



BUILDING MATERIALS USE TAX

Who pays the Use Tax on construction and building materials?

The General Contractor (G.C.)/property owner is responsible for paying the use tax to the City.

What is the Use Tax on construction and building materials?

Use Tax is a complement to sales tax on construction and building materials used or consumed in the City of Centennial. All projects in the City in which building and construction materials are used are subject to the City's use tax of 2.5% and the Arapahoe County use tax of .25%.

What qualifies as construction and building materials?

Construction and building materials are those materials that are used on projects to become an integral and inseparable part of a structure or project.

When is the Use Tax due?

Prior to issuance of a building permit, the applicant must pay a deposit on the Use Tax, in addition to applicable permit fees. The City estimates that 50% of the valuation is for purchase of materials and collects Use Tax on that amount. The City may perform an audit of the actual material costs any time within 36 months of the date of the issuance of the Certificate of Occupancy (C.O.) or of the final inspection by the City of the project.

Do I have to pay the sales tax when I purchase the materials from a retailer?

Once the Use Tax is paid on the estimated amount of taxable purchases, the purchase of the materials for the project by the G.C. or any subcontractors/material suppliers should **not** include a **city** and **county** sales tax. The building permit with the amount of use tax paid is the exempt documentation to be provided.

How do I reconcile the estimated material value with the actual value after completing a job?

It is important to note that the use tax paid at the time the permit was issued is strictly an estimate/prepayment. Collecting a prepayment does not alter the fact that the actual cost of materials is the proper basis for determining the total Use Tax due.

Within three years from the final inspection date by the City, the City may request an audit of the actual material costs or the permit holder may request a reconciliation of these costs. The following records must be kept and may be requested by the City to reconcile the Use Tax deposit to the actual use tax due:

- Final bill to the owner of the project including all change orders;
- List of subcontractors: contact information and final contract amount for each one;
- Invoices for purchases made by the contractor; and
- Detail job cost summary

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Additional Questions? Please call the City of Centennial, Sales/Use Tax Division at 303.325.8088 or check the Web site at: www.centennialco.gov

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 MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS.