

City and County of Denver, Colorado

TAX GUIDE

Topic No. 94

ELECTRONIC ADDRESS DATABASE – RETAILER HELD HARMLESS

Retailers making sales in Denver are authorized to use a State Department of Revenue certified electronic address database to determine the proper jurisdictions to which tax is owed. If the retailer relied upon the certified database at the time of the sale, and, as a result of an error in the database, did not charge and collect Denver tax on a sale delivered to Denver, the retailer shall be held harmless for any tax, penalties, and interest due on the specific transaction.

For a retailer to show reliance on the certified database, the retailer must keep records showing the address checked, the date the address was checked, and the results from the certified database provider. This information is shown on a confirmation sheet that is provided by the database provider when a valid address is checked. This confirmation sheet is the adequate documentation that must be retained to document the vendor's reliance on the database. This documentation must be kept for a period of four years to support the sales transactions made.

For a retailer to be held harmless, the retailer must retain the confirmation sheet for the address entered, which must match the actual delivery address to which the sale was delivered. If the retailer uses an invalid address, an "estimated" address, or if the address is not found in the database, the retailer cannot rely on the database. Also, if the error in collecting and remitting is a result of a deceptive representation, a false representation, or fraud, the retailer is not held harmless.

There are currently several state certified electronic address database providers, and most providers provide a free lookup tool. These providers can be accessed at the State of Colorado website:

<https://www.colorado.gov/pacific/tax/local-sales-use-tax-by-address>

EXAMPLES

1. Little Boy Construction Supply sells construction supplies to ABC Contractors to be delivered to their job site. The job site is "the corner of Lincoln and Alameda", which Little Boy dutifully checks in one of the certified address databases. The results come back as an address not found, so Little Boy does not charge Denver tax. Since the database did not return a valid jurisdiction for the address, Little Boy is unable to rely on the database, and therefore is not held harmless for any Denver taxes not collected and remitted.
2. Little Boy Construction Supply also sells construction supplies to XYZ Construction who is doing a job at the old Stapleton airport. Little Boy enters the valid address where delivery is taking place into a state certified address database, but, due to an error in the database, the address is coded as Unincorporated Adams County. Little Boy prints off the confirmation sheet from the provider, retains it with the sales documentation, and does not charge Denver tax on the delivered sale. Since Little Boy relied on the state certified database to determine the taxing jurisdiction of the sale, Little Boy is held harmless from the error and is not responsible for any tax, interest, and penalties due on the specific transaction. Although Little Boy is held harmless from the error, XYZ

Construction would still owe Denver use tax on the transaction, since Denver sales tax was not charged.

RELATED TAX GUIDE TOPICS

Sales Tax

Use Tax

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| * DRMC Section 53-27 | Retailers to collect tax. |
| * DRMC Section 53-27.1 | Remittance of tax; electronic database; retailer held harmless |
| * DRMC 53-28 | Retailer responsible for payment of tax |
| * DRMC 53-98 | Retailers to collect tax |
| * DRMC 53-99 | Retailer responsible for payment of tax |

The complete Denver Tax Guide, the Denver Revised Municipal Code (DRMC), tax forms, and other related information and forms are available on-line at www.denvergov.org/treasury.

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.

Revised 07/2017