
City and County of Denver

Construction Contractors Tax Seminar



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Construction Contractors

Resources

- ❖ Denver Revised Municipal Code (DRMC)
- ❖ Treasury Tax Rule # 5 Rules Regarding The Assessment and Collection of Sales and Use Tax on Sales and Use of Tangible Personal Property Acquired by Contractors

Construction Contractors

Sales or Use Tax as it Applies to Construction Contractors

- ❖ Contractors are not retailers
- ❖ Contractors are the final consumer or end-user
- ❖ The lump-sum price charged by contractors to customers for work performed includes all costs, such as materials, labor, overhead, profit and *the sales/use tax paid by the contractor on materials, supplies, equipment, rentals etc.*

Construction Contractor vs. Retailer

- ❖ Construction contractor means any person or business entity who agrees to improve, alter, or repair real property
 - ❖ Examples: Electricians, plumbers, carpenters, HVAC, building constructors, highway/road contractors, excavators, demolition companies, etc.
- ❖ Sales of completed units of tangible personal property, along with an agreement to install such completed units of tangible personal property that are used in conjunction with real property, but do not become a permanent part of the real property, shall not be regarded as work performed by a Construction Contractor
 - ❖ Examples of completed units include appliances, window air conditioning units, carpet, etc.

Manufacturer / Contractor

- ❖ Contractors that manufacture tangible personal property are required to pay sales or use tax on the full manufactured cost including;
 - ❖ Labor, overhead, and materials
 - ❖ Installation labor is not subject to tax
 - ❖ Examples include metal handrails, staircases, platforms, door, window coverings, etc.
- ❖ Road and highway contractors that produce their own aggregate, concrete, or asphalt are required to pay sales or use tax on the full manufactured cost of the product including;
 - ❖ Batch plant labor, batch plant overhead, materials, and material hauling charges to batch plant
 - ❖ Denver sales/use tax due on mobile batch plant – same rules as for off-road equipment

Construction Materials – Sales Tax

- ❖ Materials picked up at a Denver retailer's location to be used in Denver or delivered to a job site in Denver are subject to Denver's sales tax
- ❖ Materials picked up in Denver to be used outside of Denver are subject to Denver's sales tax unless a use tax has been paid upfront on a building permit to a municipality in which the materials are to be used
- ❖ Materials purchased outside Denver and brought into Denver are subject to Denver use tax
 - ❖ We allow credit to Denver use tax due for legally imposed sales/use tax that was properly paid to another jurisdiction

Currently The City and County of Denver does not collect use tax on building permits

Off Road Construction Equipment

- ❖ Equipment one year old or less
 - ❖ Sales/Use tax based on the full purchase price at time of first use in Denver
 - ❖ Credit for legally imposed sales/use tax up to 7.65%
- ❖ Equipment over one year old
 - ❖ Sales/Use tax based on the fair market value at time of first use in Denver
 - ❖ Credit, on a dollar for dollar basis, for legally imposed sales/use tax up to 7.65%
- ❖ Any fuel (except gasoline) used to power off-road equipment is subject to sales or use tax

State Exempt Projects/Jobs

Denver sales or use tax is always due on construction materials, supplies, and equipment used on Denver projects

- ❖ Denver does not exempt contractors who perform work on tax-exempt entities
 - ❖ Schools, churches, government office buildings, highway and road projects
- ❖ No exemption certificate issued by the Colorado DOR, nor any other taxing authority, will be recognized as a basis for exemption from the Denver sales or use tax
 - ❖ The State of Colorado exemption is for building materials *only* which are used on jobs for tax-exempt entities and is for Colorado state tax only
- ❖ A contractor cannot avoid paying sales or use tax on materials by having the exempt entity use its exemption to purchase the materials

- **THIS CONCLUDES OUR PRESENTATION
ON CONSTRUCTION CONTRACTORS**

