

The Louisville Municipal Code (LMC) requires use tax be paid by a consumer for purchasing and using, storing, distributing or otherwise consuming tangible personal property or taxable services within the City, whether purchased, leased or rented from sources inside or outside the City on which a sales tax has not been paid as specified by the LMC.

The purpose of use tax is to equalize competition between in-city and out-of-city vendors and lessors of tangible personal property and services and to eliminate incentives for City residents and businesses to go outside the City to purchase or lease such goods and services. Use tax also compensates for tax avoided by purchasing in cities with lower tax rates. Louisville use tax is due where the rate paid at the time of purchase is less than the tax rate of the City of Louisville. Credit is given for other lawfully imposed municipal sales taxes up to the City of Louisville rate.

When Louisville sales tax is not paid to a vendor at the time of purchase, then use tax is owed and must be paid directly to the City. Use tax is the same rate as sales tax, is complementary to sales tax, but is paid directly to the City. All Louisville taxpayers must pay sales or use tax on purchases of tangible personal property or taxable services that are not purchased for resale or which are not specifically exempted per the LMC.

Use tax is levied upon not only the privilege of use or consumption, but also on storage or distribution in the City. The acquisition for any consideration by transfer, either conditionally or absolutely, of title or possession or both to tangible personal property is subject to City use tax.

“Use” means the exercise, for any length of time by any person within the City of any right, power or dominion over tangible personal property or services when rented, leased or purchased at retail from sources either within or without the City from any person or vendor or used in the performance of a contract in the City whether such tangible personal property is owned or not owned by the taxpayer. “Use” also includes the withdrawal of items from inventory for consumption.

Use 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 end-user, consumer or owner, the item is subject to tax.

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 must pay sales or use tax on their purchase price.

Identifying Use Tax Liabilities

There are various reasons why Louisville sales tax may not have been collected and why Louisville use tax is due:

- A purchase was shipped into the City by a vendor that is not licensed to collect City of Louisville sales tax, but is licensed by the Colorado Department of Revenue to collect State, RTD, CD and State-collected County sales tax. You may have been charged State sales tax only, or State and RTD/CD only, or any combination thereof, but not Louisville sales tax, so it is important that you examine your invoices to determine the rate of tax charged.

The information contained in the Tax Guide publications is intended to offer general guidance in layman’s terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.

- A purchase is made and the items are picked up from a vendor located outside the City of Louisville. This purchase would be taxable at the municipal rate of the City in which the item was purchased and picked up. Colorado is a “point of delivery” sourcing state, which means that the point where delivery, or transfer of ownership of the property or service occurs, is the point of taxability. However, if that City’s sales tax rate is less than Louisville’s use tax rate, the difference up to the City’s rate, would still be owed to the City of Louisville.
- Items are originally purchased for resale by a business, but then pulled from inventory for use in the operation of the business, or used as give-a-ways or complimentary items. This also includes construction materials used for lump-sum contracts or similar by retailer-contractors. See the “Construction and Contractors” publication in this Tax Guide for additional information related to construction materials.

Also, see the “Sales Tax” and “Calculating Previously Paid Sales/Use Tax” publications in this Tax Guide for additional information.

Use Tax for Individual Louisville Residents

Use tax is imposed both upon business consumers and individual consumers. Use tax is complimentary to sales tax, but is paid directly to the City rather than to a vendor or retailer. In general, if sales tax would apply to a purchase made from a Louisville retailer, then use tax will apply to the same purchase made from a retailer in another city or state.

The purpose of use tax is to protect local sellers who would otherwise be at a competitive disadvantage when out-of-city retailers make sales to Louisville customers without collecting tax. Use tax also compensates for tax avoided by purchasing in cities with lower tax rates. Together with sales tax, the use tax creates a system that ensures that all consumers contribute fairly to fund City services whether they choose to purchase goods from local or out-of-city retailers.

Common transactions by residents that may be subject to use tax include:

- Purchases made from a mail-order catalogue or over the internet
- Purchases delivered into Louisville from a retailer in another city or state
- Purchases picked up from a retailer in an unincorporated area or city with a lower sales tax rate

Residents may submit a letter to the City of Louisville, Tax Division, with their name and address stating the date of their purchase, the purchase price before tax, and list any other municipal tax paid for which they are taking a credit and enclose a check for any use tax owed payable to the City of Louisville. Residents are not required to file any letters or tax returns with the City if no use tax is due.

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