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DOCUMENTATION FOR SALES TO RETAILERS, TAX-EXEMPT ORGANIZATIONS AND GOVERNMENTAL AGENCIES

General Information

This information is for vendors who must determine whether a customer is eligible to purchase goods without paying sales tax. In general, the circumstances in which a customer is not required to pay sales tax are:

- businesses purchasing goods for resale
- charitable organizations that use the goods in the course of their regular charitable functions
- federal, state, and local governmental agencies that use the goods in the course of their regular governmental functions.

If there is a dispute between the buyer and the seller as to whether a transaction is exempt from taxation, the seller must collect sales tax and the buyer must pay it. The buyer may then apply to the City of Fort Collins for a refund of the taxes under dispute with a Refund Claim for City Taxes Paid form. The statute of limitations for these refund applications is three years from the date of purchase (Section 25-147). Remember, it is the **vendor** who is ultimately responsible for collection of sales taxes.

Purchases for Resale

Purchases where the buyer will re-sell the goods as part of the buyer's regular business activity are exempt from sales tax. Sales tax **must** be paid on all purchases for business or personal use.

The seller must record the sales tax account numbers for sales to vendors for resale. The buyer must meet the requirements for sales tax exemption outlined above.

It is the seller's responsibility to collect sales tax in questionable situations. For example, if the buyer is purchasing office supplies and the buyer's business does not sell office supplies, the seller should collect the sales tax and not permit use of the buyer's sales and use tax account number to purchase tax-free.

Purchases by Charitable and Religious Organizations

If the City of Fort Collins has granted an organization exemption from paying sales tax, the organization will possess a City of Fort Collins tax exemption number. The purchaser must present this number to vendors when making tax-exempt purchases. For each sale, vendors must record this number, date of sale, item(s) or service(s) purchased, and name of the organization. Keep this record in your permanent files for audit purposes.

Not all purchases made by tax-exempt organizations are nontaxable. You may sell personal property or taxable services tax-free only if the item or service is used by the organization in conducting its **regular** charitable business. For example, a church that has tax-exempt status would have to pay applicable sales and lodging taxes to a hotel or motel if church members are on a ski vacation, even if the lodging services are paid with a church check. If, however, the church members are attending a religious seminar, the lodging would be tax exempt if paid with a church check or credit card bearing the church's name, and individuals are not reimbursing the church.

If you, the vendor, have any doubts about whether a sale meets the above criteria, collect tax on the sale and advise the purchaser to file a Refund Claim for City Taxes Paid.

Purchases Delivered Outside City Limits

If a customer purchases an item and has it shipped to their home or business located outside the city limits of Fort Collins, City of Fort Collins sales tax should not be charged. Shipping records should be maintained to show that the item was delivered to the purchaser.

Purchases by Government Agencies

Sales to the United States government and to the State of Colorado, its departments and institutions, and its political subdivisions (cities, counties, school districts, state higher education institutions and special taxing districts) are exempt by the City of Fort Collins Municipal Code (Section 25-73 (c) (5)). Governmental agencies need not obtain an exemption number from the City of Fort Collins. Sales to federal credit unions are exempt under federal government rules.

For a government entity to take advantage of the tax exemption, the purchase **must** be made with a prescribed government form or purchase order, and paid for **directly** to the seller by warrant or check drawn on governmental funds, or via credit card in the name of the exempt governmental agency. When using a credit card, verification that the purchase is for governmental purposes and will be paid for by the governmental agency may be required. A letter on the governmental entity's letterhead is acceptable for this purpose. In cases where the seller invoices on a delayed basis for a purchase, the billing must be made directly to the governmental agency, **not** to the individual making the purchase.

A purchase by a governmental agent who is making the purchase with personal funds — even if the employee presents a tax-exemption number and plans to be reimbursed — is **not** tax-exempt.

Government Credit Cards:

State government and federal government use a variety of credit cards to facilitate government purchases and travel by their employees.

Purchasing Credit Cards

The **Purchasing Card**, intended for official government business only, allows qualifying and authorized purchases to be exempt from tax.

Local Government Credit Cards

Some local governments issue credit cards in both the government employee's and agency's name. In many instances the bill is directly paid by the local government agency. These purchases are tax exempt. Local government credit cards must have the city or county name on it and the words "Purchasing Card" to be considered exempt.

It can be difficult for vendors to determine the tax-exempt status of these cards. The government agency can present a letter on government letterhead to the vendor to verify that the purchase is for government purposes and will be paid by the government agency. This would help vendors determine the taxability of the transaction. Also, vendors should make a copy of the credit cards in the event a local government auditor requests to see the copy.

