Calculating Previously Paid Sales/Use Tax

The Louisville Municipal Code (LMC) gives credit against the amount of Louisville use tax due on tangible personal property and certain taxable services, when a lawfully imposed sales or use tax was paid to another city which is equal to or greater than the Louisville sales/use tax rate.

The basic questions to determine what, if any, use tax may be owed to City are:

1. Was any amount of tax charged on the purchase of tangible personal property or taxable services?
2. Was some amount of tax charged on the purchase of tangible personal property or taxable services?
3. Was the amount of tax charged the combined Louisville tax rate (including State, RTD/CD, Boulder County and City) on the purchase of tangible personal property or taxable services?

To determine what amount of use tax may be owed, consider the following:

1. If no amount of tax was charged on the purchase of tangible personal property or taxable services subject to tax in Louisville, then use tax will be due to the City on the full purchase price.
2. Was the amount of tax charged to you lawfully imposed by the seller (see the “Nexus” publication for further explanation)? If not, you will owe Louisville use tax on the full purchase price and will need to apply to the city where the unlawful tax was collected and remitted for a refund.
3. Was some amount of tax charged but not the full combined rate for Louisville? For how to calculate how much, if any, use tax is owed, see below under Rate Calculations.

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 tax.

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 licensed 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 taxes paid by the original owner/purchaser of the item or goods to a new owner. The new owner(s) must pay sales or use tax each time based on their purchase price.

Lawfully Imposed Taxes

When a purchaser physically buys an item in another jurisdiction and takes the item with them, the item is subject to tax in the jurisdiction in which it is purchased and credit will be given towards any Louisville use tax owed. This is a lawfully

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imposed tax. If however, the tax rate paid to the other jurisdiction is less than Louisville’s rate, additional tax may be due. See the below Rate Calculations section in this publication.

When items are delivered, they are taxable at the point of delivery. If an out-of-city vendor ships goods to a Louisville business but charges their own city tax rate instead of Louisville’s city tax rate, this is an illegally imposed sales tax, and credit will not be given towards any Louisville use tax owed.

**Louisville Combined Tax Rate**

Purchases made in Louisville are subject to a combined sales tax rate of 8.485% effective 2015 through December 2017. To receive up to date tax rate information, please contact the Tax Department at (303) 335-4514. This rate represents other taxes not administered by the City but which are still components of the combined rate.

<table>
<thead>
<tr>
<th>Component</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Colorado</td>
<td>2.9%</td>
</tr>
<tr>
<td>RTD</td>
<td>1.0%</td>
</tr>
<tr>
<td>Cultural District</td>
<td>0.1%</td>
</tr>
<tr>
<td>Boulder County</td>
<td>0.985%</td>
</tr>
</tbody>
</table>

**City of Louisville** 3.5%

Combined Tax Rate 8.485%

If you personally purchase an item in another jurisdiction, and their combined tax rate is equal to or in excess of 8.485%, or the municipal portion of the rate you paid is equal to or in excess of Louisville’s 3.5%, you will be given credit for the taxes paid up to the Louisville rate, and no additional use tax will be owed to the City.

The Louisville portion of the sales/use tax is to be paid directly to the City of Louisville.

The State, RTD, CD and Boulder County portion of the sales/use tax is to be paid directly to the Colorado Department of Revenue.

**Rate Calculations**

To determine the tax rate charged (when the tax rate % is not indicated on the invoice), divide the amount of tax charged by the net amount of the taxable items on the invoice (the before tax amount). If the combined tax rate charged was less than the combined Louisville rate, then the difference (up to 3.5%) is owed as use tax to the City of Louisville. If the combined tax rate charged was equal to or greater than Louisville’s combined rate, then no use tax is due.

**Example**

A. Louisville Business A purchases cleaning supplies for delivery from a Longmont vendor. The Longmont vendor invoice is as follows:

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<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor Cleaner</td>
<td>$38.00</td>
</tr>
<tr>
<td>Glass Cleaner</td>
<td>$18.00</td>
</tr>
<tr>
<td>Sanitizer</td>
<td>$26.00</td>
</tr>
<tr>
<td>Sub Total</td>
<td>$82.00</td>
</tr>
<tr>
<td>Shipping</td>
<td>$10.00</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td><strong>$4.59</strong></td>
</tr>
<tr>
<td><strong>Invoice Total</strong></td>
<td><strong>$96.59</strong></td>
</tr>
</tbody>
</table>

$4.59 divided by $92 equals 0.04985 or 4.985%

Take the rate of 4.985% and deduct the following rates in order:

- Charged tax rate: 4.985%
- Subtract State rate: (2.9)%
- Subtract RTD rate: (1.0)%
- Subtract Cultural District: (0.1)%
- Subtract Boulder County: (0.985)%
- Subtract City of Louisville: (3.5)%

Difference: (3.5)%

4.985% means that State, RTD/CD, and Boulder County tax was collected, but not the City of Louisville tax. You would owe 3.5% use tax on $82 or $2.87 (please note that Louisville does not tax shipping/freight charges when they are separately stated).

B. Using the same purchase above, you purchase the supplies for delivery from a Denver vendor:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice Subtotal</td>
<td>$92.00</td>
</tr>
<tr>
<td>Tax</td>
<td>$3.68</td>
</tr>
<tr>
<td><strong>Invoice Total</strong></td>
<td><strong>$95.68</strong></td>
</tr>
</tbody>
</table>

$3.68 divided by $92 equals 0.04 or 4%

Take the rate of 4% and deduct the following rates in order:

- Charged tax rate: 4.0%
- Subtract State rate: (2.9)%
- Subtract RTD rate: (1.0)%
- Subtract Cultural District: (0.1)%

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Subtract Boulder County (0.985)%
Subtract City of Louisville (3.5)%

Difference (4.485)%

4% means that State, RTD and CD tax was collected, but not the City of Louisville tax. You would owe 3.5% of the 4.485% difference as use tax to the City on $82 or $2.87 (please note that Louisville does not tax shipping/freight charges when they are separately stated). The remaining difference of 0.985% would be for Boulder County, but Boulder County does not impose use tax on any items other than building materials and motor vehicles, so no use tax would be due to Boulder County.

C. Again, using the same purchase, you purchase the supplies for delivery from a Westminster vendor:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice Subtotal</td>
<td>$92.00</td>
</tr>
<tr>
<td>Tax</td>
<td>$ 7.91</td>
</tr>
<tr>
<td>Invoice Total</td>
<td>$99.91</td>
</tr>
</tbody>
</table>

$7.91 divided by $92 equals .086 or 8.6%

Take the rate of 8.6% and deduct the following rates in order:

- Charged tax rate 8.6%
- Subtract State rate (2.9)%
- Subtract RTD rate (1.0)%
- Subtract Cultural District (0.1)%
- Subtract Boulder County (0.985)%
- Subtract City of Louisville (3.5)%

Difference 0.115%

8.6% means that State, RTD and CD, Westminster and Adams County sales tax was collected. You would still owe 3.5% use tax on $82 or $2.87 because the City of Westminster and Adams County sales tax was illegally imposed. Deliveries into Louisville are subject to Louisville sales tax (please note that Louisville does not tax shipping/freight charges when they are separately stated). You should apply to the City of Westminster for a refund of the sales tax paid and to the Colorado Department of Revenue for a refund of the Adams County sales tax paid. The remaining difference would be for Boulder County, but Boulder County does not impose use tax on any items other than building materials and motor vehicles, so no use tax would be due to Boulder County.

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