
THE RETURN MADE SIMPLE

A Line by Line Guide to the Sales and
Use Tax Form

First, a few answers

- Aside from “how,” there are a few common questions regarding filing the sales and use tax return:
 - How often must I file?
 - Why is filing required?
 - Why do service businesses need to file?
 - When is the return due?
 - Where do I file the sales and use tax return?

How often must I file?

- ❑ Depending on your filing schedule, your business will receive a sales and use tax form on a regular basis.
 - ❑ Average tax due is more than \$100/month: at the end of each month.
 - ❑ Average tax due is between \$20 and \$100/month: at the end of each quarter.
 - ❑ Average tax due is less than \$20/month: at the end of each year.

Why is filing required?

- ❑ It's the law: City Code section 22-40.
- ❑ Sales taxes collected by retailers are public funds held in trust – they NEVER belong to the collector.

Complete returns are important!

- ❑ Gross sales data aids in determining the City's gross production for economic analysis and development purposes.
- ❑ Deductions data tells us more about the makeup of the City's economy.
- ❑ Based on this information and other input, the City determines projects, programs and service needs.

Hey, I don't sell things!

Or, why are service businesses required to file?

- ❑ Everyone is familiar with sales tax, which is recognized as public money that must be paid to the City.

Use tax is also required

- ❑ City Code section 22-66(a)
- ❑ Service businesses might have a use tax liability, which is a tax paid on items used in business or rendering services if no local sales tax was paid on their purchase.

Use Tax Made Simple

□ The City offers via email, web, CD, hard copy or classes, instruction on use tax as it applies to businesses in Wheat Ridge.

□ Watch for notice of classes or contact us for a copy of the material if you don't use the web:

303-235-2825

kfranklin@ci.wheatridge.co.us

When is the return due?

- All sales and use tax returns and remittances are due on the 20th of the month after the end of the filing period:
 - Monthly: the 20th day after each month-end;
 - Quarterly: the 20th day after each calendar-quarter end;
 - Yearly: the 20th day after each calendar year-end.

Weekends and holidays

- When the sales and use tax due date is a weekend or holiday the due date is the next business day.

Postmark applies

- ❑ The City of Wheat Ridge observes the postmark rule:
 - ❑ A return postmarked on the due date is considered filed timely.

Where do I file the sales and use tax return?

- If the return is a zero return (having no tax due), please send it to City Hall:

Sales Tax Division
7500 W. 29th Avenue
Wheat Ridge, CO 80033

- If the return has an amount due, please send it to the lockbox:

City of Wheat Ridge
Sales Tax Division
P.O. Box 248
Wheat Ridge, CO 80034-0248

Now, the form

Form available in Excel

- ❑ The sales and use tax return form is also available in Excel format for easy linking to your worksheets.
- ❑ This presentation uses the printed form that you'll receive in the mail, but the Excel form has the same layout.

Line 1

Gross Sales and Service

- On this line report the total sales by your business, even if they're not taxable:
 - Retail sales of tangible personal property;
 - Rentals of tangible personal property;
 - Leases of tangible personal property;
 - Service and labor sales;
 - Sales shipped or delivered out of the City;
 - DO NOT INCLUDE TAX COLLECTED.

Gross sales if coin operated

- ❑ Sales via vending machines are taxable, be they food, beverages or use of equipment such as games, vacuums, car wash equipment or laundry equipment.
- ❑ Gross sales/taxable sales is calculated by the gross receipts method:

Gross sales = Gross receipts X (1 – tax rate)

2007: gross sales = gross receipts x .97

Line 2 A

Bad Debts Collected

- This applies to businesses using accrual-based accounting.
- Because bad debts are allowed as a deduction, collections on them must be added back in to current business.
- If you didn't take a deduction previously, do not add bad debts back in.

Line 2B

Total Gross Sales

Sum Lines 1 and 2A

Line 3

These are the itemized deductions from gross sales to arrive at taxable sales as allowed by the City Code.

Line 3A

Non-Taxable Service Sales Included in Line 1

- Taxable* services include: alarm and security system services, internet, telecommunications, installation of any of these, advertising services, marketing or information agency services and credit bureau services.
- Allowed by City Code section 22-58(9).

