

# City and County of Denver, Colorado

## TAX GUIDE

### *Topic No. 38*

# GIFT CARDS AND GIFT CERTIFICATES

The sale of a gift card or gift certificate is the sale of an intangible "right" to exchange the value of the card or certificate for goods or services. As the sale of an intangible, it is not subject to sales or use tax.

A taxable transaction occurs when the card or certificate is used to acquire tangible personal property. Upon redemption or exchange of a gift card or certificate for tangible personal property, sales or use tax is due on the total sale price of the tangible personal property.

The vendor selling gift cards and gift certificates is liable for the sales or use tax on the printing cost or purchase price of the actual cards and certificates, as the physical cards and certificates are tangible personal property not for resale.

#### EXAMPLE

A person purchases a tie that costs \$25 by using a gift card worth \$15 and pays the balance in cash. Tax on the transaction is applied to the full \$25 sale price.

\* DRMC Section 53-54(1). Imposition of tax.

\* DRMC Section 53-104(1). Imposition of tax.

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.