

The Louisville Municipal Code (LMC) imposes a sales tax upon the purchase price paid for tangible personal property sold at retail within the City.

Direct sales companies market goods through a network of independent distributors rather than through retail outlets. Generally, the Company is a wholesaler and the Distributor is the retailer of the product sold. As such, the Distributor is required to collect sales tax based on the delivery location of the goods purchased.

Colorado is a “point of delivery” sourcing state which means that the point where the delivery of the property or services occurs is the point of taxability. Collection or payment of tax to another jurisdiction based on the Distributor’s home location or party location is not permitted.

Distributor’s which are located in the City of Louisville are required to obtain a City Sales/Use Tax License and to remit City sales tax on any purchases delivered within Louisville’s jurisdiction. Louisville sales tax only applies when the delivery of the goods to the purchaser occurs in Louisville.

Sales tax collected by any Distributor on behalf of the City remains the property of the City at all times. All City sales tax collected must be remitted directly to the City. Remittance to the Colorado Department of Revenue or any other taxing authority does not relieve a Distributor of their tax liability to the City. Retailers are encouraged to segregate tax from any other business funds. If a retailer collects tax in excess of the computed tax due, such tax must be reported as excess tax on the Louisville Sales/Use tax return and paid to the City.

Some direct sales companies collect and remit tax on behalf of their distributors. These companies may obtain a City sales/use tax license (or they may require their Distributor’s to license individually), but must ensure that Louisville sales tax is collected and remitted for any sales that are delivered within the jurisdiction of the City of Louisville.

Purchases by Distributors

Goods purchased exclusively for resale by licensed distributors are exempt from Louisville sales and use tax. As stated above, some Distributors may remit sales tax to the direct sales Company who will, in turn, remit the tax to the City of Louisville on their behalf. Distributors must pay Louisville sales tax to the Company for goods used for demonstration and display purposes. If Louisville sales tax is not paid to a Company at the time of purchase, then use tax must be remitted directly to the City. Distributors are also required to pay Louisville sales or use tax on other items purchased but not resold such as party supplies, food, decorations and door prizes.

Hostess Gifts and Credits

In exchange for holding a party, the hostess often receives “credits” toward the purchase of goods. In many cases, the value of the credits received is dependent upon the level of sales generated by the party. The goods given to, or purchased by the hostess based on the amount of “credits” earned, cannot be considered a bona fide gift, but rather, qualifies as a retail sale to the hostess on which City sales tax is due. The sales tax must be based upon the full retail price of the goods.

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.

See “Coupons, Gift Certificates and Trade Discounts” publication in this Tax Guide for additional information.

Examples

Louisville Distributor A buys food for a party at a Louisville grocery store. The Distributor must pay Louisville sales tax on the purchase of the food and is not permitted to use his/her State or City tax license to avoid paying sales tax. The Distributor is the user/consumer of the food, is not in the business of reselling food, and is not reselling the food at the party.

At the party, the Distributor takes an order from Customer X for \$200 in merchandise. Customer X lives in Boulder where Distributor A will deliver the merchandise in 2 weeks. Because the merchandise will be delivered outside of Louisville, Distributor A should not collect Louisville sales tax from Customer X.

Customer Y is a Louisville resident and also orders merchandise to be delivered to her home in Louisville. Distributor A must collect Louisville sales tax on the purchase price of the merchandise to be delivered in the City and remit the order along with the tax to his Company who in turn will remit the tax to Louisville on the Distributor’s behalf.

Because the party generated \$1,000 in sales, Hostess C earned “credits” and is entitled to use those “credits” to purchase one item from the catalogue. Hostess C selects an item priced at \$100 (\$50 after the “credits”). Distributor A must collect Louisville sales tax on the full \$100 price and then deduct the value of the credits earned.

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