



Financial Services
Sales Tax Division
215 North Mason Street, 2nd Floor
P.O. Box 580
Fort Collins, CO 80522
970.221.6780
970.221.6782 - fax
fcgov.com/salestax

USE TAX DEPOSIT PAID ON A BUILDING PERMIT

Building Permit Deposit

A use tax deposit will be calculated and collected at the time a City of Fort Collins building permit is issued. The deposit is calculated by multiplying 50% of the total construction valuation by the City's tax rate. For example, if the valuation on the permit is \$50,000, use tax will be collected on \$25,000. The tax paid at the time a building permit is issued is a deposit. The final tax is calculated at the completion of the project and reported on the City's Project Cost Report.

The contractor / property owner will be furnished a copy of the building permit which shows a City of Fort Collins use tax deposit has been paid. When purchasing construction materials from suppliers, the contractor / property owner will provide suppliers with the building permit showing the use tax has been paid and City tax will not be charged on the construction materials. The building permit should be accepted by vendors in other municipalities. The building permit can only be used to purchase construction materials as defined below. Sales tax should be paid on all tools, supplies, and any materials which do not become a permanent part of project (e.g. lumber used for concrete forms). Sales tax must be paid directly to the vendor for appliances.

The City's Code defines construction materials as:

Tangible personal property which, when combined with other tangible personal property, loses its identity and becomes an integral and inseparable part of a completed structure or project including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders' hardware, caulking materials, cement, concrete, conduit, electric wiring and connections, fireplace inserts, electrical heating and cooling equipment, flooring, glass, gravel, insulation, lath, lead, lime lumber, macadam, millwork, mortar, oil, plain, piping, pipe valves and pipe fittings, plaster, plumbing, fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscaping materials, wall board, wall coping, wall paper, weather stripping, wire netting and screen, water mains and meters, and wood preserver. The above materials, when used for forms, or other items which do not remain as an integral or inseparable part of a completed structure or project are not construction materials.

The City also collects a Larimer County use tax on building permits issued by the City of Fort Collins. The tax is remitted to the county by the City and the County retains all rights of audit for their tax. Larimer County should be contacted with regard to their requirements.

Project Cost Report

Upon completion of a project, the contractor / property owner is responsible for providing final material costs for the project in order to determine if an outstanding tax liability exists or if a refund is due. The contractor and the owner of the project are jointly and severally responsible for the City tax. Two options are available for calculating the final material costs.

Option 1

This option is consistent with the current methodology used. The general contractor is responsible for determining the actual material cost by obtaining affidavits from subcontractors stating their breakdown of material costs for the project.

Option 2

The general contractor can elect to calculate the final material costs as follows:

- 50% of the amount paid to subcontractors with the following exceptions:
 - 0% for labor only subcontractors (i.e. excavation and demolition)
 - 100% for subcontractors with minimal labor (i.e. cabinets and appliances)
- 100% of actual material costs made by general contractor and owner

All project cost reports filed by a general contractor will have to be completed using the same methodology. You cannot elect to use a different option for each project cost report filed.

Any unpaid taxes arising from a construction project constitute a first and prior lien on the property. Therefore, it is very important to properly finalize the tax liability of a project by completing a Project Cost Report. Information provided on the report must be substantiated by appropriate records including a breakdown of materials and labor from subcontractors.

The contractor / property owner is required by Fort Collins Municipal Code to preserve all invoices, receipts, and statements showing purchases of construction materials, supplies, and other tangible personal property for a period of three (3) years after completion of construction. The City may, within that three-year period, conduct an audit of all records of the contractor or owner to determine the actual tax due.

Exempt Projects

Contractors pulling a permit for an exempt organization within the city limits of Fort Collins must provide verification that the organization is exempt from City sales and use tax before the requirement to pay the use tax deposit will be waived.

Projects performed for the United States government, the State of Colorado, Larimer County, the City of Fort Collins, or departments, institutions, or political subdivisions thereof, in their governmental capacities only, are exempt from the City of Fort Collins use tax deposit. Since the City of Fort Collins does not issue an exempt license to governmental entities, a copy of their State of Colorado Exemption Certificate will be acceptable documentation when applying for a building permit.