WESTMINSTER

Department of Finance
Sales Tax Division

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Tax Compliance Guide

Delivering exceptional value and quality of life

Automotive Vehicles
Topic 303

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The *Westminster Municipal Code* defines an automotive vehicle as any vehicle or device in, upon, or by which any person or property is or may be transported or drawn upon a public highway, or any device used or designed for aviation or flight in the air. Automotive vehicle includes, but is not limited to, motor vehicles, trailers, semi-trailers, or mobile homes.

Automotive vehicles do not include devices moved by human power, such as bicycles. Automotive vehicles also do not include devices used exclusively upon stationary rails or tracks. Although articles of special mobile machinery may be registered and plated, they are not considered automotive vehicles for Westminster sales and use tax purposes. As such, they do not qualify for the exemption that applies to vehicles properly registered outside the City and must be declared when located within City limits.

Purchased Vehicles

Vehicles purchased by Westminster residents or businesses are required to be registered at the purchaser's address in Westminster. City sales tax is due on the purchase price of the vehicle. If sales tax was not paid at the time of purchase, City use tax will be due. The County Clerk will collect the tax prior to or at the time of registration.

The taxable purchase price includes mandatory fees such as "delivery", "dealer preparation", or "dealer handling" fees. Optional, extended warranties and gap insurance are not subject to tax. Charges for title and lien recording fees are also excluded from the taxable purchase price, provided they are charged through at actual cost without markup.

Purchased vehicles moved into Westminster are not subject to use tax if at the time of purchase the owner was a nonresident who purchased the vehicle for use outside the City, <u>and</u> the vehicle was previously properly registered, titled, and licensed outside the City. Upon moving to the City residents must register their vehicle in Westminster.

Trade-Ins and Rebates

The taxable purchase price is reduced by the fair market value of an automotive vehicle taken in trade by the seller. The trade-in deduction is not affected by the seller's agreement to "pay off" the balance of a loan for the vehicle taken in trade even if the loan exceeds the fair market value of the vehicle.

Dealer incentives and rebates from the manufacturer do not reduce the taxable purchase price. These amounts are portions of the price paid by the manufacturer as opposed actual reductions in the price by the seller.

Vehicles Purchased in Other States

Sales tax may be collected on vehicles purchased in other states depending upon that state's tax laws. Credit is allowed for such tax up to the amount of use tax due, provided the tax is lawfully imposed. The credit is computed by comparing the combined rate of tax that would have been imposed had the purchase been made locally to the sales tax collected at the time of the purchase. Prior to registering the vehicle with the County Clerk, the purchaser will need to obtain a letter from the Sales Tax Division authorizing a tax credit. Alternatively, the purchaser may pay the full City use tax to the County Clerk and file a *Claim for Refund* form with the City.

Purchasers are advised to research the laws of the state in which they are purchasing a vehicle for registration in Westminster. Some states exempt vehicles purchased for out-of-state registration provided that the purchaser takes specific actions. Such actions may include completing specific forms or affidavits, or procuring special permits. Credit will not be given against Westminster use taxes if such exemptions are available to purchasers.

Vehicle Financing

Automotive vehicles may be financed by the seller, or a third party, under a secured loan, whereby the lender retains a security interest in the vehicle while the loan is repaid. Separately stated financing charges are not subject to tax. Although the tax itself may be financed, and therefore paid over the term of the loan, tax on the full purchase price is due up-front at the time of the sale. No refund or credit to either part is allowed in the event that the vehicle is repossessed.

Leased Vehicles

Vehicles leased by a Westminster resident or business are required to be registered at the lessee's address in Westminster. City sales tax is due on each periodic lease payment. In order to register the leased vehicle, evidence must be shown that the lessor is licensed to collect Westminster tax.

If at the inception of the lease, the lessee was not a Westminster resident or business, but subsequently moves into the City, the vehicle must be registered at the lessee's address in Westminster at the time of the move. Westminster sales tax is due on all subsequent periodic lease payments.

The State of Colorado rules differ from Westminster regarding the application of taxes on leases. Contact the Colorado Department of Revenue for more details.

Residency Guidelines

Individuals

Vehicles must be registered at the person's principal, or primary home, or place of abode determined in the same manner as residency for voter registration, unless such vehicle is permanently operated and maintained at another address. If a person is not registered to vote, factors such as the address listed on the driver's license, the address shown on the vehicle insurance policy as the location where the vehicle is garaged, the purchaser's work address, telephone directory address, utility billing address and other public records will be considered in determining primary residency.

Businesses

Registration for vehicles owned by a business is based on the address from which the vehicle is principally operated and maintained.

Penalties for Improper Registration

If the Finance Director determines that a vehicle has been improperly registered outside the City, a $500 civil penalty will be assessed. Additionally, the use tax due, plus a 10% penalty, plus interest at 1% per month (from the date of the purchase) will also be due.

Examples

1. Customer A lives in Arvada and leases a vehicle for 36 months. She properly registers the vehicle in Arvada. Six months later, Customer A moves to Westminster. She must register the vehicle in Westminster and pay Westminster city sales tax on the remaining 30 lease payments.

2. Customer B lives in and is registered to vote in Westminster, and also owns a vacation home in the mountains. When Customer B purchases a new vehicle for use in the City, he is required to register it in Westminster and pay Westminster sales or use tax on the purchase price. He may not register the vehicle at his mountain address because it will not be permanently garaged and maintained there.

3. Customer C lives in unincorporated Adams County and owns a business in Westminster. She recently purchased a vehicle for her business and is depreciating it, for income tax purposes, on her business records. Customer C must register the vehicle at her business address in Westminster and pay Westminster sales or use tax on the purchase price.

4. Business D is based in Westminster, but has a location in Colorado Springs. Business D buys two trucks, one for the Westminster shop and one for the Colorado Springs shop. Because one of the vehicles is principally operated and maintained outside of the City, it is not required to be registered in Westminster.

Related Topics

Automotive Service & Repair
Construction – Equipment
Credit, Installment, & Secured Sales
Leased & Rented Property
Trade-Ins
Warranties

Citations

Colorado Revised Statutes
§ 42-6-139. Registration, where made
§ 42-6-140. Registration upon becoming resident

Westminster Municipal Code
§ 4-1-5. Retailer Responsible for Collection and Payment of Tax
§ 4-1-21. Penalties
§ 4-2-2. Definitions
§ 4-2-5. Transactions and Items Subject to Tax
§ 4-2-6. Exemptions from Sales Tax
§ 4-2-7. Exemptions from Use Tax
§ 4-2-8. Secured Sales Transactions

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

Contact Us

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From the Business menu, choose Westminster Taxes