

City of Louisville, Colorado

SALES/USE TAX ON BUILDING MATERIALS

What is Building Materials Use Tax?

The Building Materials Use Tax applies to the privilege of using or consuming within the city, construction and building materials for use in connection with residential, commercial or industrial building projects.

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 use tax up front to the City of Louisville, the tax dollars stay in the community where the burden on City facilities and services is being placed.

Who must Prepay Building Use Taxes on a Building Permit?

Generally, all contractors or homeowners performing construction work, building projects, or repairs to real property will pay estimated City of Louisville and Boulder County use tax at the time a building permit is issued. The subsequent purchase of building materials for that project is then exempt from City and Boulder County sales taxes.

When is Building Use Tax on a Building Permit Not Pre-collected?

Mechanical, Electrical and Plumbing Contractors only will need to purchase a Louisville Sales/Use Tax License and will be required to remit sales or use tax at the completion of their project. Building use tax will not be pre-collected on your permit. You must remit sales or use tax as follows:

For Mechanical, Electrical and Plumbing Contractors that bill **lump sum**, the contractor is considered the end user and is required to pay all applicable sales tax at the time the materials are purchased. If the contractor does not pay a **municipal sales tax** equal to the Louisville rate of 3.65%, then the contractor is

required to obtain a City of Louisville Sales/Use Tax License, and remit use tax on such building materials to the City of Louisville on a Louisville sales/use tax return.

For Mechanical, Electrical and Plumbing Contractors that bill **time and materials**, the Contractor will purchase materials tax exempt. The materials are generally marked up by the Contractor and the combined Louisville sales tax rate of 8.635% is charged to the customer on those materials. The Contractor should obtain a City of Louisville Sales/Use Tax License, and remit the Louisville portion of the collected tax (3.65%) to the City on the Louisville sales/use tax return.

If a Mechanical, Electrical or Plumbing Contractor does not have a City of Louisville Sales/Use Tax License, or if the Contractor does have a license but fails to collect or remit the proper sales or use tax, or file the necessary tax returns, the City will enforce its pre-collection of building material use tax at the time of permitting.

How is the Use Tax on Building Materials Calculated on my Permit?

The Louisville use tax rate of 3.65%, and the Boulder County use tax rate of 0.985% is applied to fifty percent (50%) of the total contract cost for your project (the total value including profit and overhead but excluding any land costs). 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 and county sales tax?

Your building permit, on which you pre-paid municipal and county use tax, allows you to purchase construction materials needed for your project without paying additional municipal or county sales tax...regardless of where you purchase your materials.

You must provide a copy of your permit to each vendor from which you will purchase materials in order to avoid paying additional sales tax. (You will still be required to pay any state and special district sales tax on the materials). 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.

If you are using sub-contractors, and their work is included in the permit valuation for your project, you must provide them a copy of the permit so they too may use the permit to purchase materials for your project without paying additional municipal sales tax.

Your permit only allows you to purchase building 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, supplies, and any equipment leased or rented. Items such as furnishings, window coverings, appliances etc., are not to be purchased using your building permit. You must pay any applicable sales tax at the time of purchase for such items.

Remember, the permit issued is for the project listed only, and for building materials that become permanently incorporated into the structure. Improper or fraudulent use of this permit is a violation of the Louisville Municipal Code.

Can I purchase materials outside Louisville?

Yes. 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 and county 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?

This is strongly discouraged, however, should you be charged Louisville sales tax for qualified building materials purchased before you applied for a building permit (double taxed), you may apply to the City for a refund of the City portion of the sales tax paid. The items purchased must have been included in your initial permit valuation and use tax pre-paid.

Additionally, the City may delay any refund requested until the project is complete to verify that a sufficient amount of use tax was paid on your overall project.

Note: if you purchased your items outside Louisville, and did not present your building permit at the time of purchase, 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 on a permit for purchases made outside the City.

What if the Use Tax I pre-paid exceeds 3.65% of the actual purchase price paid for qualified building materials for my project?

Since the use tax paid with your permit is an estimate, if you believe that the amount of use tax pre-paid exceeds the 3.65% 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 all material invoices showing the tax paid, including a detailed summary of all the material costs for the project. Additional information may be required by the City to evaluate your request and determine the refund due, if applicable.

Can my project be audited?

Yes. You must remember that the use tax pre-paid with the building permit is just an estimate of the taxes due. As such, all residential, commercial and industrial construction projects within the City are subject to audit within three years of receiving a certificate of occupancy or final inspection. Should it be determined through audit that the use tax due on the actual material costs exceeds the amount pre-paid at the time the permit was issued, additional use tax may be due from you and assessed by the City.

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

Sales or Use tax questions or claims for refund should be directed to the Sales Tax and Licensing Division at the City of Louisville. The direct phone number is (303) 335-4524, (303) 335-4570, or (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.