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WARRANTIES

This tax guide is prepared and published for the information of the general public and all persons in business pursuits who would be required to make payment of Sales Tax or Use Tax under provisions of Chapter 25, Article III of the Code of the City of Fort Collins (the "Tax Code"), as well as for the guidance of the City employees whose responsibility it is to collect the taxes imposed by the Tax Code and the enforcement thereof. The following guide is exactly as it says, a GUIDE, and not to be relied upon as an official interpretation of the Tax Code applicable in all circumstances. Instead, specific reference should be made to the Tax Code and related ordinances for what is required in any particular circumstance.

MANUFACTURER'S WARRANTY

A manufacturer's initial warranty generally includes a provision to replace defective parts in the property under warranty. Typically, repairs are performed by authorized dealers with parts being taken from the dealer's inventory, then replaced by the manufacturer.

Parts replaced under a manufacturer's initial warranty with no charges made to the customer or a third party are considered to have been included in the purchase price of the property. No new sales or use transaction has occurred and no additional tax is due.

Parts replaced under an optional extended warranty or maintenance agreement are subject to sales/use tax because they are not considered to have been included in the initial purchase price of the property. The initial charge for the warranty is not taxable.

EXAMPLE

A retailer that sells home appliances includes a one year manufacturer's warranty on the sale of a refrigerator. The warranty covers parts and labor. Repairs made to replace defective parts are not subject to sales/use tax.

RELATED TAX GUIDE TOPIC

MAINTENANCE AGREEMENTS

CITY OF FORT COLLINS SALES AND USE TAX ORDINANCE

Section 25-71 Definitions.

Section 25-73 Imposition of the sale tax.

Section 25-74 Imposition of the use tax.

June 21, 2018