City and County of Denver

Introduction To Use Tax
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](http://www.denvergov.org/treasury) for Denver’s tax rates and [www.colorado.gov/tax](http://www.colorado.gov/tax) for current state wide tax rates.
Overview

- Use tax is due on all taxable purchases (including purchases made over the Internet) on which sufficient sales or use tax has not been paid.
- Accrue and remit use tax directly to Denver.
- Use tax rate = sales tax rate that a licensed vendor would have charged on the invoice.
- If you have a sales tax license, remit use tax on line 8 of your sales tax return.
- If no sales tax license, apply for a Use Tax account.
To protect their local vendors, Denver, like most cities in the metro area, has a sales tax and a complementary use tax. This prevents purchasers from benefiting from making purchases in a jurisdiction with a lower tax rate. It also removes the incentive to buy from vendors that deliver into Denver but do not have Denver resale licenses.
Consumer Use Tax - When am I required to remit use tax?

If the tax liability has not been previously satisfied use tax is due on:

- All taxable purchases used, consumed, stored or distributed in Denver.
- Items originally shipped into Denver, then re-distributed to locations out of Denver.
- Items delivered out of Denver and then transferred into Denver.
Invoice has no municipal sales tax – accrue at the Denver rate.

Invoice has municipal sales tax but at a lower rate than Denver’s rate – accrue the difference.

Invoice has municipal sales tax at a higher rate than Denver’s rate – no use tax or credit due.

Valid use tax paid to another jurisdiction – treat the use tax as if it were sales tax.
Denver use tax due
4.31%
$640.00

×

$27.58

INVOICE

Date: April 24, 2013
Invoice #: 83

Bill To: TaxCO
1438 Bob St.
Denver, CO 80842

Ship To: Same

<table>
<thead>
<tr>
<th>Salesperson</th>
<th>P.O. Number</th>
<th>Ship Date</th>
<th>Ship Via</th>
<th>F.O.B. Point</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arthur</td>
<td>7558</td>
<td>09/02/2012</td>
<td>Yellow</td>
<td></td>
<td>Due on receipt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Description</th>
<th>Unit Price</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Gold bone-shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>5</td>
<td>Red heart shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>1</td>
<td>1/4 inch tag rings (Box of 1,000)</td>
<td>$20.00</td>
<td>$20.00</td>
</tr>
<tr>
<td>1</td>
<td>Delivery</td>
<td>$20.00</td>
<td>$20.00</td>
</tr>
</tbody>
</table>

Subtotal $640.00

State, RTD, CD tax.
No municipal tax

Sales Tax $25.60

Total $665.60

Make all checks payable to Dogtags, Inc.

www.denvergov.org/treasury
Invoice has no municipal sales tax – accrue at the Denver rate.

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Invoice has municipal sales tax at a higher rate than Denver’s rate – no use tax or credit due.

Valid use tax paid to another jurisdiction – treat the use tax as if it were sales tax.
Sales tax at a lower rate

Denver use tax due

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.31%</td>
<td>0.75%</td>
</tr>
<tr>
<td>3.56%</td>
<td></td>
</tr>
</tbody>
</table>

$120.00

$4.27

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**Dogtags, Inc.**

*We get them back to you*

5320 Broadway
Denver, CO 80216
Phone (303) 555-0190 Fax (303) 555-0191

**INVOICE**

DATE: April 24, 2013
INVOICE #: 92

**Bill To:**

TAxCO
1438 Bob St.
Denver, CO 80842

**Ship To:**

Will Call

**SALESPERSON**

Arthur

**P.O. NUMBER**

7558

**SHIP DATE**

02/07/2012

**SHIP VIA**

WC

**F.O.B. POINT**

Due on receipt

<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gold bone-shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>T $60.00</td>
</tr>
<tr>
<td>1</td>
<td>Blue rectangular tags (Box of 100)</td>
<td>$60.00</td>
<td>T $60.00</td>
</tr>
</tbody>
</table>

**SUBTOTAL**

$120.00

**TAX RATE** (CO 4.0%, Adams Co 0.75%)

4.75%

**SALES TAX**

$5.70

**TOTAL**

$125.70

Properly imposed Municipal Tax at 0.75%

Make all checks payable to Dogtags, Inc.

www.denvergov.org/treasury
Consumer Use Tax – Calculation of Use Tax 3

- Invoice has no municipal sales tax – accrue at the Denver rate.
- Invoice has municipal sales tax but at a lower rate than Denver’s rate – accrue the difference.
- Invoice has municipal sales tax at a higher rate than Denver’s rate – no use tax or credit due.
- Valid use tax paid to another jurisdiction – treat the use tax as if it were sales tax.
Sales tax at a higher rate

No use tax due. No deduction allowed for tax paid in excess of Denver’s rate.

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**INVOICE**

Dogtags, Inc.

We get them back to you

5320 Broadway
Denver, CO 80216
Phone (303) 555-0190  Fax (303) 555-0191

$152.95

Bill To: TaxCO, Inc.
1438 Bob St
Denver, CO 80842

Ship To: Gillian Wood
123 E 124th Ave
Henderson, CO 80640

DATE:  April 24, 2019
INVOICE #  94

<table>
<thead>
<tr>
<th>SALES PERSON</th>
<th>P.O. NUMBER</th>
<th>SHIP DATE</th>
<th>SHIP VIA</th>
<th>F.O.B. POINT</th>
<th>TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arthur</td>
<td>7680</td>
<td>04/24/2013</td>
<td>Yellow</td>
<td></td>
<td>Due on receipt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Blue rectangular tags (Box of 100)</td>
<td>$ 60.00</td>
<td>T 120.00</td>
</tr>
<tr>
<td>1</td>
<td>1/4 inch tag rings (Box of 1,000)</td>
<td>20.00</td>
<td>T 20.00</td>
</tr>
</tbody>
</table>

