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Automobile Dealer Tax Guide

Prepared for the Colorado Automobile Dealers Association ~ January 1, 2012

General Information

The City of Thornton is a Home Rule City as defined in the Colorado Revised Statutes. This means that the City is authorized to administer its tax laws and collect its own sales and use taxes. As a result, Thornton and the State of Colorado require separate licensing for companies and persons engaged in business in the City. Additionally, Thornton's tax laws may not always agree with the State's tax laws.

The total combined sales tax rate in the City is 8.5% and is remitted as follows:

State	2.90%
RTD/CD	1.10%
Adams County	<u>0.75%</u>
	4.75% (Remitted to the State)
Thornton	<u>3.75%</u> (Remitted to the City)
	8.50%

Use tax is a complement to sales tax. When sales tax was not charged at the point of purchase, use tax is due to the City directly from the purchaser. Use tax is charged on the privilege of using, storing, distributing, or consuming goods or taxable services in the City. Credit is allowed for another city's sales tax when it was legally imposed at the time of purchase. In summary, any good or taxable service used by a business in the City of Thornton where a city sales tax of at least 3.75% has not been paid is subject to use tax. Motor vehicles are subject to use tax.

Automobile Dealer Topics

- Maintenance agreements and extended warranties that encompass parts and labor are subject to City tax based on 30% of the contract. When auto dealers sell maintenance agreements or extended warranties to Thornton residents, they need to collect and remit sales tax on 30% of the contract price. For example, if the dealer sells an extended warranty for \$1,000, City tax would be charged on \$300 at 3.75%, or \$11.25. In turn, if the dealer completes repair work covered by the extended warranty for Thornton residents, they should not charge sales tax to the warranty company on the repair order.

- Gap insurance and life insurance sales are not subject to City tax.
- Delivery and handling fees and other such miscellaneous administrative fees charged to customers on the sales contract for automobiles are subject to City tax.
- Sales that include a manufacturer rebate are subject to City sales/use tax on the price of the vehicle before the rebate is applied, regardless of whether the customer or the dealership retains the rebate.
- Trade-ins of vehicles for taxable resale are exempt from City tax and are an allowable deduction on the City sales tax return.
- Shop supply charges billed to customers on repair orders are subject to sales tax. Auto dealers must collect and remit sales tax for all shop supply charges invoiced to customers.
- Auto dealers must pay sales/use tax on non-inventory shop supplies used in the business. Items that are neither placed in inventory nor specifically invoiced to the customer are subject to sales or use tax at the time of purchase. Miscellaneous supplies invoiced to customers as a percentage of labor do not qualify as being specifically invoiced.
 - Non-inventory supplies include but are not limited to such items as adhesive tapes, brake cleaners, cotter pins, flashlight batteries, gloves, hose crimps, nuts, power steering fluid, rivets, screws, solvents, tire soap, wheel weights, air couplings, car wash soap, frill bits, floor dry, grease, paper floor mats, rags, silicone spray, washers and bolts, glass cleaner, hand cleaner, lubricant, plastic seat covers, razor blades, sand paper, small tools, tie straps, and other similar supplies. This list and the above stated position are consistent with the State of Colorado, Department of Revenue.
- Vendors leasing automobiles to Thornton residents are required to be licensed and collect City sales tax on the monthly lease payments charged to Thornton residents. In addition, end of term charges such as excess mileage, excess wear and insurance reimbursements are subject to City tax.
- Auto dealers located outside of Thornton who do not lease vehicles directly to Thornton residents are not required to be licensed. If dealers that are not licensed collect City tax, the tax should be remitted to Adams County under the general State of Colorado provisions for remission of such tax.
- Repossessions of vehicles by auto dealers who extend credit or financing directly to customers are not allowable bad debt deductions on the City sales tax return.
- The City of Thornton has not adopted hold harmless provisions for address sourcing as adopted by the State of Colorado under CRS 39-26-105.3. The certified database information available on the State's website may be used as a resource to help identify the proper tax rate to charge for a specific address; however, the auto dealer is not held harmless in the event of errors. When in doubt, please contact the City directly to verify if an address is located in Thornton.
- Vehicles issued for use under a "full-use" plate may be subject to use tax as follows:

- Vehicles are exempt from use tax if used by a full-time salesperson, are available for sale, and are used for the promotion of the business.
 - Vehicles are subject to use tax on the fringe benefit amount reported on the employee's form W-2 if used by any employee other than a full-time salesperson (i.e. part-time salesperson, office staff, mechanic, manager, etc.)
 - Vehicles are subject to use tax on 1/60 of the dealer invoice cost for each month of use by any non-employee (i.e. family members, celebrities, etc.)
- Vehicles, parts and repairs sold to other licensed vendors for resale are exempt from sales tax. The auto dealer must maintain a copy of the customer's resale certificate and the customer must be in the line of business of reselling the item purchased.
 - All records to support sales, use and associated deductions must be retained for at least three (3) years.

Other Commonly Missed Items

In addition to the items discussed above, the City finds that the following items are frequently overlooked when auto dealers review their purchases for potential use tax due to the City:

- Advertising inserts, brochures, mailers, coupon books, etc. delivered in Thornton
- Bottled water, ice
- Items pulled from inventory for promotional or internal use
- Complimentary food or products given away to customers or employees
- Software & software licenses
- Internet access and datacommunication services

Taxpayer Assistance

The City of Thornton provides the following resources to answer your tax questions:

- Thornton Municipal Code – This document establishes the tax laws of the City. This document is available on the website at www.ThorntonCO.gov or you may request a copy by contacting the Sales Tax Division.
- Determinations – Upon written request, the Finance Director will provide a determination on how City taxes apply in specific circumstances.
- City Personnel – Staff are available Monday through Friday, 8:00 a.m. to 5:00 p.m. either by phone or in person. It is recommended that you call in advance to ensure a tax representative will be available for assistance. The phone number is 303-538-7400.
- Free Workshops - Thornton's Tax Staff offer free Sales & Use Tax workshops periodically throughout the year. Please contact the Sales Tax Division at 303-538-7400 or visit our website to find out when the next workshop will be offered.