

City and County of Denver, Colorado

TAX GUIDE

Topic No. 84

VENDING MACHINE SALES AND EQUIPMENT

VENDING MACHINE SALES

Sales of tangible personal property, sold through vending machines, are subject to tax.

Items sold through vending machines may include the sales tax in the sales price of the item vended. This is an exception, specifically allowed by law, to the general requirement that sales tax be explicitly added to the selling price as a distinct amount.

The vended price includes the Denver sales tax plus the 4.0% sales tax collected by the State of Colorado. "Honor box" sales are treated the same as vending machine sales.

The State of Colorado currently exempts some "food" sales from their sales tax. This exemption would include food for domestic home consumption as defined for purposes of the Federal food stamp program. However, the State's definition of exempt "food" would not include carbonated water in containers, soft drinks, chewing gum, candy, prepared salads, packaged and unpackaged cold sandwiches, or hot or cold beverages served in unsealed containers or cups.

Non-food items, such as toys or valet items (as often found in hotels/motels), are taxed by Denver at the general rate of 3.62% of the purchase price.

Sales of food and beverages vended through machines are taxed by Denver at the rate of 4% of the sales price, as are all other sales of taxable food and drink.

VENDING MACHINE EQUIPMENT

If a vending machine is first brought into Denver after it has been owned and used for its intended purpose for more than one year before it is moved into Denver, it is exempt from use tax.

If, however, the vending machine has been owned, but not used for its intended purpose for more than one year before it is moved into Denver, use tax is due. The taxable purchase price in that case is the market value rather than the acquisition cost. A reduction to the amount of consumer use tax due may be allowed for a legally imposed sales tax paid to the other taxing authorities for the same transaction.

EXAMPLES

1. ABC Arcade has two beverage vending machines selling canned soda and one candy vending machine. Total collections last month were \$1,000. ABC should calculate their taxable sales as follows:

GROSS SALES INCLUDING TAXES	\$1,000.00	
DIVIDED BY DENVER AND COLORADO COMBINED TAX INCLUSION	<u>÷ 1.08</u>	
DENVER TAXABLE SALES		\$925.93
MULTIPLIED BY DENVER TAX RATE ON FOOD AND BEVERAGE SOLD THROUGH VENDING MACHINES		<u>x .04</u>
DENVER SALES TAX DUE		<u>\$37.07</u>

2. A vending company brings vending equipment purchased two months earlier into Denver for placement at client offices. The cost of the equipment was \$5,000. At the time of purchase, 3% (or \$150) sales tax was imposed and paid to Lakewood. The Denver tax due is calculated as follows:

COST OF EQUIPMENT	\$5,000.00	
MULTIPLY BY DENVER TAX RATE	<u>x 3.62%</u>	
DENVER TAX DUE		\$181.00
REDUCTION FOR TAX PAID TO ANOTHER TAXING AUTHORITY		<u>(150.00)</u>
USE TAX DUE TO DENVER		<u>\$31.00</u>

RELATED TAX GUIDE TOPIC

Reduction Allowed for Previously Paid Sales or Use Tax.

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| * DRMC Section 53-24(8). | Definitions – Food - Sales. |
| * DRMC Section 53-25(1). | Imposition of tax - Sales. |
| * DRMC Section 53-26(8). | Exemptions – Food – Sales. |
| * DRMC Section 53-27(b)(3). | Retailers to collect tax – Special rate: prepared food and beverages – Sales. |
| * DRMC Section 53-27(d). | Retailers to collect tax – Vending Machines and Liquor by the drink – Sales. |
| * DRMC Section 53-28. | Retailer responsible for payment of tax – Sales. |

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| * DRMC Section 53-95(9). | Definitions – Food – Use. |
| * DRMC Section 53-96(1). | Imposition of tax - Use. |
| * DRMC Section 53-97(8). | Exemptions – Food - Use. |
| * DRMC Section 53-98(b)(3). | Retailers to collect tax – Special rate: prepared food and beverages - Use. |
| * DRMC Section 53-98(d). | Retailers to collect tax – Vending Machines Sales – Use. |

- * DRMC Section 53-99. Retailer responsible for payment of tax - Use.
- * Rules Implementing the Exemption for Certain Food and Drink under the City Retail Sales and City Use Tax Articles.
- * Colorado Department of Revenue FYI Sales 59 (02/02)

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.