SUBTOTAL:  $140.00
TAX RATE:  9.25%
SALES TAX:  $12.95
TOTAL:  $152.95

Make all checks payable to Dogtags, Inc.

www.denvergov.org/treasury
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Valid use tax paid to another jurisdiction – treat the use tax as if it were sales tax paid on the invoice.
**Use Tax Paid to Another Jurisdiction**

Denver use tax due

<table>
<thead>
<tr>
<th>4.31%</th>
<th>3.00%</th>
<th>1.31%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,250.00</td>
<td>$29.48</td>
<td></td>
</tr>
</tbody>
</table>

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**Dallas Computer Hardware, Inc.**

24775 Texas Blvd.
Dallas, TX 75211
Phone (832) 555-0190  Fax (832) 555-0191

**DATE:** April 24, 2013  
**INVOICE #:** 544869

**Bill To:** Taxco, IT Division  
546 Hot Alley St.  
Greenwood Village, CO 80657

**Ship To:** Taxco, IT Division  
546 Hot Alley St.  
Greenwood Village, CO 80657

<table>
<thead>
<tr>
<th>SALESPERSON</th>
<th>P.O. NUMBER</th>
<th>SHIP DATE</th>
<th>SHIP VIA</th>
<th>F.O.B. POINT</th>
<th>TERMS</th>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>David</td>
<td>IT-53</td>
<td>04/24/2013</td>
<td>Yellow</td>
<td></td>
<td>Due on receipt</td>
<td>3</td>
<td>Laptops</td>
<td>$ 750.00</td>
<td>T $2,250.00</td>
</tr>
</tbody>
</table>

**SUBTOTAL** $2,250.00  
**TAX RATE** 4.00%  
**SALES TAX** 90.00  
**TOTAL** $2,340.00

Make all checks payable to Dallas Computer Hardware, Inc.

www.denvergov.org/treasury
Consumer Use Tax – Improperly Imposed

Credit CANNOT be taken for IMPROPERLY imposed tax
Denver sales tax collected by a vendor which is not licensed to collect Denver tax.

Sales tax collected for another jurisdiction on goods and services delivered into Denver.

Never change the tax on an invoice. Instead:

1. obtain a corrected invoice from the vendor, or
2. pay the incorrect tax, claim a refund & accrue the correct use tax.
Improperly imposed Adams County tax on Denver delivery. 4.31% Denver use tax due

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</thead>
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<tr>
<td>1</td>
<td>Gold bone-shaped tags (Box of 100)</td>
<td>$ 60.00</td>
<td>$ 60.00</td>
</tr>
<tr>
<td>1</td>
<td>Blue rectangular tags (Box of 100)</td>
<td>$ 60.00</td>
<td>$ 60.00</td>
</tr>
</tbody>
</table>

SUBTOTAL $ 120.00

TAX RATE (CO 4.0%, Adams Co 0.75%) 4.75%
SALES TAX 5.70
TOTAL $ 125.70

Make all checks payable to Dogtags, Inc.
Consumer Use Tax – Prior Use of Property credit

- Property may be transferred into Denver tax free if the property has:
  - been owned by the same business and
  - used for its intended business purpose at a location out of Denver for more than a year.

- Special (different) rules apply to construction equipment, tools, machinery, construction and building materials, and automotive vehicles.
Use tax is due on the **cost** of items initially purchased tax free for resale and then pulled out of inventory for your own use.

- Samples and promotional giveaways,
- Complimentary meals to customers, employees etc. – use the 4% F&B rate
- Donations to the government or 501(c)(3) organizations are **no longer** subject to use tax
Denver use tax due

$30.00

4.31%

$1.29

Removed 2 bags from inventory for use in promotional event

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<table>
<thead>
<tr>
<th>Description</th>
<th>Qty</th>
<th>Item #</th>
<th>Unit Price</th>
<th>Line Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20lb primary beef kibble</td>
<td>20</td>
<td>PD006</td>
<td>$23.00</td>
<td>$460.00</td>
</tr>
<tr>
<td>20lb primary lamb kibble</td>
<td>20</td>
<td>PD002</td>
<td>$23.00</td>
<td>$460.00</td>
</tr>
<tr>
<td>10 lb primary salmon kibble</td>
<td>30</td>
<td>PD009</td>
<td>$15.00</td>
<td>$450.00</td>
</tr>
<tr>
<td>40lb primary beef kibble - large</td>
<td>5</td>
<td>PD015</td>
<td>$31.00</td>
<td>$155.00</td>
</tr>
<tr>
<td>2lb bags regular biscuits</td>
<td>10</td>
<td>PD103</td>
<td>$6.99</td>
<td>$69.90</td>
</tr>
<tr>
<td>2lb bags beef flavor biscuits</td>
<td>10</td>
<td>PD101</td>
<td>$6.99</td>
<td>$69.90</td>
</tr>
<tr>
<td>1lb savory treats</td>
<td>10</td>
<td>PD107</td>
<td>$11.59</td>
<td>$115.90</td>
</tr>
<tr>
<td>1lb rawhide - regular</td>
<td>10</td>
<td>PD728</td>
<td>$6.00</td>
<td>$60.00</td>
</tr>
</tbody>
</table>

Subtotal: $1,840.70

Sales Tax: $20.00

Resale Total: $1,840.70
THIS CONCLUDES OUR PRESENTATION ON CONSUMER’S USE TAX

CONTINUE YOUR DENVER TAX EDUCATION BY VIEWING OUR OTHER TAX TUTORIALS