

City and County of Denver, Colorado

TAX GUIDE

Topic No. 25

EXEMPT PURCHASES CONVERTED TO TAXABLE USE

Consumer use tax is imposed on purchases of tangible personal property (not including inventory) that are used, stored, consumed or distributed within the City of Denver on which no sales tax was paid at time of purchase. If any item which was originally purchased for resale is later withdrawn from inventory for use by a business or an individual, the cost of the item withdrawn is subject to use tax. If the item is withdrawn from inventory more than one year after its purchase date, the taxable amount is the item's fair market value.

Exempt entities using tangible personal property outside the normal course of their exempt activities are subject to Denver use tax.

An exemption exists for tangible personal property which was originally purchased at wholesale and which is removed from inventory or taken out of a manufacturing or compounding process and is donated without consideration to the United States government, to the state, its departments and institutions and political subdivisions or to any organization which has been certified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and which is also operated as a Colorado nonprofit corporation.

EXAMPLES

XYZ Office Furniture has an executive chair in inventory. The president of the firm needs a new chair for his office. Because XYZ is a dealer in office chairs, they purchase them for resale, and thus tax free. The taxable incident occurs when the chair is withdrawn from inventory for use by the business. Use tax then becomes due on the cost or fair market value if the chair was converted to business use more than one year after the purchase date.

XYZ Office Furniture decides to donate several desks to a Colorado nonprofit corporation, which is certified as a 501(c)(3). Because the donation is done without consideration and is made to certified 501(c)(3) organization, which is also operated as a Colorado nonprofit corporation, no use tax is due, either from XYZ Office Furniture or the Colorado nonprofit corporation.

* DRMC Section 53-104(a)(1). Imposition of Tax.

* DRMC Section 53-105(a)(20). Exemptions

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.

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