

# City and County of Denver, Colorado

## TAX GUIDE

### *Topic No. 72*

## SERVICE ENTERPRISES

Businesses primarily engaged in rendering a service must pay sales tax or report use tax on taxable purchases of tangible personal property, products and services used or consumed in Denver in the performance of their services.

If the charge for services provided by the business is not separately stated from the taxable tangible personal property, products, and taxable services price(s) on the invoice, the total invoice amount is taxable. However, if the charges for labor or service used in installing, applying, remodeling, or repairing tangible personal property are separately stated, only the charge for the taxable component would be subject to sales tax.

### EXAMPLES

1. ABC Payroll & Tax Service provides forms and tax reports to its clients in the performance of its service. The tangible personal property and products of their work transferred is incidental to the service and is therefore not subject to sales/use tax. ABC instead must pay sales or use tax at the time of its purchase of the blank forms and reports.
2. XYZ Beauty Salon uses tangible personal property such as shampoos, hair conditioners, and hair curlers in the performance of its services. In addition, XYZ sells these items by the bottle, jar, and package at retail. XYZ must pay sales/use tax on those items used or consumed in rendering its service. XYZ must collect and remit sales tax on the retail sale of those items when they sell them by the bottle, jar, or package.

- \* DRMC Section 53-53(21)(a)(5). Definitions.
- \* DRMC Section 53-53(35). Definitions.
- \* DRMC Section 53-54(1). Imposition of tax.
- \* DRMC Section 53-103(23)(a)(5). Definitions.
- \* DRMC Section 53-103(39). Definitions.
- \* 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.