



INITIAL USE TAX RETURN

All new businesses in the City of Louisville are required to submit an “Initial Use Tax Return.”

What is Initial Use Tax?

Initial use tax is the amount of tax that may be owed to the City of Louisville on the Assets, Equipment, and Supplies purchased in order to operate a new business. This may include computers, office furniture, office equipment, shelving, telephones, office supplies, tools, manufacturing equipment, etc.

Use tax does not apply to inventory items purchased at wholesale for resale, or to any raw materials which will be manufactured into a finished product for resale.

New businesses include:

- The start of a business from scratch.
- The purchase of an existing business in the City of Louisville.
- An existing business in the City of Louisville that changes ownership.
- An existing business that moves into the City of Louisville.

A business starting from scratch in Louisville should:

Review all the purchase invoices to determine what tax rate was paid.

- If sales tax collected was 8.485%, no use tax due.
- If sales tax collected was 7.5%, no use tax due.
- If sales tax collected was 3.5%, no use tax due.
- If sales tax collected was 2.9%, use tax of 3.5% due.
- If sales tax collected was 4%, use tax of 3.5% due.
- If sales tax collected was any other tax rate, please contact our office for assistance.

Purchasers of an existing business in Louisville or a business that changes ownership should:

- Enter the value of the assets purchased with the business on the Initial Use Tax Return and calculate the amount of tax due.
- Attach a copy of the Bill of Sale or Purchase Agreement to the return, including any attachments, schedules, or listings related to the Assets purchased. (It does not matter if the former owner or business previously paid sales or use tax, all items or assets are subject to use tax to the new owner).
- If no formal agreement was executed between the seller and the buyer of a business, the buyer must provide a written summary of the fair market value of all assets purchased, or the book value of assets used for depreciation purposes. This value should be entered on the Initial Use Tax Return and the amount of tax calculated.



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An existing business moving into Louisville should:

Determine which Assets being brought into the City of Louisville have been purchased during the previous (36) months. Review the purchase invoices to determine what tax rate was paid.

- If sales or use tax collected by another municipality is at least 3.5%, no use tax due.
- If sales or use tax collected by another municipality is less than 3.5%, use tax of 3.5% due.

When is the Initial Use Tax Return due and what is the filing frequency?

- The Initial Use Tax Return is based on the initial purchases for the business. It is a one-time filing due within 60 days from the date the business opens.

The initial use tax owed should be calculated (Line 10) and any amount of lawful *municipal* tax paid deducted (Line 11). Please do not include any State, RTD or County taxes paid.

Consumer use tax for all operating purchases must be reported and paid on an ongoing basis for the life of the business in Louisville. Ongoing consumer use tax should be reported on the standard Louisville Sales/Use Tax Return (Line 9) in conjunction with your monthly, quarterly or annual filing.

All receipts and records for the business must be retained for a minimum of three years and are subject to inspection or audit.

If you still need help, please do not hesitate to contact the Louisville Tax Department. You may also visit our website at www.louisvilleco.gov, Sales Tax & Licensing Division, for additional information including the Louisville Sales/Use Tax Code, Tax Guide and other publications and forms.