Line 3B

Sales to Other Licensed Dealers for Resale Purposes

- ❑ City Code section 22-58(20)
- ❑ Good faith in allowing the exemption is required:
 - ❑ Example: an auto repair shop does not sell steaks in the ordinary course of business; don't make an exempt sale of steaks to an auto repair shop.
 - ❑ Items to be used *by a reseller in conducting his business* are subject to sales tax.

Line 3C

Sales Shipped Out of the City and/or State

- ❑ Code section 22-58(15)
- ❑ Keep shipping terms documentation to prove where title passed.
- ❑ Invoices must bear a “shipped to” address and method of delivery consistent with it.
 - ❑ Example: If an invoice indicates shipping address outside the City, but delivery is marked “customer pick up,” the exemption will be disallowed if no shipping documents prove delivery outside the City.
 - ❑ This can be a complex area; if in doubt, ask for City assistance.

Line 3D

Bad Debts Charged Off

- City sales tax was previously remitted.
- You use accrual basis accounting.
- Report the amount of uncollected accounts that was written off during the reporting period.

Line 3E

Trade-Ins for Taxable Resale

- ❑ The value allowed on trade-ins that will be sold in the ordinary course of business, including sale as scrap, is equivalent to a purchase for resale and is a deduction to gross sales.
- ❑ If a trade-in is later used in your business before being sold or otherwise disposed of, its trade-in value at the time it was traded is subject to use tax.

Line 3F

Sales of Gasoline and Cigarettes

- All motor fuels on which gasoline or special fuels tax has been paid or accrued under CRS 39-27-102 are exempt.
- Other tobacco products, such as chew and loose leaf tobacco, are taxable. Do not deduct sales of them.

Line 3G

Sales to Governments, Religious and Charitable Organizations

Governments

- Federal government
- State of Colorado and its subdivisions
- Paid with a government check or credit card or accompanied by an exemption letter or form if paid in cash.

Line 3G continued

Charitable organizations

- Goods to be used in the conduct of the organization's regular religious, charitable or educational functions and activities.
- City of Wheat Ridge exempt institutions located in and *licensed with the City* may buy all items exempt of sales tax.
 - Document their exemption with either a copy of their license or via an exemption form which includes the exempt license number.

Line 3H

Returned Goods

- The sales price of goods or taxable services *and* the sales tax must be refunded in cash or credit.

Line 3I

Prescription Drugs and Prosthetic Devices

- ❑ For both humans and animals
 - ❑ Prescription drugs are only those listed as prescription or controlled substances on the Prescription Drug Formulary published by the FDA.
 - ❑ In Wheat Ridge, prosthetic devices are those which replace or support a bodily function permanently or temporarily.
 - ❑ Also in this category are insulin and insulin devices, glucose, and oxygen and oxygen equipment.
 - ❑ Medicated sutures and pre-dosed syringes are included.

Line 3J

Food Stamps

- ❑ The exemption includes foods purchased with food stamps or WIC vouchers.
 - ❑ Items that may be purchased under these programs are published and made known to food retailers.
 - ❑ You may also find the listings at:
www.fns.usda.gov/fsp/
www.fns.usda.gov/wic/

Line 3K-3L

Other Deductions

- “Lodging” - Rooms and accommodations let for less than 30 days, for which a special filing is required.
- “Sales to Permit Holders” - Construction materials and supplies on which tax has been paid via a permit.
- “Discounts and Coupons” - Discounts and coupons absorbed by the business, NOT promotions reimbursed by the manufacturer or supplier.

More other deductions

- ❑ “Prohibited” - Sales on which tax is prohibited by the Constitution or State or Federal law.
- ❑ “Legal pubs.” - Sales of legal publications are specifically not taxable under CRS 24-70-102.
- ❑ “Agricultural” - Farm equipment, parts, livestock, feed, fertilizer and animal drugs sold to an agricultural producer for use outside the City.

Line 3

Total Deductions

- Sum the deductions from gross sales.

Line 4

Total Net Taxable Sales and Service

Line 2B minus Line 3

Line 5

Amount of City Sales Tax

- In the small box, place the amount from Line 4, net total taxable sales and service.
- Multiply it by the rate shown (3%).
- Place the result in the right-most box on this line.

