporation;
- E. Purchases made by an exempt organization that are used in a function or activity that does not qualify as the regular charitable or religious function for which it was organized.

Construction contractors who perform a construction contract for a charitable or religious organization are considered to be the ultimate user of the purchased material and thus subject to the Denver sales and use tax upon their acquisition of building materials used to perform the contract.

- * DRMC Section 53-24(3). Definitions.
- * DRMC Section 53-25. Imposition of sales tax.
- * DRMC Section 53-26(2). Exemptions.
- * DRMC Section 53-95(3). Definitions.
- * DRMC Section 53-96. Imposition of use tax.
- * DRMC Section 53-97(2). Exemptions.
- * DRMC Section 53-171. Imposition of Lodger's tax.
- * DRMC Section 53-172(3). Exemptions.
- * DRMC Section 53-346. Imposition of FDA tax.
- * DRMC Section 53-347(4). Exemptions.
- * Rules Regarding The Assessment And Collection Of Sales And Use Tax On Sales And Use Of Tangible Personal Property Acquired By Construction Companies.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.