

The Louisville Municipal Code (LMC) imposes sales tax on the purchase price paid for tangible personal property or use tax on the cost of tangible personal property used in providing a service.

All “shops” or “salons”, “cosmetologists” and “massage therapists” must be licensed in accordance with the rules set forth by the Colorado Department of Regulatory Agencies (DORA) and the Colorado Department of Revenue (CDOR), prior to applying for a Louisville sales/use tax license.

Salons can be operated in one of two ways. One method is whereby a salon owner is the employer of the salon staff and all purchases made for sale and for use in the business are the responsibility of the salon owner. Under this type of operation, the salon owner is responsible to obtain a Louisville sales/use tax license and to collect and remit sales tax on all retail sales made to customers of the salon. In addition, the salon owner is responsible to remit use tax on the purchase price of all items used in providing services and for the general operations of the salon.

The other method is whereby several licensed professionals lease a space individually or jointly and each operator is an independent “contractor”. The contractors schedule their own appointments, purchase their own products and supplies and contribute a set amount or percentage of their profit towards payment of the space rental or as a booth or chair rental fee. Under this type of operation, each contractor must obtain a City sales/use tax license and is responsible to collect and remit sales tax on all retail sales made to their customers. In addition, each contractor is responsible to remit use tax on the purchase price of all items used in providing their services.

### Examples

Louisville Salon Owner, Cathy, has six licensed employees in her salon and is required to have a City sales/use tax license. Two employees are hairdressers, two are manicurists, one is a massage therapist and one provides skin care. Cathy displays products for sale to the public including hair, skin and nail products. These same products are used by the employees in providing their hair, skin and nail services. Cathy must charge sales tax on the purchase price paid for all retail sales to the public as well as any sales to her employees. If Cathy is not charged Louisville sales tax on her purchases, she must remit use tax on the cost of all products used by her employees, including shampoo, conditioner, tints, colors, foils, brushes, hairdryers, nail polish and similar items in providing their services. Cathy also purchases such items as sheets and robes for the massage therapist, capes and scissors for the hairdressers, and soaking tanks for the manicurist. Again, Cathy is responsible to remit use tax to the City for any purchases made without payment of City sales tax or another lawfully imposed municipal tax equal to or greater than the Louisville rate. All office supplies, computers, business cards etc. are subject to sales or use tax.

Two licensed cosmetologists, Beth and Donna, jointly rent a retail space and open a hair salon in Louisville. Beth orders all her supplies and tools over the phone from a Denver supply house for delivery to Louisville. Donna shops for her supplies in Broomfield and purchases everything she needs there. If the Denver supply house does not charge Beth Louisville sales tax on her supplies, then Beth will owe City use tax on all the supplies and tools used in providing her services, except for the product on which she sells at retail and charges the appropriate sales tax. Because Donna purchased all her products and supplies at retail in Broomfield, she paid an equivalent sales tax rate, so no additional use tax is due.

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The information contained in the Tax Guide publications is intended to offer general guidance in layman’s terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.