Line 6

Add Excess Tax Collected

- All tax collected must be remitted.
- Add up all the tax you collected during the reporting period and allocate it between the State and City. Here's how:
 - If your business is in Jefferson County, Colorado
 - State's share = tax collected x .61 (.046/.076)

Excess tax, part II

- ❑ If your business is not in Jefferson County, Colorado
 - ❑ State's share = all tax collected x .54 (.041/.076)
 - ❑ City's share = all tax collected – State's share

Excess tax, part III

- Is the City's share amount larger than the sales tax you calculated on line 5?
 - Yes: subtract the amount on line 5 from this amount, the remainder is excess tax due to the City. Enter it on Line 6.
 - No: enter 0 on line 6
 - You must still pay what's owed even if you did not collect enough.

Line 7

Adjusted City Tax

- ❑ The sum of calculated tax and excess tax collected is adjusted City tax.
 - ❑ Add Lines 5 and 6
 - ❑ This ensures all money people paid as tax is remitted to taxing authorities.
 - ❑ Remember, funds collected as tax are never the property of the business!

Line 8

Vendor Fee

- The vendor fee (commission you keep) is available only if the return is postmarked by the due date.
- The vendor fee is 2 percent of adjusted sales tax only, including excess sales tax collected.
- The vendor fee is limited to \$100 per return.

Line 9

Total City Tax

Subtract line 8 (vendor fee) from line 7.

Line 10

City Use Tax

- Use tax is covered in detail in the presentation “Use Tax Made Simple.”
- Go to Schedule B at the bottom of the return form and list, or attach a totaled list, of all items purchased for use in your business on which no or not enough local tax was paid.
- Place the Schedule B total in the small box on Line 10.
- Multiply the amount by the rate shown.
- The result is the use tax due; place the amount in the rightmost box on Line 10.

Line 11

Total Tax Due

Add Lines 9 and 10.

Line 12

Late Filing Fees

- If your return is late and you won't be able to postmark or deliver by the due date, penalty and interest are due.
- Penalty is the larger of 10% of the total tax due on Line 11 or \$15.
- Interest = Line 11 x .01 x (number of days late/30)
- Sum penalty and interest for the total late fee.

Line 13

Total Tax, Penalty and Interest Due

Sum Line 11 and Line 12.

Line 13A

- License renewal fee
 - December return, due January
 - \$20 annual business/tax license maintenance fee
 - Fee may be paid with return or separately, but becomes delinquent on February 1st.

Line 14

Adjustments to Prior Periods

- If you find an error on a previously filed return, file an amended return for better validation. **DO NOT** use this section to correct it.
- Debits may be:
 - Short-paid tax from a previous return.
 - Penalty and interest on a late previous return filed without these items.
- If you cannot validate with your records or don't recognize the debit, please call; it could be an error that we'd be happy to correct.

Line 14 continued

- Credits may be:
 - Tax overpaid on a previous return.
 - Penalty and interest paid on a return received within the grace period.
- ALWAYS** research a credit before taking it by calling us.

Line 15

Total Due and Payable

- Sum Lines 13, 14 Debit and 14 Credit.
- Write a check or money order payable to the City of Wheat Ridge and deliver or mail.

Changes and closure section

- If you recently acquired this business and are using the old business license number or don't have a license please indicate the date business began. You will be required to license.
- Provide the name of the new owner.
- If a seasonal business, please indicate the months within your "season."

Changes and closure section, 2

- If you've moved your location in the City, please provide the address and highlight it.
- If records are kept elsewhere, provide the address.
- If you've closed or sold the business and this is your last return, indicate the last day of business.

Signature box

- Did you know that in many jurisdictions across the country an unsigned return is not considered valid and may result in a penalty or the return being deemed un-filed?
- Complete all sections of the signature box so we know who to contact with questions.

Wheat Ridge Return Addresses

- ❑ If the return is a zero return (having no tax due), or you wish to hand-carry it:

City of Wheat Ridge

Sales Tax Division

7500 W. 29th Ave.

Wheat Ridge, CO 80033-8001

- ❑ If the return has an amount due, please send it to the lockbox:

City of Wheat Ridge

Sales Tax Division

P.O. Box 248

Wheat Ridge, CO 80034-0248

Resources

❑ Wheat Ridge: www.ci.wheatridge.co.us

Tax Supervisor
(303) 235-2825

Tax Auditor
(303) 235-2818

Tax Technician
(303) 235-2820 (Main Tax Division Number)

State of Colorado: www.revenue.state.co.us

(303)238-7378

❑ Other localities and counties may be found in the phone book, via internet search or through the State's website.