

USE TAX

WHAT IS USE TAX?

Use tax is simply a tax imposed on consumers who did not pay sales tax at the time of purchase. It is imposed on tangible personal property -- generally construction materials, supplies, fixtures, furniture, or equipment but excluding inventory or items for resale.

In other words, use tax is "sales tax that wasn't paid". Durango is one many cities in Colorado that impose a use tax in addition to the State of Colorado and many Colorado counties.

HOW IS USE TAX CALCULATED FOR A BUILDING PERMIT?

The City of Durango collects use tax whenever a building permit is issued. The City sales tax rate is 3.5%. In regards to a building permit, it is assumed that half of the valuation of a construction project is labor and half is materials. Thus, the use tax rate is only applied at 1.75% for the entire valuation of the building project, or 3.5% for half of the valuation.

EXAMPLE:

A new house is valued at \$300,000

Use tax = (\$300,000 x 1.75%) or (\$150,000 x 3.5%)

Use tax = \$5,250

Once a building permit has been issued, and use tax has been paid, sales tax should not be paid when materials are purchased within City limits for the project.

If the contractor or applicant ends up paying the City of Durango sales tax on items used on the project in addition to paying use tax, they may contact the Finance Department to discuss a possible refund.

QUESTIONS?

If you find that you have paid City of Durango sales tax on any items you've purchased related to your building permit, please provide a copy of your receipts, a letter requesting the refund, and a copy of your building permit to the City of Durango Finance Department at City Hall, 949 E 2nd Avenue, Durango, CO 81301. Please contact the Finance Department with any tax related questions at (970) 375-5033.