Any vendor with questions regarding local government credit cards should contact that particular county or municipality.

Federal Government Credit Cards

The federal government's credit card program is called "GSA SmartPay" (General Services Administration).

Nontaxable Purchases

Purchases made with cards billed directly to the government agency are **not** taxable. These cards are the **Fleet Card** (which has a picture of cars on it) and the **Purchasing Card** (which has a picture of the U.S. Capitol on it). Purchase cards issued by the Department of Commerce will list an eight-digit exemption number below the cardholder's name.

Taxable Purchases

Cards that are billed **both** directly to the agency or to individuals are the **Integrated Card** (which has the U.S. flag in the background) and the **Travel Card** (which has a picture of an airplane on it).

The **sixth** digit of these cards indicates whether the purchase should be taxed.

- If the sixth digit is 0,6,7,8 or 9, the purchase should not be taxed (billed directly to the government agency).
- If the sixth digit is 1,2,3 or 4, the purchase is taxable (billed to individual).

Refer to the chart provided at the end of this publication.

NOTE: The Department of the Interior uses a MasterCard issued by NationsBank. The card is used for **both** direct billed purchases and individual billed purchases. The bank sorts the purchases during the billing process. The account numbers begin with "5586-16." Purchases of office supplies and other goods will be direct billed to the agency (tax-exempt). Purchases for lodging and restaurant food will be individually billed (taxable). Hotel and restaurant operators may have difficulty determining whether a transaction by the Department of the Interior is taxable or tax-exempt. These cards have the Department of Interior federal tax-exempt identification number (14-0001849) on the card.

Additionally, the Bureau of Reclamation (under the Department of the Interior) uses a card that is billed directly to the agency for **all** purchases, including hotel and restaurant charges. **Hotel and restaurant charges for this agency are tax-exempt.**

For additional information about federal government credit cards, see the "GSA SmartPay" Web site at http://www.gsa.gov/Portal/content/offerings_content.jsp?contentOID=119096&contentType=1004

Diplomatic Tax Exemption

Foreign diplomats and agents of foreign governments are exempt from paying the City of Fort Collins sales tax **if** they present special sales tax exemption cards. These cards, issued by the U.S. Department of State, are color coded. The color coding represents varying degrees of tax exemption. The cards bear the name and photograph of the authorized bearer and are nontransferable. If the vendor has any questions regarding the identity of the bearer, the vendor may ask for additional forms of identification, such as a diplomatic ID, driver's license, etc. There are two types of diplomatic tax exemption cards:

1) Individual Cards

Cards with a **blue** band across the bottom exempt the bearer from **all** City of Fort Collins sales taxes, including taxes on hotel rooms. Cards with a **yellow** band list all restrictions on tax exemption. A card with a stripe other than blue should always be examined carefully.

2) Mission Cards

These tax-exemption cards are to be used for official purposes **only**, and **not** for individual, personal purchases. Mission cards, like the individual cards, carry the name and photograph of the authorized bearer, are nontransferable, and are issued with the same blue and yellow bands across the bottom. In addition, there are still some cards with **green and red** in circulation. Cards with **green or red** bands or shading exempt the bearer from all sales taxes **excluding** restricted categories (such as hotel room taxes). Eventually these cards will be replaced by the yellow band card. Expiration dates are printed on the cards. All cards are subject to the same restrictions as the individual cards (see above).

Questions regarding these diplomatic tax-exemption cards may be directed to:

Office of Foreign Missions
U.S. Department of State
10920 Wilshire Boulevard, Suite 1820
Los Angeles, CA 90024

