

The Louisville Municipal Code (LMC) imposes a use tax upon the price of tangible personal property stored, used or consumed, or withdrawn from inventory for business or personal use within the City on which a lawfully imposed tax has not been charged or paid by the consumer.

Use tax is due to the City of Louisville on all tangible personal property transferred into the City unless the sale, storage, use or consumption occurred more than three years ago, and the property has been significantly used within the State of Colorado for the principal purpose for which it was purchased. This includes but is not limited to, business assets transferred into the City by a business relocating in the City, or assets transferred to a business currently located in the City from another business location outside the City.

Credit will be given against the Louisville tax owed for any lawfully imposed sales or use tax paid for the assets to a prior municipality where the business was located, or to a municipality where the assets were originally purchased.

### Examples

- A. A Louisville manufacturer has a second facility in a neighboring jurisdiction. The Louisville manufacturer decides to move a manufacturing line from the neighboring jurisdiction to the Louisville facility. The Louisville manufacturer will owe City use tax on all the production line assets which were transferred into the City of Louisville, and which were last purchased within the past three years, unless the manufacturer can demonstrate a lawful sales or use tax has been paid. The amount of use tax due will be based on the purchase price, the book value used for depreciation purposes, or the fair market value determined by its last sale.
- B. The corporate headquarters of a company is expanding and relocating to Louisville. The headquarters intends to move most of its current furniture and equipment into Louisville. The company also decides to purchase new furniture and computers to furnish two new offices at the Louisville location. For the time being, the new items are delivered to their current office outside the City. The computers are purchased on-line and no sales tax is charged. The furniture is purchased from a Denver vendor and State, RTD and CD taxes are charged and paid.

All the furniture and equipment in use at its previous location was purchased four years ago, and is therefore exempt. No use tax will be due to Louisville on these items. The corporate headquarters will need to remit Louisville use tax on the purchase price of the new computers and the new office furniture because no municipal tax was paid at the time of purchase.

- C. An out-of-state software company has decided to relocate its operations to the City of Louisville. The company paid a State sales tax rate of 5% to the other state in which it resided on the purchase of all its goods subject to tax in that State. Upon relocation to Louisville, the company would owe City use tax for any tangible personal property or assets that are less than three years old and taxable per the LMC. The rate of use tax owed to Louisville would be calculated as follows:

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## Prior Use, Pre-Owned Property, Initial Use

1. Credit would be given for the assets on which 5% state sales tax was paid to the other state. The calculation is the Louisville combined tax rate, less the Colorado state rate, less the RTD/CD rate, and less the City of Louisville rate. The remaining percentage (of 2.65% see below) is due to the City of Louisville.

5% (Other State's Tax Rate)  
-2.9% (State)  
-1.0% (RTD)  
-0.1% (CD)  
-3.65% (Louisville)  
-2.65%

2. Any tangible personal property that was not subject to sales tax in the other State, but which is taxable in Louisville, and was purchased less than three years from the date of relocation to Louisville, is subject to Louisville use tax.

The company is relocating its inventory of packaged software that it intends to resell. The inventory is not subject to Louisville use tax.

The company is relocating all of the packaging materials it uses to ship its software products. The packaging materials are exempt from Louisville use tax.

The company is relocating its computers which were exempt from taxation in the other state. 70% of the computers used by the company were purchased over three years ago and are not subject to Louisville use tax. The remaining 30% of the computers were purchased a year ago. Louisville use tax would be due by the software company on the purchase price, book value or fair market value as determined by the last sale of the computers.

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