City and County of Denver

Introduction to Sales and Retailer’s Use Tax

Part One of Two
The tax rates used during this presentation were valid and correct at time of recording. Rates may have changed since the recording, please visit www.denvergov.org/treasury for Denver’s tax rates and www.colorado.gov/tax for current state wide tax rates.
The Denver Revised Municipal Code (DRMC) Chapter 53 imposes tax on the purchase price paid on retail sales, leases and rentals of tangible personal property and certain services.

The tax collected by retailers for the City and County of Denver is public money. The retailer must hold and pay the tax to Denver on the sales tax returns when due.

Sales tax is also known as a “trust” tax.

Overview

Section 53-76 & 53-98
Am I required to collect sales tax?
Yes, if you are engaged in business in Denver (performing any activity in connection with selling, leasing or delivering).

- Sales Tax License – for businesses located inside Denver making taxable retail sales in Denver.
- Retailers Use Tax License – for businesses located outside of Denver but engaged in business in Denver.
## Tax Rates

### General Rate
- 4.31%
- 4.00%
- **8.31%**

### Special Rates

#### Food & Beverage Rate
- 4.00%
- 4.00%
- **8.00%**

#### Lodger’s Rate*
- 10.75%
- 4.00%
- **14.75%**

#### Short-Term Vehicle Rental Rate
- 7.25%
- **11.25%**

#### Aviation and Rail Fuel Rate
- **$.04/gallon**

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For Current Tax Rates Visit [www.colorado.gov/revenue/tax](http://www.colorado.gov/revenue/tax)

Section 53-27

[www.denvergov.org/](http://www.denvergov.org/)[treasury](http://treasury)
Sales Tax - Imposition

Imposition of Tax

1. Tangible Personal Property (TPP)
2. Telephone & Telecommunications Services
3. Coal, Petroleum, Electricity, Gas, etc.
4. Prepared Food & Drink
5. Informational and Entertainment Services
6. Digital Products and Software
Sales Tax - TPP

Tangible personal property

corporeal personal property

Section 53-24(23)
**Tangible Personal Property**

Correctly taxed at 8.31% combined rate

Non-taxable service

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**Total Animal experience Company, Inc.**

1436 Bob St.
Denver, CO 80842
Phone 303.555.0190

**Bill To:**
Jane Doe
456 Miller St.
Denver, CO 80202

**Ship To:**

**DESCRIPTION** | **AMOUNT**
--- | ---
15 lb. Bag of Total Animal Dog Food | $30.00
Beagle | $300.00
2 lb. Dog Treats | $15.00
Lab Tests on Beagle | $50.00

**SUB TOTAL** | **$395.00**
**TAX (8.31%) on $345** | **$28.67**

**TOTAL** | **$423.67**

THANK YOU FOR YOUR BUSINESS!
Telecommunications service

any **two-way interactive** electromagnetic communications including, but not limited to, **voice, image, data and any other information**, by the use of any means but not limited to **wire, cable, fiber optical cable, microwave, radio wave** or any combinations of such media. ..

Section 53-24(38) & 53-95(43)
Sales Tax – Utility Services

Coal, Petroleum, Electricity, Gas etc.

Upon the purchase price or charge for coal, petroleum, liquid petroleum, electric, steam and natural gas services, and any other products used for energy-producing purposes, whether furnished by municipal, public or private corporations or associations, furnished and sold for domestic, commercial or industrial consumption and not for resale.

Section 53-25(4) & 53-96(4)
Sales Tax – Food or Drink

Food or Drink

Prepared Food and Drink is Taxable

- Restaurants, Cafes, Lunch Counters, etc.
- Prepared food purchased at a grocery store

Food & Beverage Rate

- 4.00%
- 4.00%
- 8.00%

Food purchased for domestic home consumption is Non-Taxable

- Grocery Store

Section 53-25 (5) & 53-26 (8) 53-96(5) & 53-97(8)
Miscellaneous charges related to the sale of items applicable to the Food or Drink tax

Mandatory Gratuity

Cover Charge

Employee Meals

Section 53-25(5)
Informational & Entertainment Services

- Entertainment and Informational services, include, but are not limited to, the right to access databases, digital products, digital images, audio works, audio-visual works, digital books, internet subscription services, sound system services, and electronic or internet purchases of data, data research, data analysis, data filtering, or record compiling.
- Sales of cable television services
- Sales of music or sound system services
- Includes Tangible or Intangible
- delivered through any medium (via disks, online, email, etc.)
## Total Animal experience Company, Inc.

**1436 Bob St.**
Denver, CO 80842
Phone 303.555.0190   Fax 303.555.0191

**DATE:** February 15, 2015
**INVOICE #** 115
**SHIPPED**

**Bill To:**
Jane Doe
456 Miller St.
Denver, CO 80202

**Ship To:**
Jane Doe
456 Miller St.
Denver, CO 80202

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Subscription about Beagles</td>
<td>T $200.00</td>
</tr>
<tr>
<td>&quot;All You Need to Know About Beagles&quot; Book</td>
<td>T $25.00</td>
</tr>
</tbody>
</table>

**SUB TOTAL** $225.00
**TAX (8.31%) on $225** $18.70

**TOTAL** $243.70

**THANK YOU FOR YOUR BUSINESS!**
Data processing equipment and data processing programs

Section 53-25(7) & 53-96(6)
Pre-Written Software
- Prepared for multiple users
- “Off-the-shelf,” “shrink-wrapped,” or “canned”
- Typically purchased at a store or downloaded online
- Annual license renewal

Custom Software Program
- software prepared for a single customer

Terms:
“Data Processing program” and “software” are used interchangeably and includes:
- Updates
- Upgrades
- Patches
- User exits
- Apps

Section 53-25(7) & 53-96(6)
Elements to determine taxability
- Sale/storage/use/distribution or consumption must occur in Denver
- Must be a retailer and retail purchaser
- Transfer of title or possession or both
- Consideration must be given for transfer of title or possession

Taxability includes:
- Mandatory service charges

Taxability does not include:
- Wholesale Sales
- Non-mandatory service charges
- Sale of Personal Services

RExER TO TAX GUIDE 18, SOFTWARE FOR MORE INFO.

Software
- Maintenance Agreements
  - Periodic Fee after initial purchase.
  - Taxable if it includes upgrades
  - Taxable if it is optional or mandatory when it includes transfer of title or possession
  - Non-Taxable non-mandatory fees e.g. tech support, must be separately stated
Separately stated tech support is a service and is non-taxable.

Initial software purchase is taxable.

Annual maintenance agreement is taxable.
THIS CONCLUDES OUR PRESENTATION FOR SALES/RETAILER’S USE TAX
PART ONE

CONTINUE WITH SALES/ RETAILER’S USE TAX TAX
PART TWO