
Tax Compliance Guide

Governments & Charitable Organizations Topic 307

(09/2011)

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Governments

Governments include the United States (Federal) government, the State of Colorado, and their departments, institutions, and political subdivisions. Political subdivisions include Colorado counties, school districts, municipalities, and certain special districts. Governments are not required to obtain a *Certificate of Tax Exemption* from the City, but are encouraged to apply in order to simplify exempt purchasing.

Charitable Organizations

Charitable organizations are defined in the *Westminster Municipal Code*. Organizations that believe they meet the qualifications discussed below should apply to the Finance Director for a *Certificate of Tax Exemption*. An *Application for Certificate of Tax Exemption* form can be obtained in the *Westminster Tax Forms* section located in the Business tab on the City website, or by contacting the Sales Tax Division. Although pre-certification is not a qualification for exemption, retailers will not likely be able to meet their burden of proving a sale to a purportedly charitable organization was properly exempted absent a *Certificate of Tax Exemption* from the City.

Westminster's exemption for charitable organizations is very narrow, and qualifying for the exemption is rare. To be certified as charitable, an organization must meet all of the following qualifications:

1. The organization must be exempt from tax under Section 501(c)(3) of the *Internal Revenue Code*;
2. The organization must be exclusively organized for and engaged in the qualifying activities of ministering to the physical, mental, or spiritual needs of an indefinite number of persons;
3. The organization must engage in these qualifying activities exclusively on a free and voluntary basis characterized by the spontaneous and generous giving of talents or goods to those in need; and
4. The organization's activities must lessen the burdens of government.

Exempt Purchases

The *Westminster Municipal Code* provides an exemption from sales and use tax for purchases, except construction materials used in a project for which a City building permit is required, made by governments and charitable organizations if such purchases meet all of the following qualifications:

1. The purchase must be related to the regular charitable or governmental functions and activities;
2. The purchase must be billed directly to the organization, and payment must be made directly from the organization's funds (purchases made by individuals who will subsequently be reimbursed by the organization do not qualify); and
3. The organization must not be reimbursed, in whole or in part, for the purchase in any way including, but not limited to, the sale of a ticket, collection of a registration fee, or receipt of an involuntary contribution.

The seller has the burden of proving that a transaction was properly exempted and will be required to document such claims in an audit situation. An *Affidavit of Tax Exempt Purchase* form can be obtained in the *Westminster Tax Forms* section located in the Business tab on the City website or by contacting the Sales Tax Division. This form may aid the seller in determining if a sale qualifies for exemption. In questionable situations, the vendor must collect the tax and the purchaser may apply directly to the City for a refund of the disputed tax.

Examples

1. A teacher at a local public school is purchasing goods for their classroom. The teacher is paying with a personal check, but claims that the purchase will be reimbursed by their school. Because the purchase is not paid for directly by the funds of the government, the sale is not tax exempt.
2. A charitable organization, with a valid *Westminster Certificate of Tax Exemption*, is holding a banquet at a Westminster hotel. The organization is selling tickets to the event in order to recover the costs. Because the organization will be reimbursed for the costs of the banquet, the hotel should charge the appropriate taxes.
3. An employee of the City of Westminster buys office supplies from a local vendor and furnishes a copy of a purchase order to the vendor, who subsequently bills the City for the supplies. Because the supply purchase is billed to and paid for directly by the funds of the government, the purchase is properly exempted from sales tax. The vendor should attach a copy of the purchase order to the invoice as proof of proper exemption.

Related Topics

Construction – Projects for Tax Exempt Organizations
Disputed Tax & Burden of Proof
Government Purchasing Cards

Citations

Westminster Municipal Code

§ 4-1-1. Definitions
§ 4-1-2. Exemption; Burden of Proof
§ 4-2-2. Definitions
§ 4-2-6. Exemptions from Sales Tax
§ 4-2-7. Exemptions from Use Tax
§ 4-2-9. Provisions Relative to Construction Materials
§ 4-3-4. Exempt Transactions
§ 4-4-3. Exempt 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

For additional assistance, please contact us:

City of Westminster
Sales Tax Division
4800 West 92nd Avenue
Westminster, CO 80031

Phone: (303) 658-2065

Fax: (303) 706-3923

Administrative offices are open Monday through Thursday from 7:00a.m. to 6:00p.m. (closed Friday).

E-mail address: salestax@cityofwestminster.us

Website: <http://www.cityofwestminster.us>
From the Business menu, choose Westminster Taxes