

City of Colorado Springs

# Tax Guide

## Service Sales

Businesses primarily engaged in providing a non-taxable service generally do not have to collect the city sales tax on that service. Charges for labor is not taxable, as long as the charge for the service is separately stated on the invoice to the consumer from any tangible personal property furnished as part of the service. If no separation of labor from the tangible personal property sold at retail, city sales tax applies to the total amount of the sale.

Businesses that render a service or perform a service contract must pay sales tax or report use tax on purchases of tangible personal property used, stored, or consumed in the City of Colorado Springs in the performance of their services.

### Common Examples

1. A plumbing company is hired to repair a leaking sink. The repair will require a new faucet, installation kit, and labor to remove and replace the parts. This repair is a retail sale of tangible personal property with installation labor. The plumbing company is required to have a city retail sales tax license and collect and remit sales tax. The plumbing company cannot purchase the materials from their supplier and pay tax at the time of purchase to avoid charging sales tax to their customer.

The method of billing determines the applicability of city tax upon installation labor.

- a) A plumbing company invoices a single amount of \$547.00 to include all materials and labor. City tax must be charged on the full amount of \$547.00.
- b) A plumbing company invoices \$300.00 in materials and \$147.00 in labor. These charges are separately stated. City tax is applied to the material amount of \$300.00 only.

2. A hair salon uses shampoos and hair conditioners in the performance of its services. In addition, the salon sells these items at retail. The salon must pay sales or use tax on those items used in rendering their service. The salon must collect and remit sales tax on all retail sales to customers.

### CS CODE SECTION

2.7.104 Words and Phrases:  
Consumer,  
Price or Purchase Price,  
Purchase or Sale,  
2.7.102, 2.7.301, 2.7.310,  
2.7.311, 2.7.312, 2.7.438,  
2.7.805b

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*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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### Common examples continued

3. An automobile repair shop performs oil changes and invoices their customers for \$29.95: \$11.95 for oil and the oil filter, and \$18.00 for labor. Since the amount of labor is separately stated on the invoice, the repair shop only collects sales tax on \$11.95 from their customers. The shop supplies consumed while performing the service, such as shop rags, are taxable to the repair shop.
4. A repair shop charges a flat rate of \$29.95 for a standard oil change. The repair shop must collect sales tax on \$29.95 from their customers.