
Tax Compliance Guide

Qualified Hospital Organizations Topic 379

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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 qualified hospital organizations.

Organizations that believe they meet the definition of a qualified hospital organization 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 *Tax and License Toolbox* section of 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 qualifying organization was properly exempted absent a *Certificate of Tax Exemption* issued by the City.

Definition

Qualified hospital organizations are defined by section 4-2-2 of the *Westminster Municipal Code*. In general, a qualified hospital organization must:

1. Be exempt from Federal income tax under section 501(c)(3) of the *Internal Revenue Code*; and
2. Operate a general hospital for people in the City under a license issued by the Colorado Department of Public Health and Environment pursuant to sections 25-3-101 and 102 of the *Colorado Revised Statutes*.

Certain affiliated entities are also included in the definition of qualified hospital organizations. Such affiliated entities include:

- ❖ 501(c)(3) entities that own or employ property used in the operation of an organization described above and that control, or are controlled by, an entity described above.
- ❖ 501(c)(3) entities whose principal function is the management of an organization described above.
- ❖ 501(c)(3) entities controlled by such management entities in common with an organization described above.
- ❖ 501(c)(3) entities that own a general hospital operated by an organization described above.

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 qualified hospital organizations. In order to qualify for exemption, 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.

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 *Tax and License Toolbox* section of 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.

Related Topics

Disputed Tax & Burden of Proof
Construction - Projects for Tax Exempt Organizations

Citations

Westminster Municipal Code
§ 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

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