



# CITY OF THORNTON

## TAX INFORMATION - COMMONLY MISSED ITEMS

Sales & Use Tax Division  
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### ***State of Colorado / City of Thornton***

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.

Following are items subject to City of Thornton tax which are not taxed by the State of Colorado:

- Car washes (Automated & Coin Operated)
- Cash or credit operated laundromats
- Cash or credit operated video games and amusement machines
- Groceries or food for home consumption
- Internet access
- Interstate telecommunications
- Recreation services (ex-paintball, putt-putt, etc.)
- Security system alarm monitoring
- Electricity and gas for industrial and residential use
- Farm Equipment
- Manufacturing machinery & tools

### ***How the City Taxes These Items***

Generally, the price charged for an item is the amount subject to tax. For example, the price of grocery items, the price charged per minute for a long distance call, or the monthly fee for internet access is the taxable price. The City sales tax is added to the price of these items. However, when the item or service being purchased involves cash or credit operated machines, like vending machines, laundromats and car washes, the tax cannot be added to the price of the item, so the tax is considered to be included in the price paid. Therefore, owners of such machines are allowed to back the tax out of the gross price charged to arrive at the taxable amount.

**Example:** The taxable price of a car wash purchased from a kiosk for \$5.00 would be \$4.82:  $(\$5.00/1.0375) = \$4.82$ .

### ***Other Frequently Missed Items***

In addition to the items discussed above, the City finds that the following items are frequently overlooked for taxation:

- Advertising inserts, brochures, mailers
- Bottled water, ice
- Cigars, snuff, chewing tobacco
- Maintenance Contracts
- Items pulled from inventory for use
- Existing businesses that are purchased or leased from a previous owner
- Complementary food or products given away to customers or employees
- Software & software licenses
- Prepaid telecommunications and phone cards (wireless, voice, data, etc.)
- Linen service

Advertising inserts, coupon books, flyers and other mailers delivered in Thornton are subject to City sales and use tax.

Cigarettes sold in cartons or packages that have a tax stamp are not subject to Thornton's sales tax. All other tobacco and tobacco related products are taxable.

Maintenance contracts for machinery and equipment that include parts and labor, and software agreements that include updates are subject to tax on 30% of the price paid. Contracts for medical equipment are taxed on 50% of the price paid. Labor only contracts are not taxable. Parts replacement maintenance agreements are taxable at 100%.

Companies that pull products out of inventory for use as demos, for research and development, or for any other purpose besides resale are required to report use tax on the manufactured price or product cost.

When a business is sold in a non-stock transaction, the portion of the contract price allocated to all tangible property is subject to sales tax. If no value is assigned to such property, the taxable amount is the value assigned to the property on the purchasing company's balance sheet or depreciation schedule. This is typically the fair market value. If the seller does not charge sales tax on the property being sold with the business, the purchaser is responsible for reporting the tax on its initial use tax return with the City.

If the owner of a business leases the business to another person and the lease includes tangible property, the portion of the lease that applies to the fair value of the tangible property is subject to sales tax.

**Example:** The owner of a bar leases the operations of the business to another person for \$1000 a month. The bar is completely furnished with furniture, fixtures and equipment necessary to operate the business. The fair lease value of the tangible property is \$250. Sales tax should be charged by the owner on the \$250 portion of the monthly lease payment.

Restaurants providing free meals to employees, giving away food for promotional reasons (happy hour buffets etc.) or providing "comp" meals for public relations reasons are required to report use tax on the cost of such food. Likewise, businesses that give away promotional merchandise like shirts, hats, pens, etc. are required to pay sales or use tax on these items when they are purchased.

### ***Industries Commonly Overlooking Use Tax***

The City often finds that businesses that do not sell products believe that they do not have a tax reporting responsibility. Following are some examples of businesses that do not sell retail products by may have a use tax liability:

- Health care professionals – Doctors, Dentists, Ophthalmologists, Surgeons, Optometrists, Chiropractors, etc.
- Insurance, Mortgage and Lending Agents/Brokers/Institutions
- Lawyers, Accountants
- Other Service Industries

Though some businesses do not sell at retail, all businesses use and consume taxable goods and services. Use tax is simply sales tax that is not charged by the vendor when a business purchases a taxable item or service. This unpaid sales tax is required to be reported directly to the City as use tax on Schedule B of the Thornton tax return.

**Example:** Dr. Smith's office, located in Thornton, purchases an x-ray machine from X-Ray Co. in Kansas, which delivers the machine to the doctor's office. X-Ray Co. is not licensed to collect Thornton's tax, and therefore, charges only 4.0% State and RTD sales tax on the invoice. Dr. Smith should report this purchase on Schedule B of the Thornton Sales & Use Tax Return and remit 3.75% tax to the City of Thornton.

### ***TAXPAYER ASSISTANCE***

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

1. Thornton Municipal Code – This document establishes the tax laws of the City. This document is available on the website [www.cityofthornton.net](http://www.cityofthornton.net) or you may request a copy by contacting the Sales Tax Division.
2. Determinations – Upon written request, the Finance Director will provide a determination on how City taxes apply in specific circumstances.
3. 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.
4. 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 to find out when the next workshop will be offered.

**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.