

The Louisville Municipal Code (LMC) imposes its sales or use tax on tangible personal property items purchased over the Internet which are delivered to persons within the jurisdiction of the City of Louisville. The LMC also imposes its sales or use tax on the purchase of online internet subscription services rented, leased or subscribed to. If Louisville sales tax is not paid at the time of purchase, then a use tax must be remitted directly to the City.

The LMC defines “Internet Subscription Service” as software programs, systems, data and applications available online through rental, lease, or subscription, that provide information and services including, but not limited to, data linking, data research, data analysis, data filtering or record compiling.

Internet access service charges, web site hosting and domain name registration are not taxable. Fees charged for on-line lessons are not taxable unless software or other medium is available for purchase and can be downloaded.

See the “Digital Product,” and “Software” publications in this Tax Guide for additional information.

Some Internet retailers are not “engaged in business” in the City. As such, they are not legally obligated to collect Louisville sales tax. There are many misunderstandings about internet sales and purchases and a misconception that these transactions are not taxable due to the Internet Tax Freedom Act. This act exempts the *internet access service fees* only and not the sales of goods and services. See the “Engaged in Business in the City” and “Nexus” publications in this Tax Guide for additional information.

Sales and purchases made via the Internet are subject to tax in the same manner as those made from local retailers. Internet retailers may obtain a City sales/use tax license and collect Louisville sales tax as a courtesy to their customers even though they may not be required by law to do so.

Internet retailers licensed with the City of Louisville voluntarily, or due to physical nexus, should collect City sales tax on items delivered within the Louisville City limits.

Purchasers of tangible personal property or taxable services over the Internet, who do not pay City of Louisville sales tax at the time of purchase, must remit City of Louisville use tax on the purchase price paid.

Examples

Louisville Business A purchases computers from an Internet distributor based out-of-state. The distributor does not collect any sales tax on the purchase. Business A must remit use tax on the purchase price paid to the City of Louisville on their City tax return.

Louisville Business B operates a storefront in the City and also offers its goods for sale over the Internet. Louisville resident X purchases an item on the Internet from the business and picks up the item at the retail store. Louisville Business B should charge and collect Louisville sales tax. Louisville Business C also places an order with Business B over the Internet for delivery to their Louisville office. Business B should charge Louisville sales tax on the purchase price of the items delivered in Louisville. Superior resident Y places an order over the Internet with Louisville Business B for delivery to her home in

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Superior. Louisville Business B should not charge Louisville sales tax on the order delivered to Superior, but should charge State, RTD/CD and Boulder County sales tax.

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