

City and County of Denver, Colorado

TAX GUIDE

Topic No. 85

WARRANTIES

MANUFACTURER'S WARRANTY

A manufacturer's initial warranty generally includes a provision to replace defective parts in the property under warranty. Typically, repairs are performed by authorized dealers with parts being taken from the dealer's inventory, then replaced by the manufacturer.

Parts replaced under a manufacturer's initial warranty with no charges made to the customer or a third party are considered to have been included in the purchase price of the property. No new sales or use transaction has occurred and no additional tax is due.

Parts replaced under an optional extended warranty or maintenance agreement are subject to sales/use tax because they are not considered to have been included in the initial purchase price of the property.

RELATED TAX GUIDE TOPIC

Maintenance Agreements

- * DRMC Section 53-24(21), Definitions.
- * DRMC Section 53-25. Imposition of tax.
- * DRMC Section 53-95(26),(). Definitions.
- * DRMC Section 53-96. Imposition of tax.

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.