

Tax Information: Construction Use Tax

General Information

The City of Steamboat Springs collects a 4.5% use tax on 50% of the estimated value of a construction project, or on 100% of the taxable materials and fixtures cost, whichever is greater. This use tax is due at the time the permit is issued, and is to be paid by the general contractor.

To avoid double payment of the City tax, both the general contractor and subcontractors working for the general should present a copy of the building permit to all suppliers when purchasing construction materials and fixtures. Suppliers should not charge a city sales tax on materials regardless of where the items are purchased. Suppliers should keep a copy of the permit or the permit number for their records.

Construction Materials

Code Section 22-86-(16) defines construction materials as follows: tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a completed structure or project. Construction materials include but are not limited to such things as asphalt, bricks, builders hardware, caulking material, cement, conduit, concrete, electric wiring and connections, fireplace inserts, fixtures, electrical heating and cooling equipment, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, paper, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sewer pipe, sheet metal, site lighting, siding, steel, stone, stucco, tile, trim, wall board, wall coping, wallpaper, weather stripping, wire netting and screen, and wood preserver.

Example # 1 – Joe from ABC Construction gets two permits from the City of Steamboat Springs, one to construct a new office building and one to do site work. Joe contracts with several subcontractors to do the electrical, plumbing, HVAC, and site work.

AAA Plumbing, a subcontractor working for ABC on this project goes to the local plumbing supply

store located in Steamboat Springs to buy bathroom fixtures and cabinetry. Because the City tax was paid up front on the permit, AAA should give a copy of the permit to the plumbing supply store for their records and no City sales tax should be charged on the purchase of these building materials.

Barry from Best Asphalt Company, also a subcontractor working for ABC, goes to the local rock quarry in Steamboat Springs to buy several tons of paving material to be used at the project in Steamboat Springs. Because City tax was paid up front on the site permit, Barry should give a copy of the permit to the rock quarry for their records and no City sales tax should be charged on the purchase of these building materials.

Construction materials do not include furniture, appliances, machines, equipment, and tools. Use tax is not prepaid on a building permit for these items. However, because these items are delivered into Steamboat Springs and often installed in Steamboat Springs, the contractor is responsible for ensuring sales tax is paid on these items.

Example # 2 – Joe from ABC Construction goes to a Steamboat Springs hardware shop to purchase tools for the project being built in Steamboat Springs. Because tools are not building materials, Joe should pay full sales tax (8.4%) to the Steamboat Springs shop at the time of purchase.

Example # 3 – Joe from ABC Construction orders a stove and refrigerator from a store in Denver to be delivered to the job site in Steamboat Springs. The Denver appliance vendor charges Joe 2.9% State of Colorado sales tax on the items shipped into Steamboat Springs. Because this purchase is not a building material, it is not covered under the building permit, and Joe owes 4.5% sales tax to the City of Steamboat Springs on these purchases. Joe can either collect and remit this tax from the building owner or he can ask the Denver appliance store to collect and remit the tax from him.

Fabrication Labor

Fabrication labor is taxable in the City of Steamboat Springs, and general contractors are subject

to sales tax on the amounts billed by subcontractors. Installation labor is not taxable.

Example # 1 – Joe from ABC Construction contracted with Carl’s Cabinetry to build and install several counters, shelves, and cabinet units at the Steamboat Springs jobsite. Carl constructs these items and installs them in Steamboat Springs. Carl bills ABC Construction \$5,000. Materials were \$500, fabrication labor was \$3,500, and installation labor was \$1,000. ABC’s taxable cost is \$4,000 for the materials and the fabrication labor. A copy of the building permit may be provided to Carl’s Cabinetry to purchase the materials amount of \$4,000 tax exempt as the materials are covered by the use tax deposit paid on the permit.

Project Reconciliation

Because use tax paid on the permit is based on an estimate, there is typically a difference between the actual materials costs and the amount originally estimated. In order to reconcile these differences the general contractor must submit a complete Project Cost Reconciliation Report providing an accounting of actual costs, including materials and fixtures used and provided by subcontractors.

If total taxable costs are greater than the permit estimate, resulting in an underpayment of use tax, the general contractor must pay such tax. If the actual taxable costs are lower than the permit estimate, the general contractor may apply for a refund.

Project reconciliations and/or requests for refunds must be submitted before the certificate of occupancy is issued.

Construction Audits

If a project is selected for further review, all related construction records are subject to audit by the City following completion. Such audits are designed to determine the actual taxable cost of the project and must be conducted before final CO is issued unless a consent form is signed by the general contractor.

Seminars / Forms / Information

Steamboat Springs Sales Tax Staff are always willing to provide information, schedule a meeting, or discuss Sales & Use Tax over the phone. Please contact the Sales Tax Department at (970)

871-8233 or go to our website at www.steamboatsprings.net to find out more.

The City of Steamboat Springs Sales Tax Code & Regulations are also available on our website at www.steamboatsprings.net or to receive a copy by mail, contact the Sales Tax Department at (970) 871-8233.

Important Note: This information is provided as a general overview of the City of Steamboat Springs Sales and Use Tax Ordinance, and is not intended to replace or supersede the information contained in the Ordinance.