(310) 235-6292

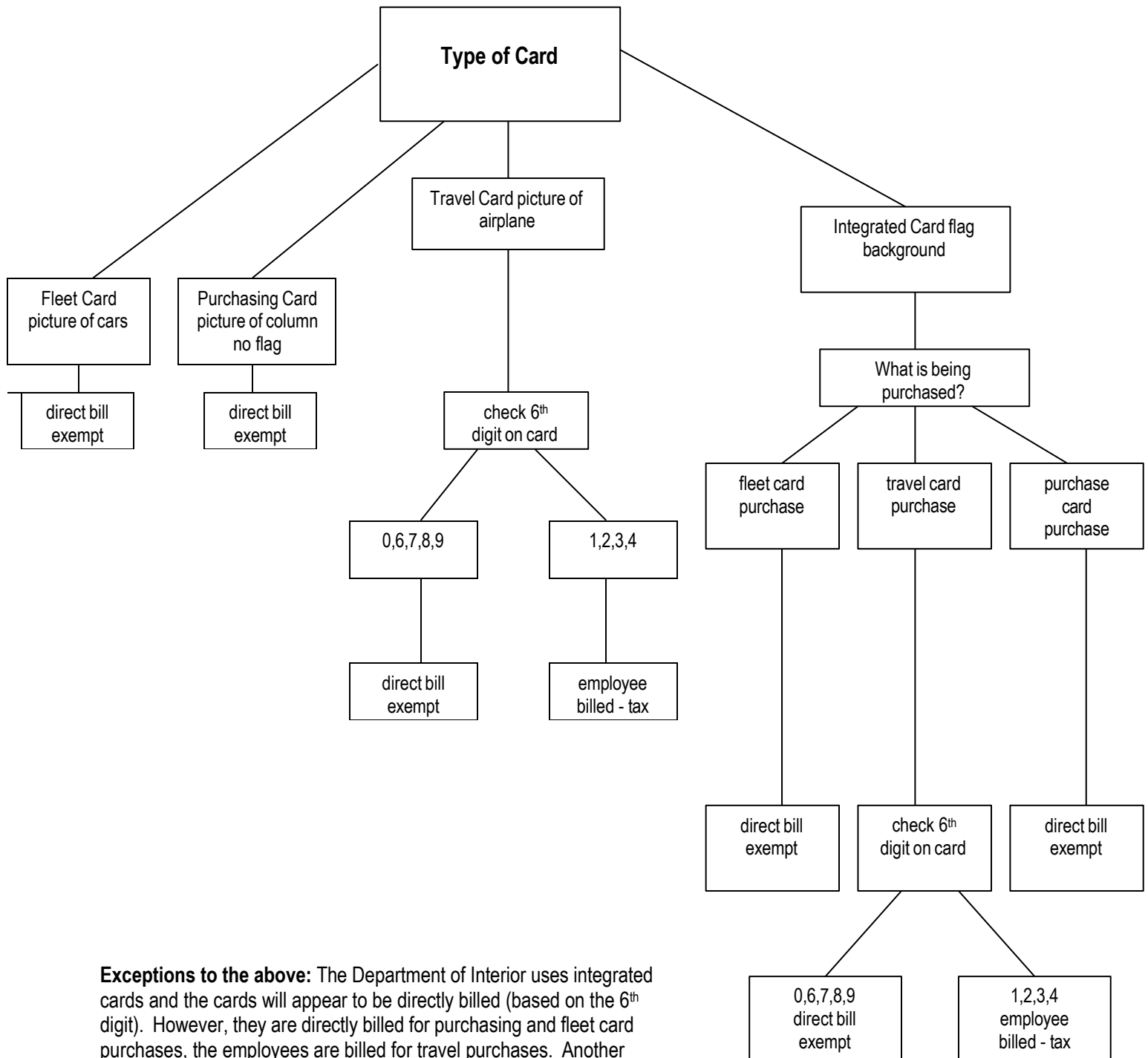
Tax-Exempt Construction Projects

Building materials for construction work on property owned by tax-exempt organizations—religious, charitable and governmental—may be purchased tax-free. However, the purchaser must have an Exemption Certificate issued by the State of Colorado. To obtain the certificate, the contractor must submit an "Application for Exemption Certificate" (DR 0172) to the Department of Revenue. The sales and use tax exemption applies to materials that become part of the structure, highway, road, street or other public works owned and used by the tax-exempt organization. The purchase or rental of equipment, supplies and other materials by the contractor is **taxable**.

When in Doubt, Collect the Tax

If a vendor and a purchaser disagree on the application of a tax, the vendor must collect the tax (Section 25-146). The vendor should give the purchaser a receipt for the purchase showing how much sales tax was collected. Advise the purchaser to file a Refund Claim for City Taxes Paid which is available from the City of Fort Collins Sales Tax Department. The vendor is ultimately responsible for the collection of sales taxes.

Federal Government “GSA SmartPay” Card Program



Exceptions to the above: The Department of Interior uses integrated cards and the cards will appear to be directly billed (based on the 6th digit). However, they are directly billed for purchasing and fleet card purchases, the employees are billed for travel purchases. Another exception is the Bureau of Reclamation, which is part of the Department of Interior. All Bureau of Reclamation purchases are directly billed, including travel.

When presented with an integrated card from the Department of Interior, request to see the employee’s ID. If the employee is in the Bureau of Reclamation, the purchase, including travel, is exempt. If the employee is in any other bureau within the Department of Interior, travel purchases will be taxable, but purchasing and fleet purchases are exempt.