City and County of Denver

Introduction To Consumer’s Use Tax
The tax rates used during this presentation were valid and correct at time of recording. Rates may have changed since the recording, please visit [www.denvergov.org/treasury](http://www.denvergov.org/treasury) for Denver’s tax rates and [www.colorado.gov/tax](http://www.colorado.gov/tax) for current state wide tax rates.
Overview

- Use tax is due on all taxable purchases (including purchases made over the Internet) on which sufficient sales or use tax has not been paid.
- Accrue and remit use tax directly to Denver.
- Use tax rate = sales tax rate that a licensed vendor would have charged on the invoice.
- If you have a sales tax license, remit use tax on line 8 of your sales tax return.
- If no sales tax license, apply for a Use Tax account.

www.denvergov.org/treasury
To protect their local vendors, Denver, like most cities in the metro area, has a sales tax and a complementary use tax.

This prevents purchasers from benefiting from making purchases in a jurisdiction with a lower tax rate.

It also removes the incentive to buy from vendors that deliver into Denver but do not have Denver resale licenses.
If the tax liability has not been previously satisfied use tax is due on:

- All taxable purchases used, consumed, stored or distributed in Denver.
- Items originally shipped into Denver, then redistributed to locations out of Denver.
- Items delivered out of Denver and then transferred into Denver.
Consumer Use Tax – Scenario 1

These are the 4 different scenarios that affect the amount of use tax that is due.

1. Invoice has no municipal sales tax – accrue at the Denver rate.
Denver use tax due

4.81%  
$640.00  
\[\text{Net amount after tax: } $30.78\]

No municipal Sales Tax

**INVOICE**

**DATE:** February 15, 2021  
**INVOICE #:** 83

**Bill To:** TAXCO  
1438 Bob St.  
Denver, CO 80842

**Ship To:** Same

<table>
<thead>
<tr>
<th>SALESPERSON</th>
<th>P.O. NUMBER</th>
<th>SHIP DATE</th>
<th>SHIP VIA</th>
<th>F.O.B. POINT</th>
<th>TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arthur</td>
<td>7558</td>
<td>9/2/2021</td>
<td>Yellow</td>
<td></td>
<td>Due on receipt</td>
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<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Gold bone-shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>5</td>
<td>Red heart shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>1</td>
<td>1/4 inch tag rings (Box of 1,000)</td>
<td>$20.00</td>
<td>$20.00</td>
</tr>
<tr>
<td>1</td>
<td>Delivery</td>
<td>$20.00</td>
<td>$20.00</td>
</tr>
</tbody>
</table>

**Subtotal:** $640.00  
**Tax Rate:** 4.00%  
**Sales Tax:** 25.60  
**Total:** $665.60

Make all checks payable to Dogtags, Inc.

www.denvergov.org/treasury
Consumer Use Tax – Scenario 2

2. Invoice has municipal sales tax but at a lower rate than Denver’s rate – accrue the difference.
Sales tax at a lower rate

Denver use tax due

4.81%
0.75%
4.06%
$120.00
$4.87

Dogtags, Inc.

We get them back to you
5320 Broadway
Denver, CO 80216
Phone (303) 555-0190  Fax (303) 555-0191

Physically located in
Adams County

DATE: INVOICE #
February 15, 2021
92

Bill To: TAxCO
1438 Bob St.
Denver, CO 80842

Ship To: Will Call

<table>
<thead>
<tr>
<th>SALESPERSON</th>
<th>P.O. NUMBER</th>
<th>SHIP DATE</th>
<th>SHIP VIA</th>
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<tr>
<td>Arthur</td>
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<tr>
<td>1</td>
<td>Gold bone-shaped tags (Box of 100)</td>
<td>$60.00</td>
<td>$60.00</td>
</tr>
<tr>
<td>1</td>
<td>Blue rectangular tags (Box of 100)</td>
<td>$60.00</td>
<td>$60.00</td>
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</table>

SUBTOTAL: $120.00

TAX RATE (CO):
4.0%, Adams Co 0.75%

SALES TAX TOTAL: $5.70

$125.70

Properly imposed Municipal Tax at 0.75%

Make all checks payable to Dogtags, Inc.

www.denvergov.org/treasury
Consumer Use Tax – Scenario 3

3. Invoice has municipal sales tax at a higher rate than Denver’s rate – no use tax or credit due.
No use tax due. No deduction allowed for tax paid in excess of Denver’s rate.

