

The Louisville Municipal Code (LMC) requires every person or business engaged in the business of providing taxable goods or services in the City of Louisville to obtain a Sales/Use Tax License. For all businesses with a physical location in the City, regardless of whether or not goods or taxable services are sold, a Sales/Use Tax License is also required.

The LMC imposes a sales tax on the purchase price paid for tangible personal property and certain services, which are purchased at retail in the City. Retailers are responsible to collect this tax on behalf of the City and to remit the tax to the City on Louisville Sales/Use Tax Returns according to the filing frequency established by the City.

The LMC also imposes its sales tax on transactions where delivery to the customer of the taxable property or services occurs within the City, whether or not the seller has a physical location within the City of Louisville.

Please refer to Section 3.20.020 for various definitions, and Sections 3.20.210 and 3.20.305, for the property and services taxed by the City of Louisville.

Sales Tax Added to the Price

Retailers must add the sales tax due to the taxable purchase price and show the tax as a separate and distinct item. The only two exceptions are the sales of liquor by the drink and items sold through coin-operated vending machines for which the tax may be included as part of the purchase price.

Every retailer must remit sales tax equal to the total taxable sales for the reporting period. The taxable sales should be multiplied by the City tax rate and the tax remitted, even if the retailer did not collect as much as is owed.

Please see the “Absorption of Tax” publication in this Tax Guide for additional information.

Sales Tax is Transactional

Sales and use tax are transactional taxes, meaning that each time an item is sold, transferred or similar transaction, to a different user, consumer or owner, the item is subject to taxation.

Let’s use a refrigerator as an example of multiple taxable transactions.

When a new refrigerator is purchased from a retailer for \$1,000, the retailer must charge the purchaser sales tax on the \$1,000. Two years later, the purchaser sells the refrigerator to a used appliance dealer for \$500. The purchase by the used appliance dealer is a wholesale purchase for resale and no tax is due. When the used appliance dealer sells the used refrigerator to a machine shop for \$700, he must charge and collect sales tax on the \$700. The machine shop goes out of business and all the assets of the business are put up for sale at auction. The auction company sells the refrigerator for \$250 to the highest bidder. The auction company must charge and collect sales tax on the \$250.

Keeping the above example in mind, the City will not give credit for sales/use taxes paid by the original owner/purchaser of the item or goods sold or transferred to a new owner. The new owner must pay sales or use tax on the purchase price.

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.

Trust Status of Taxes Collected and Excess Tax Collected

All sums of money paid by the consumer to the retailer as taxes on behalf of the City remain the property of the City at all times. Retailers are required to hold these taxes in trust for the sole use and benefit of the City until paid to the City as required by the LMC. Retailers are never permitted to use the City's trust tax personally or in the operation of their business. Retailers are encouraged to deposit taxes in a separate account in order to segregate it from other business funds.

If a retailer should charge too much tax in error, such tax amount must be remitted to the City on the excess tax line of the Louisville tax return. A retailer is never permitted to retain excess tax collected; it is trust tax owed to the City.

Taxes remitted to the Colorado Department of Revenue or any other taxing authority does not relieve a retailer of their liability to the City of Louisville.

Please see the "Taxpayer Responsibilities – Unlawful Acts" publication in this Tax Guide for additional information.

Tax-Exempt Sales

There are certain transactions involving tangible personal property that are exempt from the imposition of sales tax; however, as Colorado Revised Statutes provide (C.R.S. 39-26-104), there is a strong presumption that taxation is the rule and exemption the rare exception.

The Louisville Municipal Code (LMC) Section 3.20.220 provides for the exemption from sales tax of transactions involving various goods and services. This list may not be increased by implication or similarity. These exemptions are specific with taxation being the rule unless explicitly exempted. The burden of proving that any transaction or item is exempt from City sales tax is on the retailer, who will be held liable for tax due including penalties and interest. Should any dispute arise between a retailer and a purchaser as to whether a transaction or item is subject to tax, the retailer is required to collect the tax and the purchaser may apply for a refund from the City directly. See the "Refunds" publication in this Tax Guide for additional information.

As a home-rule City, Louisville administers its own taxing rules, regulations, policies and practices independent of the State of Colorado and other Colorado home-rule municipalities, and as such, may impose taxes on various transactions, goods or services differently than the State and other jurisdictions.

Some items that are taxed by Louisville which may not be taxed by other jurisdictions include:

- Combined personal property rentals with operator service, when the operator charge is not separately stated
- Prewritten, modified or enhanced software programs, software as a service (SaaS), software license fees, and software maintenance agreements regardless of delivery method

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- Subsequent sales of customized software programs regardless of delivery method
- Food for home consumption
- Linen services
- Machinery, manufacturing equipment and machine tools in excess of \$500
- Security system services
- Coin-Operated and Vending machine sales

Deductions, Credits, Vendor Fees

The Louisville Municipal Code does provide for a retailer to take certain deductions on their City tax return. Deductions may only be taken when the gross sales and service amount includes the purchase price being deducted. These deductions are covered in detail in the following publications in this Tax Guide:

- Bad Debts
- Deliveries Outside the City
- Gasoline and Special Fuels
- Government, Religious and Charitable Organizations
- Medical Exemptions
- Newspapers, Magazines & Publications
- Professional Services
- Trade-Ins
- Wholesale Sales

The LMC *does not* allow the deduction of a vendor fee, service fee or collection fee. Please see the publication “Vendor Fee or Service Fee Deduction”.

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