



## EXEMPTING SALES FROM SALES TAX

This FYI is intended to provide information to vendors on how to determine whether a purchase is exempt from sales tax and how to document tax exempt sales. Exemption documentation is required to be retained for at least thirty six (36) months after the date of the sale and all records may be subject to audit. The taxpayer bears the burden of proving the applicability of an exemption.

Collection of the City's sales tax is ultimately the vendor's responsibility and the vendor is held liable for sales tax due on incorrectly exempted sales. If the vendor has any doubts whether the sale meets the requirements to exempt the sale from sales tax, the vendor should collect sales tax on the sale and advise the purchaser to file a claim for refund with the City.

### SALES TO TAX EXEMPT ORGANIZATIONS

Sales made to certain tax exempt organization are considered exempt from the City's sales tax if the following criteria are met:

1. The organization must have a valid State of Colorado Tax Exemption Certificate or a verifiable Tax Exemption Number; and
2. The taxable item or service is used by the organization in the conduct of their regular functions and activities; and
3. The item or service must be paid for with organizational funds (check or credit card not cash or personal funds).

In exempting a sale from sales tax, a copy of the exemption certificate or a record of the verified exemption number must be maintained, and the exemption number should be referenced on the sales invoice.

### SALES TO GOVERNMENT ORGANIZATIONS

All sales made to the government, the state, and its departments, institutions or political subdivisions (cities, counties, school districts and special taxing districts) are exempt from sales tax. In order for the sale to be exempt from sales tax, the following criteria must be met:

1. The item or service purchased must be used by the organization in its governmental capacity.
2. The item or service purchased must be paid for with governmental funds and not cash or a personal check or credit card.

In exempting sales to government organizations, the vendor is required to keep documentation to show the purchase was paid for with governmental funds.

### SALES TO BUSINESSES PURCHASING GOODS FOR RESALE

Purchases of tangible personal property that will be resold as part of the purchaser's regular business are exempt from sales tax. This does not include purchases for use by the business or for personal use. In order to claim this exemption, the vendor must obtain and keep a copy of the purchaser's Centennial Retail Sales Tax license or a record of the verified license number must be maintained.

### ORDINANCE CITATIONS RELATED TO DISCUSSION

*CMC2008-O-29sec 4-1-30(52) Retailer; CMC2008-O-29sec 4-1-30(76) Wholesale Sale; CMC2008-O-29(77) Wholesaler; CMC2008-O-29sec 4-1-260(3) Sales Made to Government Organizations*

THE ABOVE INFORMATION IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT CENTENNIAL TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE CENTENNIAL SALES AND USE TAX ORDINANCE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.