

City of Colorado Springs

Tax Guide

Exemption Burden of Proof

The sale or purchase of an article of tangible personal property is subject to city sales or use tax unless the sale is expressly exempt under the City Code. A sale may be exempt due to the type of product sold, the status of the purchaser, or the nature of the sale. The burden of proof is on the vendor to document that a sale is exempt from city tax.

Required Documentation

A vendor is required to obtain documentation from the customer to support the exempt status of a transaction. Examples of acceptable documentation may include:

- A. A vendor is required to obtain a copy of the customer's current **city** retail license if the customer is engaged in business in the City. In addition, the exempt purchase is only valid if the items being purchased are to be resold.
- B. If the customer is **not** engaged in business in the City, a copy of the customer's State of Colorado or other state's valid sales tax license may qualify.
- C. A valid Resale Certificate **issued by the City** to businesses that are entitled to purchase for resale.
- D. Delivery receipts, bills of lading, or other evidence the sale was made to a non-resident **and** delivery was made to a location outside the City and for use outside the City.
- E. An exemption certificate **issued by the City** to a qualified tax-exempt organization such as a religious, charitable or nonprofit school. The purchase must be paid for directly with the exempt organization's funds.
- F. Properly executed City of Colorado Springs Standard Municipal Home Rule Affidavit of Exempt Sale. This form is designed for single-event exemption.

CS CODE SECTION

2.7.104 Words and Phrases:
Business,
Engaged in Business
2.7.102, 2.7.106, 2.7.201,
2.7.301, 2.7.311, 2.7.312, 2.7.409

This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Tax Code.

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Question? email us at:
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Required Documentation Continued

- H. Purchases made by a government agency must be paid for directly with governmental funds. The vendor is required to show proof of direct payment to include a copy of the check or credit card in the organization's name or properly executed Affidavit of Exempt Sale.

The exempt status of each transaction must be determined on its own merits. If the purchaser cannot or will not provide suitable evidence of exemption, the vendor is not allowed to sell the item without collecting city tax. If the vendor sells the item without obtaining the required documentation, the vendor is liable for the tax not collected.

If a dispute arises between a buyer and a seller as to whether or not a sale is exempt from tax, the seller is required to collect the tax and the purchaser must pay the tax. An application for refund must be submitted to the Finance Director by the purchaser within **60 days** after the transaction on which the exemption is claimed. The application must be supported by an affidavit explaining the circumstance and include the original sales invoice or receipt. The person asserting the claim bears the burden of proof of exemption.

Common Examples

1. A business is currently involved in a city sales tax audit. The business has taken deductions from gross sales for resale and sales to charitable organizations. The business did not collect any proof of exemption at the time of sale. During the audit, the business contacts their customers to see if they can send in an exemption. The City cannot accept documentation obtained after the fact.
2. A business sells lumber to a furniture manufacturing company who is a wholesaler. The City has issued a resale certificate to the furniture manufacturer. The furniture manufacturer is purchasing items that qualify for resale.
3. A hotel purchases new mattresses for their guests and presents its retail license to the vendor. The vendor rightfully does not accept the city retail license, as the hotel is not in the business of reselling mattresses.