

The Louisville Municipal Code (LMC) imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. In addition, the LMC imposes a consumer use tax upon the privilege of using, storing, distributing, or otherwise consuming tangible personal property and certain services purchased, leased or rented from sources outside the City, on which a lawfully imposed municipal sales tax has not been paid.

Restaurants, bars and other food and beverage establishments engaged in business in Louisville must charge sales tax and show the tax as a separate and distinct charge on the customer receipt. Sales tax may only be included as part of the purchase price for liquor sold by the drink, or for items sold through a vending machine or other coin-operated devices.

Items Subject to Sales Tax

Items which are subject to sales tax include but are not limited to:

All food, beverage, and liquor sales, including any customer charges for mandatory tips or gratuities. This includes cover charges when such charges are included as part of the price for such meals or beverages.

Any restaurant merchandise, such as t-shirts, glasses, mugs, key chains, or other sundry items, such as chewing gum, breath mints, aspirin packets, cigars, and chewing tobacco.

All sales of tangible personal property from coin-operated devices, such as snacks, soft-drinks, or other sundry items. The sales tax may be included in the price of the item and no tax is required to be charged for an item with a price of \$0.17 or less.

The utilization of coin-operated devices, such as pool tables, juke boxes or other amusement devices that do not vend tangible personal property are exempt from City sales tax.

Purchases Subject to Sales/Use Tax

Like other retailers, restaurants and bars are required to pay sales tax on the purchase price paid for tangible personal property and taxable services used in the business and not for resale. When Louisville sales tax has not been paid, or when another legally imposed municipal sales tax has not been paid, a use tax must be reported and remitted directly to the City of Louisville. Credit will not be allowed for any unlawful taxes collected and remitted to another City when the property purchased or services are delivered into Louisville. Many vendors will charge State sales tax but not necessarily local municipal sales tax. It is up to the restaurant, bar, or other food establishment to verify the tax rate that was paid and to remit City use tax accordingly.

Some common examples of goods or services subject to sales or use tax include, but are not limited to:

Use tax is due by the restaurant on the cost of food provided as complementary meals to customers or employees. This is because the food and beverage inventory purchased by the restaurant is purchased tax-exempt for resale. When the food

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or beverages are not resold, but given away, the restaurant becomes the consumer of the food or beverage items and must pay use tax to the City.

Sales or use tax is due on assets purchased for the restaurant or bar, such as furniture, fixtures, point-of-sale systems, computers, office equipment, computer software, and kitchen equipment, whether such items are purchased, leased, or rented from sources inside or outside the City.

Materials or parts used for equipment repairs, plumbing repairs, painting, landscaping or other work that does not require a City of Louisville building permit, are subject to City sales or use tax.

Other tangible personal property, including but not limited to office supplies, cleaning supplies, uniforms, promotional items, forms, menus, linens, tools, kitchen utensils, glassware, china, plants, decorations, etc., are subject to Louisville sales or use tax.

Food, beverages and some disposable items, such as napkins, straws, eating utensils and food containers, may be purchased tax-exempt provided that all of the following conditions are met:

The items are used to contain the finished product or become an ingredient of the finished product

The items are transferred to the buyer with the finished product and the cost of the items is included in the purchase price of the finished product

The items are not returnable to the seller for reuse

Exemptions

The LMC provides restaurants a sales tax exemption on the cost of the utilities used to produce meals. The business is required to complete Colorado Department of Revenue Form DR1465 in February of each year for the prior year. The form must be included with the Louisville Sales/Use Tax Return and the amount paid for utilities, as calculated on CDOR form DR1465, deducted under other deductions on the City of Louisville Sales/Use Tax Return..

Examples

Restaurant A is a licensed Louisville restaurant that provides sit down meals. A group has reserved a table for twenty for a birthday party. The restaurant adds a mandatory 20% gratuity to the cost of the meals. The entire cost of the meals including the mandatory gratuity is subject to sales tax.

Bar B is a licensed Louisville establishment that sells liquor by the drink and light meals. The bar has pool tables and a coin-operated device with snacks. The bar may add the tax to the price of a drink (i.e. \$3.50 for a vodka tonic) and to the coin-operated device prices (i.e. a bag of chips for \$0.50), but the bar must pay sales tax to the City for all these items by

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subtracting out the tax from the selling price. The sales tax should be added to the purchase price of any light snack that the bar provides (such as hot dogs or pizza slices). To calculate how much tax should be paid for the items priced to include tax, you divide the sale amount (including tax), by the tax rate amount (sales = \$7,000 for all liquor and coin-operated device sales; $\$7,000 / 1.0365 = \$6,753$ in gross sales). The gross sales amount calculated is reported on your Louisville tax return as gross sales and then the tax is calculated.

Restaurant C is a licensed Louisville restaurant that provides its employees a shift meal free of charge. The restaurant must pay use tax to the City on the cost of the food used to prepare the free meals. If the restaurant charges the employees a discounted price for their shift meal, then City sales tax is due on the discounted price.

Restaurant D is a small deli that generally prepares sandwiches to order for take-out. The deli purchases to-go boxes, napkins, wax paper to wrap the sandwiches, a box of plastic gloves, and some new cutting blades for the meat slicer from a Denver vendor who delivers the supplies to Louisville. The restaurant may purchase the to-go boxes, napkins, and wax paper tax-exempt for resale, but must pay use tax to the City on the purchase price of the slicer cutting blades and the gloves if the Denver vendor does not collect City of Louisville sales tax.

Restaurant X is a licensed Louisville restaurant that serves sit-down meals. The restaurant has a small gift shop area where they sell T-shirts, beer glasses, shot glasses, and aprons with the restaurant's logo on them. They also sell cigarettes, cigars, chewing gum, breath mints and other small sundries. The restaurant must charge sales tax on the sale of all promotional items and all small sundries, including the cigars, but excluding the cigarettes which are not subject to Louisville sales tax.

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