### Dogtags, Inc.
*We get them back to you*

5320 Broadway  
Denver, CO 80216  
Phone (303) 555-0190  Fax (303) 555-0191

**Bill To:** TAxCO, Inc.  
1438 Bob St.  
Denver, CO 80842

**Ship To:** Bob Roberts  
16300 107th Ave  
Commerce City, CO 80022

<table>
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<tr>
<th>SALESPERSON</th>
<th>P.O. NUMBER</th>
<th>SHIP DATE</th>
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<tr>
<td>Arthur</td>
<td>7680</td>
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<td>Yellow</td>
<td></td>
<td>Due on receipt</td>
<td>2</td>
<td>Blue rectangular tags (Box of 100)</td>
<td>$ 60.00</td>
<td>$ 120.00</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1/4 inch tag rings (Box of 1,000)</td>
<td>$ 20.00</td>
<td>$ 20.00</td>
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SUBTOTAL $140.00  
TAX RATE 9.25%  
SALES TAX $12.95  
TOTAL $152.95
4. Valid use tax paid to another jurisdiction – treat the use tax as if it were sales tax paid on the invoice.
### Use Tax Paid to Another Jurisdiction

Denver use tax due

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>4.81%</td>
<td></td>
</tr>
<tr>
<td>3.00%</td>
<td></td>
</tr>
<tr>
<td>1.81%</td>
<td></td>
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**Dallas Computer Hardware, Inc.**

```
24775 Texas Blvd.  
Dallas, TX 75211  
Phone (832) 555-0190   Fax (832) 555-0191
```

**Bill To:** Taxco, IT Division  
546 Hot Alley St.  
Greenwood Village, CO 80657

**Ship To:** Taxco, IT Division  
546 Hot Alley St.  
Greenwood Village, Co 80657

<table>
<thead>
<tr>
<th>INVOICE</th>
<th>DATE: February 15, 2021</th>
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<tr>
<td>#</td>
<td>544869</td>
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<th>Date: 2/15/2021</th>
<th>Ship Via: Yellow</th>
<th>F.O.B. Point:</th>
<th>Terms: Due on receipt</th>
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<table>
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<th>SHIP DATE</th>
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<tbody>
<tr>
<td>David</td>
<td>IT-53</td>
<td>2/15/2021</td>
<td>Yellow</td>
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<tr>
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<tbody>
<tr>
<td>3</td>
<td>Laptops</td>
<td>$750.00</td>
<td>$2,250.00</td>
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</table>

**Subtotal** $2,250.00

**Tax Rate** 4.00%

**Sales Tax** $90.00

**Total** $2,340.00

Make all checks payable to Dallas Computer Hardware, Inc.

[www.denvergov.org/treasury](http://www.denvergov.org/treasury)
Consumer Use Tax – Improperly Imposed

Credit CANNOT be taken for
IMPROPERLY imposed tax
Denver sales tax collected by a vendor that is not licensed to collect Denver tax.

Sales tax collected for another jurisdiction on goods and services delivered into Denver.

Never change the tax on an invoice. Instead:

1. obtain a corrected invoice from the vendor, or
2. pay the incorrect tax, claim a refund & accrue the correct use tax.
Improperly imposed Sales Tax

This invoice shows improperly imposed Adams County tax on Denver delivery. 4.81% Denver use tax due.
Property may be transferred into Denver tax free if the property has:

- been owned by the same business
- used for its intended business purpose

at a location out of Denver for more than a year.

Special (different) rules apply to construction equipment, tools, machinery, construction and building materials, and automotive vehicles.

www.denvergov.org/treasury
Use tax is due on the cost of items initially purchased tax free for resale and then pulled out of inventory for your own use.

- Samples and promotional giveaways
- Complimentary meals to customers, employees etc. – use the 4% F&B rate
- Donations to the government or 501(c)(3) organizations are no longer subject to use tax
<table>
<thead>
<tr>
<th>Qty</th>
<th>PO#</th>
<th>Item #</th>
<th>Description</th>
<th>Unit Price</th>
<th>Line Total</th>
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<tbody>
<tr>
<td>20</td>
<td>PD006</td>
<td>PD006</td>
<td>20lb primary beef kibble</td>
<td>$23.00</td>
<td>$460.00</td>
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<tr>
<td>20</td>
<td>PD002</td>
<td>PD002</td>
<td>20 lb primary lamb kibble</td>
<td>$23.00</td>
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<tr>
<td>30</td>
<td>PD009</td>
<td>PD009</td>
<td>10 lb primary salmon kibble</td>
<td>$15.00</td>
<td>450.00</td>
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<tr>
<td>5</td>
<td>PD015</td>
<td>PD015</td>
<td>40lb primary beef kibble - large breeds</td>
<td>$31.00</td>
<td>155.00</td>
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<tr>
<td>10</td>
<td>PD103</td>
<td>PD103</td>
<td>2lb bags regular biscuits</td>
<td>$6.99</td>
<td>69.90</td>
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<tr>
<td>10</td>
<td>PD101</td>
<td>PD101</td>
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<td>$6.99</td>
<td>69.90</td>
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<td>10</td>
<td>PD107</td>
<td>PD107</td>
<td>1lb savory treats</td>
<td>$11.59</td>
<td>115.90</td>
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<tr>
<td>10</td>
<td>PD728</td>
<td>PD728</td>
<td>1lb rawhide - regular</td>
<td>$6.00</td>
<td>60.00</td>
</tr>
</tbody>
</table>

Subtotal $ 1,840.70
Sales Tax $ 30.00 (4.81%)
Resale Total $ 1,840.70
Conclusion

THIS CONCLUDES OUR PRESENTATION ON CONSUMER’S USE TAX

CONTINUE YOUR DENVER TAX EDUCATION BY VIEWING OUR OTHER TAX TUTORIALS