
Tax Compliance Guide

Use Tax for Individual Residents Topic 378

(07/2012)

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The *Westminster Municipal Code* imposes a use tax upon the privilege of using, storing, distributing, or otherwise consuming tangible personal property and certain taxable services in the City. If Westminster sales tax is not paid to a vendor licensed and authorized to collect the same at the time of purchase, then a use tax must be remitted directly to the City. Credit may be taken against Westminster use tax for legally imposed sales or use taxes paid to other municipalities. Such credit may not exceed the Westminster use tax due.

Use tax is imposed both upon business consumers and individual consumers. Business consumers remit use tax on their required periodic sales and use tax return. Individual resident consumers are required to remit use tax when incurred, but are not required to file regular returns with the City if no taxes are due.

What is use tax?

Use tax is complimentary to sales tax, but is paid directly to the City rather than to a vendor collecting on behalf of the City. In general, if sales tax would apply to a purchase made from a Westminster retailer, then use tax will apply to the same purchase made from a retailer in another city or state. The City sales tax and use tax rates are the same (3.85% of the purchase price as of January 1, 2012).

The purpose of use tax is to protect local sellers who would otherwise be at a competitive disadvantage when out-of-city retailers make sales to Westminster customers without collecting tax. Use tax also compensates for tax avoided by purchasing in cities with lower tax rates. While credit is allowed for lawfully imposed tax paid to other municipalities, Westminster use tax is due where such credit is less than the total tax due.

Together with the sales tax, the use tax creates a comprehensive consumption tax system. This system ensures that all consumers fairly fund City services whether they choose to purchase goods from local or remote vendors.

Common Sources of Use Tax

Several common transactions by residents may give rise to a use tax, including:

- ❖ Purchases made from a mail-order catalogue, or over the Internet.
- ❖ Purchases delivered from a retailer in another city or state.
- ❖ Purchases picked up from a retailer in an unincorporated area or in a city with a lower sales tax rate.
- ❖ Purchases of motor vehicles and other goods from private individuals who are not licensed to collect tax.

Some retailers located outside the City voluntarily license with the City and collect Westminster sales tax on items delivered to Westminster customers. If Westminster sales tax was collected by a licensed Westminster retailer, no use tax is due. Use taxes on motor vehicles are collected by the county upon registration.

Use Tax is Transactional

Sales and use taxes are transaction taxes. That is, they are imposed each time a transaction occurs even if the same property has been taxed in a previous transaction. While credit is allowed for legally-imposed sales/use tax previously paid, this credit only applies to taxes paid by the current owner. A previous owner's payment of sales/use tax does not apply.

Reporting & Paying Use Tax

Use tax is due on the 20th of the month following the taxable transaction. To report the tax, residents can submit a letter with their name and address stating the date of the transaction, the taxable purchase price, any credit being taken for tax paid to another municipality, and the net use tax being remitted. The name of the seller and a description of the goods purchased may also be included, but are not required. Enclose a check

payable to the City of Westminster, and mail the remittance to the Sales Tax Division at City Hall (address on page 2).

Examples

1. Mail Order Company sends catalogues to Westminster residents. Resident A purchases a sweater for \$50 from Mail Order Company that is shipped to Resident A via U.S. Mail. Mail Order Company does not collect tax. Resident A must remit \$1.93 in use tax to the City ($\$50 \times 3.85\%$).
2. Resident B purchases a computer from Internet Company for \$1,000. Internet Company is licensed by Westminster to collect tax, and collects \$38.50 in city tax from Resident B. Resident B does not owe any use tax on the computer purchase.
3. Resident C purchased a new car several years ago and paid Westminster sales tax on the \$25,000 purchase price. Resident C has decided to sell the car to Resident D for \$5,000. When Resident D registers the car, he will be required to pay Westminster use tax on the \$5,000 purchase price to the County Clerk even though Resident C paid tax previously.

Related Topics

Automotive Vehicles
 Internet Sales/Purchases
 Previously Paid Sales & Use Tax

Citations

Westminster Municipal Code
 § 4-1-3. Deductions & Credits
 § 4-1-7. Returns Required; Time for Filing & Paying Total Tax Liability
 § 4-2-3. Rate; Imposition & Collection; Distribution
 § 4-2-5. Transactions & Items Subject to Tax
 § 4-2-13. Use Tax; Method of Payment

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).

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