

COLORADO STATE UNIVERSITY
Financial Procedure Statements
FPI 2-4

1. **Procedure Title:** Sales and Lodging Tax
2. **Procedure Purpose and Effect:** The purpose of these procedures is to clearly define the steps for the collection and payment of sales and lodging taxes from taxable retail sales.
3. **Application of Procedure:** These procedures apply to all University activities involving taxable retail sales.
4. **Definitions:** None.
5. **Exemptions:** There are no exemptions from these procedures.
6. **Procedure Statement:**

This document explains the University's procedures related to the administration, collection, remittance, payment and reporting of taxes.

The activities of the University often have federal, state and local tax implications. When a tax matter arises that is not directly addressed by University procedures, faculty and staff should refer the matter to the University Tax Manager in Business and Financial Services. Payroll tax matters should be directed to the Payroll Manager in the department of Human Resource Services.

University faculty and staff members should not communicate directly with taxing authorities when conducting University business. All requests for tax information, tax reporting or other contact with tax authorities should be conducted through the University Tax Manager or through the Payroll Manager if a payroll matter is at issue.

Faculty and staff members of the University should not prepare tax returns or provide tax advice as part of their employment duties. Erroneous tax advice provided to students or employees may create liability for the University and could place the recipient of the advice in an adverse position with the taxing authorities.

Any employee who is approached for tax help must decline to give any assistance or advice, either written or verbal. The individual who is requesting the advice should be advised to consult with a personal tax advisor or the appropriate taxing authorities.

Employees not representing themselves as University employees who wish to provide tax services as private consultants should refer to the University's policies regarding consulting and conflict of interest.

A. Sales Tax

The University is required to collect and remit sales tax on all taxable retail sales. All colleges, departments, agencies, and other selling entities should make a good faith effort to comply with the applicable sales tax provisions.

The University's sales tax licenses are on file in Business and Financial Services. Business and Financial Services will report all sales tax information and remit taxes collected to the proper taxing authorities.

Sales tax should be collected on all taxable sales. A taxable retail sale is any sale of tangible personal property except sales specifically exempted from sales tax by law.

The taxability of the following transactions is often questioned. These sales are not exempted from sales tax. Sales tax must be collected on these transactions:

- Auction sales.
- Sales made to faculty, students, and employees.
- Taxable retail sales made by student organizations.

1. Sales Exempt from Sales Tax

The following types of sales are specifically exempted from **Colorado** sales tax. This list is not exhaustive. Home Rule Municipalities may have varying rules. Contact the University Tax Manager in the Department of Business and Financial Services if you have a question about the applicability of sales tax to a specific type of sale.

a) Sales to Government Entities

All sales to the U.S. government, state of Colorado, and any department, institution, and subdivision of the state or federal government when purchased within governmental capacities. To secure the sales tax exemption, the order must be on a prescribed government form or purchase order and the payment must be made with a government procurement card or directly to the seller by warrant or check drawn directly on government funds.

b) Sales to Religious or Charitable Organizations

Sales made to charitable organizations in the normal conduct of their regular charitable functions and activities. To secure the sales tax exemption, evidence of exemption must be supplied. It should be noted that this sales tax exemption applies only to sales made to a charitable organization and does not apply to sales made to individual members of the organization.

c) Sales for Resale

Sales of tangible personal property to retail merchants, dealers or wholesalers for resale are exempt from sales tax. The University is required to have proof on file that the purchase was for resale.

d) Sales of Services

In general, the sale of services is exempt from sales tax.

e) Rental of Tangible Personal Property

The right to continuous possession or use of tangible personal property for three years or less under a lease or contract may be exempt from sales tax in certain circumstances. However, since rental of tangible personal property to private parties is generally inconsistent with the University's governmental purpose, sales tax should be collected on all short-term rental sales.

f) Sales of food for domestic home consumption are exempt from Colorado state sales tax.

