

# City and County of Denver, Colorado

## TAX GUIDE

### *Topic No. 46*

## LEASES AND RENTALS (GENERAL)

When an entity has the right of possession or use of any article of tangible personal property or taxable service under an agreement of a lease, hire, rental contract, or grant of a license to use (including royalty agreements) the lease/rental payments, fees, or royalties paid are subject to sales/use tax, unless the Manager of Revenue directs payment of the tax on another basis. The lessor is required to collect and remit the sales tax to Denver. If the lessor fails to collect the sales tax, the lessee is responsible for remitting the use tax on its sales/use tax return.

### EXAMPLES

1. Lease-O-Matic (lessor) leases a railcar to Good Food, Inc. (lessee) for \$100 a month. Lease-O-Matic is responsible for collecting sales tax on the \$100 monthly payment and remitting it to Denver. If Lease-O-Matic fails to collect the sales tax on the monthly payment, Good Food, Inc. is required to include the use tax due on the \$100 monthly payment on the consumer use tax line of its sales/use tax return.

XYZ, Inc. is leasing a computer system from Rent-From-Us for 36 months with a \$10 purchase option at the end of the lease. Rent-From-Us is responsible for collecting sales tax on the 36 monthly payments, and on the \$10 purchase option, if exercised. If Rent-From-Us fails to collect the sales tax on the monthly payments and the \$10 purchase option, XYZ, Inc. is required to include the use tax due on the consumer use tax line of its sales/use tax return.

### RELATED TAX GUIDE TOPICS

Auto Rental and Leases

Leased Departments

Linen Rental and Services

Rentals and Service Charges Combined

- \* DRMC Section 53-53(a)(23). Definitions.
- \* DRMC Section 53-54(a)(1). Imposition of tax.
- \* DRMC Section 53-61. Tax on rentals.
- \* DRMC Section 53-103(a)(25). Definitions.
- \* DRMC Section 53-104(a)(1). Imposition of tax.
- \* DRMC Section 53-110. Tax on rentals.

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.