

What is use tax?

Use tax is a complement to the Glendale sales tax.

Use tax is due when a purchase is made and no legally imposed *City* sales tax was collected.

Use tax is due when a legally imposed *City* sales tax has not been paid on the purchase, rental, or lease of tangible personal property that is stored, used, or consumed in the City of Glendale.

Use tax is levied on the privilege of storing (if it was the place where title to goods was exchanged), using, or consuming any tangible personal property purchased at retail and taxable services purchased or leased that are brought into the City of Glendale.

Use tax is levied when tangible personal property is traded or exchanged between persons and use tax is based on the fair market value of each article. If two businesses exchange a computer for secretarial services, the business receiving the computer would owe a use tax on the fair market value of the computer.

Use tax does not apply to inventory because those items will be resold by the business.

How do I determine if a use tax is due?

Review the purchase invoices for all consumables and fixed assets and check for the following.

Was the invoice for the purchase, rental, or lease of tangible personal property?

Did you pay a sales tax of less than 8.0%? (To determine the % tax charged, divide sales tax charged by the purchase price.)

Was the item used, stored, or consumed in the City of Glendale?

If you answered “yes” to all three questions, then you need to report use tax. The City of Glendale use tax rate of 3.75% should be multiplied by the purchase price of each item. Use tax due should be reported on Line 8 of the City of Glendale Sales/Use Tax Return.

How do I compute the use tax due?

The following examples illustrate how use tax is applied on the purchase of a computer for a business located in the City of Glendale:

1. The computer is purchased and picked up in Glendale. The invoice shows:

Price of computer	\$10,000.00
Tax Charged	<u>800.00</u>
Invoice Total	\$10,800.00

\$800.00 divided by \$10,000.00=8.0% tax charged. Since Glendale city sales tax of 3.75% was charged, no use tax is due to Glendale.

2. The computer is purchased and picked up in unincorporated area and brought into Glendale. The invoice shows:

Price of computer	\$10,000.00
Tax Charged	<u>425.00</u>
Invoice Total	\$10,425.00

\$425.00 divided by \$10,000.00=4.25% tax charged. Since no city sales tax was charged, Glendale use tax of \$375.00 (\$10,000.00 x 3.75%) is due.

3. The computer is purchased in Denver and delivered to your business in Glendale. The invoice shows:

Price of computer	\$10,000.00
Tax Charged	<u>772.00</u>
Invoice Total	\$10,772.00

\$772.00 divided by \$10,000.00=7.72% tax charged. Since the item was delivered outside of Denver, Denver city sales tax should not have been charged and Glendale use tax is due. Contact the seller to obtain credit for the Denver tax charged in error.

4. The computer is purchased and picked up in Denver and brought into Glendale. The invoice shows:

Price of computer	\$10,000.00
Tax Charged	<u>772.00</u>
Invoice Total	\$10,772.00

\$772.00 divided by \$10,000.00=7.72% tax charged. Since the customer picked the computer up in Denver and Denver sales tax was charged, but then brought into Glendale for use, the difference between the Denver 3.62% and the Glendale 3.75% use tax is due to Glendale (.13%).

Most common taxable items a business accrues use tax on:

**Mail order purchases
Out of state purchases
Leases or rentals of tangible personal property
Security or sound systems (monitoring/monthly service)
Customized computer programming services
Linen services
Gifts
Magazine Subscriptions**

Common misunderstandings regarding use tax:

The annual County property tax is not the same as a City of Glendale use tax.

Not all services are exempt from sales/use tax.

A sales tax paid on an invoice doesn't necessarily mean no use tax is due. The sales tax rate must be determined on each transaction.

Not all vendors/sellers are licensed to collect Glendale sales tax.

Do I have a tax liability when I take over or start a new business?

Yes. Use tax is due on the fair market value of furniture, fixtures, supplies, and equipment associated with the purchase or set-up of a business.

Use tax is due on the purchase price of tangible personal property shown in the purchase contract. If there is no value stated in the contract then use tax is due on the property's fair market value.