

City of Louisville, Colorado

USE TAX ON BUILDING MATERIALS

What is Building Materials Use Tax?

The Building Materials Use Tax applies to anyone who is performing commercial construction work that requires a City of Louisville Building Permit. Currently, the City collects the use tax for commercial projects only.

Contractors pay the estimated tax at the time a building permit is issued and the purchase of materials for that project is then exempt from local sales taxes.

What is the benefit of paying Building Materials Use Tax?

Construction projects place a burden on maintaining City streets and increases the demand for services in areas such as police protection and park and recreation amenities. By paying the estimated tax up front to the City, the tax dollars stay in the community where the burden on City facilities and services is being placed.

How is the Use Tax on Building Materials Calculated?

The use tax is 3.375% of fifty percent (50%) the estimated general and mechanical contract cost for your project. Simplified, this calculation assumes that half of the total valuation of your project will be in building materials, which are taxable, and half will be in non-taxable labor and services.

How do I use my Building Permit to avoid paying additional municipal sales tax?

Your building permit allows you to purchase construction materials needed for your project without paying additional municipal sales tax. You must provide a copy of your permit to each vendor from which you will purchase materials in order to avoid paying additional municipal sales tax. By law, if you do not provide a copy of your building permit, the vendor must collect all applicable sales tax on your purchase. This means you would be paying tax

twice. You may provide a copy of the permit to your subcontractors as well. Subcontractors working under your permit may use the permit to purchase materials for your project without paying additional municipal sales tax.

Your permit allows you to purchase materials that become permanently incorporated into real property and thus, lose their identity. Sales tax will still be due on the cost of all tools and supplies not becoming part of real property, including those leased or rented. Items such as furnishings, equipment, landscaping materials, window coverings etc., are not to be purchased using your building permit.

Remember, the permit issued is for the project listed only. Improper or fraudulent use of this permit is a violation of the Louisville Municipal Code.

Can I purchase materials outside Louisville?

Yes, definitely. Keep in mind that the same rules apply. You must provide a copy of your building permit to the vendor from which you are purchasing materials in order to avoid paying additional municipal sales tax. Also remember that some jurisdictions have a higher sales tax rate than Louisville. In this case, the vendor may be required to charge you the difference between that City's rate and Louisville's rate.

What if I purchased items prior to obtaining my Louisville building permit?

No problem. If you purchased the items in Louisville, bring the receipts with you when you come to the City to obtain your building permit. When calculating the general and mechanical contract costs, the amount you have already paid for qualified purchases will be deducted, and the amount of use tax due adjusted accordingly.

Should you be charged Louisville sales tax for an item purchased without your building permit (double taxed), you may apply to the City for a refund of the City portion of the sales tax paid.

Note: if you purchased your items outside Louisville, you must contact the City in which the purchase was made to inquire about receiving a sales tax refund. Some Cities may not permit such a refund. Louisville will not refund any portion of the use tax paid for a permit when the double taxation occurred outside of the City, and subsequent to the issuance of a building permit.

What if the Use Tax paid exceeds 3.375% of the actual purchase price paid for qualified building materials for my project?

Since the use tax paid is an estimate, if you believe that the amount of use tax paid exceeds the 3.375% of the purchase price paid for qualified building materials for your project, you may submit a request for a refund of the excess tax paid. Copies of invoices showing the tax paid and additional information may be required by the City to evaluate you request and determine the refund due, if applicable.

Can my project be audited?

You must remember that the use tax paid with the building permit is an estimate of the taxes due. As such, all commercial construction projects within the City are subject to audit within three years of receiving a certificate of occupancy. Should it be determined through audit that the use tax due on the actual material costs exceeds the amount paid at the time the permit was issued, additional use tax may be due to the City. Conversely, should the City find that the use tax due on the actual material costs was less than the taxes paid, a refund may be due to you from the City.

Where do I call if I have additional questions or need assistance?

Sales or Use tax questions or claims for refunds should be directed to the Sales Tax and Licensing Division at the City. The direct phone number is (303) 335-4514.

Questions regarding applying for a building permit, obtaining a contractor's license, job valuation estimates, inspections, obtaining a certificate of occupancy should be directed to the Building Safety Division. The direct phone number is (303) 335-4584.