



CITY OF THORNTON

TAX INFORMATION - CONSTRUCTION INDUSTRY

Sales & Use Tax Division
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GENERAL INFORMATION

The City of Thornton collects a 3.75% use tax on 50% of the estimated value of a construction project, or on 100% of the taxable materials cost, whichever is greater. This use tax is due at the time the permit is issued, and is to be paid by the general contractor, building owner, or lessee. A separate permit(s) is required for all site work such as paving, curb and gutter, water and sewer, and grading. All site permits require their own valuations apart from the building permit, and use tax is also prepaid on these permits.

To avoid double payment of the City tax, both the general contractor and subcontractors working for the general should present a copy of the building permit to all suppliers when purchasing construction materials. Suppliers should not charge a city sales tax on materials regardless of where the items are purchased. Suppliers should keep a copy of the permit or the permit number for their records.

CONSTRUCTION MATERIALS

Code Section 26-388 (c) defines construction materials as follows: tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a completed structure or project. Construction materials include but are not limited to such things as asphalt, bricks, caulking material, cement, concrete, electric wiring and connections, fireplace inserts, electrical heating and cooling equipment, flooring, glass, gravel, insulation, lead, lime, lumber, millwork, mortar, oil, paint, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, road base, roofing, sand, sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, wall board, wall coping, wallpaper, and weather stripping.

Example #1 – Joe from ABC Construction gets two permits from the City of Thornton, one to construct a new office building and one to do site

work. Joe contracts with several subs to do the electrical, plumbing, HVAC, and site work.

AAA Plumbing, a subcontractor working for ABC on this project goes to Paul's Plumbing Supply located in Denver to buy bathroom fixtures and cabinetry. Because the City tax was paid up front on the permit, AAA should pay 4.0% sales tax (State and RTD/CD) on the purchase of these building materials, and give a copy of the permit to Paul's Plumbing for their records.

Barry from Best Asphalt Company, also a subcontractor working for ABC, goes to the local rock quarry in Commerce City to buy several tons of paving material to be used at the project in Thornton. Because City tax was paid up front on the site permit, Barry should pay 4.75% sales tax (State, RTD/CD and Adams County) on the purchase of these site materials, and give a copy of the permit to the rock quarry for their records.

Construction materials do not include furniture, removable fixtures, window coverings, or tools. Use tax is not prepaid on a building permit for these items. However, because these items are delivered into Thornton and often installed in Thornton, the contractor is responsible for ensuring sales tax is paid on these items.

Example #2 – Joe from ABC Construction goes to a Thornton home decorating shop to purchase blinds for the project being built in Thornton. Because blinds are not building materials, Joe should pay full sales tax (8.5%) to the Thornton shop at the time of purchase.

Example #3 – Joe from ABC Construction orders a stove and refrigerator from a store in Denver to be delivered to the job site in Thornton. The Denver appliance vendor is not licensed in Thornton, and charges Joe 4.0% sales tax on the items shipped into Thornton. Because this purchase is not a building material, it is not covered under the building permit, and Joe owes use tax to the City on these purchases.

FABRICATION LABOR

Fabrication labor is taxable in the City of Thornton, and general contractors are subject to sales tax on the amounts billed by subcontractors. Installation labor is not taxable.

Example #1 – Joe from ABC Construction contracted with Carl's Cabinetry to build and install several counters, shelves, and cabinet units at the Thornton jobsite. Carl constructs these items and installs them in Thornton. Carl bills ABC Construction \$5,000. Materials were \$500, fabrication labor was \$3,500, and installation labor was \$1,000. ABC's taxable cost is \$4,000 for the materials and the fabrication labor.

PROJECT RECONCILIATION

Because use tax paid on the permit is based on an estimate, there is typically a difference between the actual materials cost and the amount originally estimated. In order to reconcile these differences the general contractor may, within 90 days of the date of the final Certificate of Occupancy (CO), submit a completed Project Cost Reconciliation Report providing an accounting of actual costs, including materials used and fabrication labor provided by subcontractors.

If total taxable costs are greater than the permit estimate, resulting in an underpayment of use tax, the general contractor will be allowed to pay such tax within the 90-day period without penalty or interest charges. If the actual taxable costs are lower than the permit estimate, the general contractor may apply for a refund. A contractor may apply for a refund within 18 months of the CO date.

CONSTRUCTION AUDITS

All related construction records are subject to audit by the City following project completion. Such audits are designed to determine the actual taxable cost of the project and may be conducted any time within 36 months after the final CO is issued. If such audit reveals a tax deficiency, and the general contractor has not filed a Project Cost Reconciliation Report within the 90-day window, the tax along with a 10% penalty and applicable monthly interest will be assessed to the general contractor.

CONSTRUCTION EQUIPMENT

General contractors and subcontractors intending to erect, install, alter, repair, remodel, or otherwise make improvements to any building or structure upon real estate located in the City are required to file a Construction Equipment Declaration Form. Contractors must detail equipment or mobile machinery to be used in the City with a purchase price of \$2,500 or more.

Construction equipment located in the City for 30 consecutive days or less is subject to use tax on 1/12 of the original purchase price of the equipment. Construction equipment located in the City for a period of more than 30 days is subject to use tax on the full purchase price of the equipment. If a city sales tax equal to or greater than 3.75% was paid on the original purchase of the equipment, then no additional tax is due.

Example #1 – Larry's Landscaping used a bobcat and a backhoe on the project done for ABC Construction in Thornton for a total of 11 days. Larry purchased the bobcat in Texas for \$20,000.00 and paid 8.25% sales tax at the time of purchase. Larry bought a used backhoe from a friend, paid \$10,000, and did not pay any sales tax when he purchased it.

Larry paid a city tax equal to or greater than Thornton's rate on the bobcat, and therefore does not owe additional tax on this piece of equipment. However, Larry owes use tax of \$31.25 to the City for the backhoe. $[(\$10,000 * 1/12) * 3.75\% \text{ Sales Tax}] = \31.25

FREE WORKSHOPS/FORMS/INFORMATION

Thornton's Tax Staff offer free Construction Use Tax and General Sales & Use Tax workshops periodically throughout the year. Please contact the Sales Tax Division at 303-538-7400 to find out when the next workshop will be offered.

Project Cost Reconciliation Reports, Equipment Declaration Forms, and the Tax Code are available on the web at www.ThorntonCO.gov, or to receive a copy by mail, contact the Sales Tax Division at 303-538-7400.

Important Note: This information is provided as a general overview of the City of Thornton Sales and Use Tax Ordinance, and is not intended to replace or supersede the information contained in the Ordinance.