

The Louisville Municipal Code (LMC) imposes sales or use tax on the amount paid or charged for gas, steam, heat and electric service for commercial, industrial or residential consumption not for resale. “Gas” includes natural, manufactured and liquefied petroleum gas.

Exemptions

The sale and purchase of electricity, coal, gas, fuel oil, steam or coke used directly in processing, manufacturing, mining, refining, irrigation, building construction, telegraph, telephone and radio communications, street and railroad transportation services is exempt. This also includes the portion of utilities used by restaurants for the direct preparation of food for immediate consumption.

Qualifying wholesale, government, and charitable organization purchases of gas, electricity, coal, fuel oil, or steam are exempt similar to other purchases of tangible personal property and taxable services.

The industrial utility usage exemption does not include the utilities used for lighting, space heating or for other non-industrial operations or areas, such as offices, break-rooms, testing, R&D or shipping.

The LMC provides no exemption for electricity generated from renewable sources or for the equipment used in generating renewable energy. Renewable energy equipment installed in the City requires the payment of sales or use tax on the cost of the equipment, or in the case of leased equipment, sales tax on the periodic lease cost as well as sales tax on the price of the electricity generated and sold to customers within the City.

Examples

1. Business A is a Louisville manufacturer that produces medical instruments which it sells at wholesale. They have filed Colorado Department of Revenue form DR1666 “Sales Tax Exempt Certificate Electricity & Gas for Industrial Use” with their utility supplier and are not being charged any sales tax on their utility bill. Annually, Business A must remit to the City on the Louisville Sales/Use Tax Return the use tax due on the cost of the utilities for the non-industrial areas or uses.
2. Business B is a solar company that leases photovoltaic systems to residential customers in the City for a specific period as determined by an agreement. In addition to the leased equipment, the property owner purchases the electricity generated by the system. At the end of the lease period, Business B removes the equipment or offers it for sale to the property owner for a set value as determined by an agreement.

Business B is required to collect and remit City sales tax on the periodic lease payment, on the charges for electricity generated by the system, and on the ending sales price of the equipment if purchased by the property owner.

3. Business C is a Louisville restaurant that specializes in smoked food items. Business C is charged, and pays, sales tax on their utilities. Business C also purchases charcoal and apple wood to smoke its product from a vendor in

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another jurisdiction. Annually, Business C may apply to the City for a refund of the taxes paid on the percentage of their gas or electric used directly in preparing food for immediate consumption (by completing Colorado Department of Revenue form DR1465). The wood and charcoal used to smoke the meat is not tax exempt but the utilities used to bake, broil or reheat the meat is tax exempt. Sales tax must be paid to the vendor selling the wood and charcoal at the tax rate of their location when the materials are picked up. If no sales tax is paid, use tax would be due to Louisville on the cost of the wood and charcoal.

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