

CITY OF COLORADO SPRINGS TAX GUIDE

EXEMPTION – BURDEN OF PROOF

The sale or purchase of an article of tangible personal property is subject to City sales or use tax unless the sale is exempt under the City Code. A sale may be exempt due to the type of product sold (food for home consumption, prescription drugs, gasoline, etc.), the status of the purchaser (governmental entity, charitable, religious, etc.) or the nature of the sale (sale for resale, shipped out of City, service sale, etc.). The burden of proof is on the vendor to document that a sale is tax exempt.

The vendor is required to obtain documentation from their customer to support the exempt status of a transaction. Acceptable documentation includes:

- A. If the customer is engaged in business in the City, a copy of the customer's current City sales tax license or the vendor's own file of valid customer City sales tax license numbers. The customer must be engaged in the business of reselling like products as those being purchased;
- B. If the customer is not engaged in business in the City, a copy of the customer's State of Colorado or other state valid sales tax license or the vendor's own file of valid customer State sales tax license numbers;
- C. A signed, valid Resale Exemption Certificate issued by the City to businesses that are entitled to purchase for resale but which do not need a City Sales Tax license because they do not sell at retail (a list of Resale Exemption Certificates is on file with the City);
- D. Delivery receipts, bills of lading, or other evidence the sale was made to a non-resident and delivery was made by the vendor, common carrier, or by mail to a location out of Colorado Springs for use outside the City;
- E. A letter of exemption issued by the City of Colorado Springs Sales Tax Division to a tax-exempt organization (a list of exemptions granted is on file with the City);
- F. A properly executed Affidavit of Exemption from City of Colorado Springs Sales Tax. This form is designed for single-event exempt status at hotels and restaurants; or
- G. If the purchase is made by a government agency, the purchase must be supported by a prescribed government form or purchase order and be paid for directly with governmental funds.

The exempt status of each transaction must be determined on its own merits. If the purchaser cannot or will not provide suitable evidence of exemption, the vendor is not allowed to sell tax-free. If the vendor sells tax-free without the necessary documentation, the vendor is liable for the tax not collected.

EXAMPLES

1. ABC Distributors is currently involved in a City of Colorado Springs sales tax audit. ABC has taken deductions from gross sales for resale and sales to charitable organizations. Documentation must be provided to support these deductions. "Resale" sales must be documented by providing valid sales tax account numbers, and those customers must be engaged in the business of reselling the products purchased. Sales to religious/charitable organizations should be supported with a letter from the Sales Tax Division granting an exemption to the organization.
2. The Knotty Lumber Company sells a complete line of building materials and hardware. The Dovetail Furniture Company is a furniture manufacturer that sells only at wholesale. The City has issued a Resale Exemption Certificate to Dovetail. Dovetail gives a copy to Knotty. Dovetail may buy tax-free those items that become part of the product it manufactures.
3. The owner of the Drive-in Motel comes into Knotty Lumber Company to buy a new window for one of the motel rooms. He gives Knotty their City Sales Tax Registration Number so he can buy tax-free. Knotty properly refuses to sell to Drive-in tax-free because the window is not for resale by Drive-in.

RELATED TAX GUIDE TOPICS

Charitable, Religious, and Governmental Exemption
Wholesale Sales and Wholesale Dealers

CS Code Section 2-7-102: LEGISLATIVE INTENT
CS Code Section 2-7-201: IMPOSITION OF TAX
CS Code Section 2-7-404: CHARITABLE AND RELIGIOUS ORGANIZATIONS
CS Code Section 2-7-418: GOVERNMENTS, SALE TO
CS Code Section 2-7-601: EXEMPTION BURDEN OF PROOF
CS Code Section 2-7-602: RETAILER'S RESPONSIBILITY

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT CITY OF COLORADO SPRINGS TAX CODE FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE CITY OF COLORADO SPRINGS SALES AND USE TAX ORDINANCE.

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