

# City and County of Denver, Colorado

## TAX GUIDE

### *Topic No. 67*

# RENTALS AND SERVICE CHARGES COMBINED

When the right to possession or use of machinery or equipment is granted under a lease, hire, or rental contract, the lessor is required to collect and remit sales or retailer's use tax on the fees charged. If, for any reason, the lessor does not collect the tax, the lessee must pay use tax directly to the City.

If a charge for an operator of the equipment is not separately stated on the invoice, the total invoice amount is taxable. However, if the operator charge is separately stated, only the equipment rental charge would be subject to tax.

Contractors who contract their services, including the use of machinery or equipment, on a lump sum basis are required to pay only the sales or use tax upon the cost or fair market value, whichever is lower, of the equipment at the time of first use in Denver.

#### EXAMPLES

1. Jerry's Crane Rental and Dean's Concrete Pumping are new vendors entering the Denver construction market. Both companies are offering periodic rentals of equipment and provide equipment operators. There is no separation of the charge for the equipment and for the operator. The entire amount billed is subject to sales/use tax.
2. Pat's Construction, an excavating contractor located in Adams County, bids on a sub-contract in Denver to move a million yards of dirt on a "lump sum" basis. Pat's would be liable for tax on the cost or fair market value (whichever is lower) of the equipment used in the fulfillment of the contract. Credit would be allowed for previously imposed and paid municipal sales or use taxes to the extent the tax paid does not exceed the Denver tax liability.

\* DRMC Section 53-24(21) (23), (37). Definitions.

\* DRMC Section 53-25. Imposition of tax.

\* DRMC Section 53-33. Tax on rentals.

\* DRMC Section 53-95 (24), (26), (42). Definitions.

\* DRMC Section 53-96. Imposition of tax.

\* DRMC Section 53-103.1. Tax on rentals.

\* DRMC Section 53-106.2. Application to certain construction equipment.

\* 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.