"Food" means any food or food product for home consumption except alcoholic beverages, tobacco, and hot foods or hot food products ready for immediate consumption.

g) Sales of Prescription Drugs

Sales of prescription drugs or materials furnished by a doctor as part of professional services provided to a patient are exempt from sales tax. Sales of veterinary drugs which are required to be dispensed by prescription from a licensed veterinarian are also exempt from sales tax. This exemption does not include prescription pet food.

h) Contracts for Research and Development

The development of information in a research and development contract that requires only the development of ideas, plans and engineering data constitutes the sale of a service and is exempt from sales.

i) Agricultural Exemptions

- i. Sales of livestock.
- ii. Sales of live fish for stocking purposes.
- iii. Sales of straw and bedding for use in the care of livestock or poultry. Sales of feed for livestock.
- iv. Sales of semen and agricultural compounds used for the care of livestock.
- v. Sales of seeds and orchard trees.
- vi. Sales of fertilizer made to an agricultural producer.
- vii. Sales of farm equipment.

j) Other Exempt Sales:

- i. Sales of newspapers.
- ii. Sales of gift certificates.
- iii. Accommodations occupied for 30 or more consecutive days.
- iv. Sales and rentals of real property.
- v. Sales to other University departments paid for by internal order.

k) Evidence of Sales Tax Exemption

In order to grant a sales tax exemption, the selling entity should secure the customer's exemption number or other evidence sufficient to demonstrate the validity of the customer's exemption claim. This documentation should be kept on file by the selling entity as a permanent record of exemption. "Exempt Sale" should be clearly marked on the sales invoice when the purchaser has furnished satisfactory proof that the sale is exempt.

If there is a dispute or if the selling entity is unsure of the purchaser's exempt status, the selling entity should collect the tax. The purchaser can file with the appropriate taxing jurisdiction for a refund of any tax they consider having been improperly assessed.

2. Sales Tax Procedures

University colleges, agencies and departments who make taxable sales are responsible for the collection of sales taxes.

a) Determine the Taxing Jurisdiction

A retail sale is subject to taxation in the state and local jurisdiction(s) to which the sale is sourced. In general, taxable retail sales are sourced in accordance with the following rules:

- i. If the purchaser takes possession of the purchased property or first uses the purchased service at the seller's business location, the sale is sourced to that business location.
- ii. If the property or service is delivered to the purchaser at a location other than seller's business location, the sale is sourced to the location the purchaser takes possession of the purchased property or first uses the purchased service.

In Colorado, the Colorado Department of Revenue administers and collects sales taxes imposed by many cities, most counties, and several special districts. However, the Department does not administer and collect sales taxes imposed by certain home-rule cities, which instead administer their own sales taxes.

Form DR 1002, Colorado Sales/Use Tax Rates provides detailed information about local sales taxes and exemptions. Form DR 1002 is updated twice a year, generally on or around June 30 and December 31st, to reflect rate changes. Check with the University Tax Manager for specific rules and requirements.

Most states have an economic nexus reporting threshold of 200 transactions or \$100,000 gross sales. This means that remote sellers are not required to report sales until this volume in sales is exceeded. The University is currently registered and required to remit tax to the states of Kansas and Illinois. Please contact the University Tax Manager with specific questions regarding collecting sales tax in other states.

b) Determine the Tax Base

The tax base is the purchase price paid on a taxable sale at retail. This amount usually excludes separately stated delivery and service charges.

c) Calculate the Sales Tax

- i. Sales tax should generally be separately stated and collected in addition to the purchase price.
- ii. Multiply purchase price by the tax rate to determine amount of tax.
- iii. Colorado Department of Revenue recommends using its [Sales and Use Tax Simplification Lookup Tool](#), (SUTS) for sales tax information by address.
- iv. Tax Services provides a [Sales Tax Calculation Worksheet](#) for use in calculating taxable sales collected.

d) Deposit Sales Tax

The University is required to remit sales tax collected on a monthly basis. All sales tax collected should be deposited into the proper accounts promptly.

Sales tax should be deposited into the following University liability accounts:

	<u>Description</u>	<u>Account</u>	<u>Object Code</u>
State Sales Tax:	Tax – Colorado Sales	2420000	2020
City Sales Tax:	Tax – City Sales	2420000	2022
County Sales Tax:	Tax – County Sales	2420000	2023

A list of sales tax sub object codes can be found on [Tax Services website](#) for use in properly classifying tax collected on retail sales sold in cities, counties and special taxing jurisdictions throughout Colorado.

e) Perform Reviews and Retain Records

Collecting entities should periodically review sales tax procedures to ensure that the proper amount of sales tax is collected. In addition, adequate records evidencing transactions must be maintained in accordance with the University’s records retention policy.

B. Retail Delivery Fee

The State of Colorado imposes a Retail Delivery Fee for each delivery of tangible personal property for a taxable sale delivered within the state. The account to record collection of this fee to is 2420000-2027.

C. Lodging Tax

The University is required to collect and remit the Fort Collins Lodging Tax on all taxable lodging transactions. Lodging tax is collected in addition to any applicable sales tax. All colleges, departments, agencies and other selling entities should make a good faith effort to comply with the applicable lodging tax provisions.

The University's lodging tax license is on file in Business and Financial Services. Business and Financial Services will report all lodging tax information and remit taxes collected to the appropriate jurisdiction.

In addition to state, city, and county sales tax on lodging services, lodging tax should be collected on all taxable sales of lodging accommodations provided by the University. Lodging accommodations are the leasing, rental or furnishing of any room or other accommodation to any person for a total continuous duration of less than 30 days.

1. Sales Exempt from Lodging Tax

The following types of sales are specifically exempted from the Fort Collins Lodging tax. This list is not exhaustive and other jurisdictions may have varying provisions. Contact the University Tax Manager in the Department of Business and Financial Services if you have a question about the applicability of lodging tax to a specific type of transaction.

a) Sales to Government Entities

All sales to the United States government, to the State of Colorado, or any department, institution, subdivision of the state or federal government when the purchase is within its governmental capacity. To secure the lodging tax exemption, the order must be on a prescribed government form or purchase order and the payment must be made with a government procurement card or directly to the seller

by warrant or check drawn directly on government funds.

b) Sales to Religious or Charitable Organizations

All lodging accommodations provided to religious or charitable organizations in the conduct of their religious and charitable functions and activities only. To secure the lodging tax exemption, the purchaser must provide evidence of exemption.

c) Other Exempt Sales

- i. All lodging accommodation provided for periods of thirty or more consecutive days.
- ii. Any lodging transaction where the price of such accommodation is paid in advance on a weekly basis and the total sum does not exceed seventy-five dollars per week.
- iii. Sales to other University departments that are paid for by internal order.

2. Lodging Tax Procedures

Universities, colleges, agencies, and departments who make taxable sales of lodging accommodations are responsible for the collection of lodging tax.

a) Determine the Taxing Jurisdiction

Sales of lodging accommodations are subject to taxation in the state and local jurisdiction(s) to which the sale is sourced (i.e., the location where the overnight stay occurs).

b) Determine the Lodging Tax Base

The lodging tax base is the price paid for rooms and accommodations.

c) Calculate the Lodging Tax

- i. Lodging tax should be separately stated and collected in addition to the price of accommodations.
- ii. Lodging tax is calculated by multiplying the tax base by the applicable tax rate.
- iii. The [Sales Tax Collection Worksheet](#) may be used as a tool to calculate lodging tax.

d) Deposit the Lodging Tax

The University is required to remit lodging tax collected on a monthly basis. All lodging tax collected should be deposited into the proper account promptly. Lodging should be deposited into the following University liability account:

	<u>Description</u>	<u>Account</u>	<u>Object Code</u>
Fort Collins Lodging Tax	Tax – Lodging	2420000	2030

e) Perform Reviews and Retain Records

Collecting entities should periodically review lodging tax procedures to ensure the proper amount of lodging tax is being collected, as rates and regulations do periodically change. In addition, adequate records evidencing transactions must be maintained in accordance with the University's records retention policy.

b)

7. Reference and Cross-References: [Tax Services website](#); [FPI 10-1 Financial Document Record Retention](#)

8. **Forms and Tools:** [Sales Tax Calculation Worksheet](#); [Sales and Use Tax Simplification Tool \(SUTS\)](#)