INTERIOR DECORATORS AND INTERIOR DESIGNERS

The Arvada Municipal Code imposes a sales tax upon the purchase price paid for tangible personal property sold at retail in the City. To the extent a sufficient, legally-imposed sales/use tax was not paid to the City or another municipality at the time of purchase, Arvada use tax is due.

As an interior designer or decorator, your work may include services such as design, repair, reupholstering, color coordination, and planning. You may also sell merchandise, including furniture, window coverings, carpeting, home accessories, cabinets, and samples. An interior decorator that sells decorating supplies at retail and also provides installation contractor services is considered a retailer/contractor.

- When selling personal property (furniture, area rugs, etc.) and construction supplies separate from installation, sales tax should be collected by the decorator from the client on the retail selling price of the merchandise, including any markup.

- When an interior decorator uses construction materials, purchased at wholesale, as part of the contractor services to install, the decorator must pay use tax based upon the wholesales purchase price.

TAXABLE SALES – PERSONAL PROPERTY

Colorado is a “point of delivery” sourcing state which means that the point where the delivery of the property or services occurs is the point of taxability. Sales tax should be collected from the client and remitted to the tax jurisdictions where the retail sale was delivered.

For those items that are included in the design services (finished drawings or plans, and samples) that are transferred to the client as part of the service are subject to sales / use tax by the interior designer.

FEES FOR PROFESSIONAL SERVICES

Many designers and decorators charge a fee for professional services. Typical services include consulting, design, layout, selection of color schemes, coordinating furniture and fabric, supervising installations, and so forth. The fee may be a negotiated fixed amount or a percentage or a percentage of the selling price of the furnishing, labor and installation charges. Tax does not apply to charges for professional services that are not directly related to the sales of merchandise. Be sure to list those charges separately on your invoice.

LABOR CHARGES

There may also be charges a client for labor associated with a taxable sale. For the purposes of calculating sales tax, labor charges are generally divided into three basic categories: fabrication, repair and installation. In general, tax applies to charges for fabrication labor, but not to charges for labor considered repair or installation. Nontaxable labor charges should be itemized separately on an invoice.
Fabrication labor – when you make a new item or change the form or function of an existing item and then sell it to your client, the labor is considered fabrication labor. Alternation of new items includes any work performed upon new items such as garments, bedding, draperies, or other personal and household items to meet the requirements of your customers. The work may involve adding or removing material from the item, rearranging, restyling or otherwise altering the item. Alternation such as these, result in the creation or production of a new item or constitute a step in the creation or production of a new item for your customer. Tax applies to your charges for the fabrication labor whether you provide the material or use materials provided by your client.

- Example of taxable fabrication labor includes, but not limited to:
  - Quilting new fabric
  - Converting a vase to a lamp.
  - Making bedspreads, draperies, slip covers, and pillows form fabric provided by you or your client.
  - Making an area rug from carpet remnants.
  - Dyeing a client’s new rug or other new fabrics.

Repair labor – repair labor is the repairing, refinishing, or reconditioning of an item to refit or restore it for its original use. Alternation of used items includes mending, shortening or lengthening, taking in or letting out, or otherwise altering used items such as bedding, draperies, or other personal and household items. When your alternation merely refits or repairs an item for which the items was created or produced, charges for the alteration of used items are not subject to tax.

- Example of nontaxable repair labor includes, but not limited to:
  - Refinishing a client’s antique table.
  - Cleaning a client’s used rug.
  - Dyeing a client’s used rug.
  - Relining old draperies for a client.

Installation labor – installation labor is the labor required to install an item after it has been delivered to the client’s premises. It does not include any work performed prior to installation. Charges for installation labor are not taxable. However, tax generally applies to charges for any materials you provide in installing a product, such as, nails, bolts, screws, cables, and so forth.

- Example of nontaxable installation labor includes, but not limited to:
  - Hanging draperies after delivered to the job site.
  - Hanging paintings and other artwork.
  - Connecting an appliance to a power source.

RETAILER / CONTRACTOR
A retail/contractor is a contractor who also makes retail sales of construction and building materials, non-building materials, or both. A retail/contractor generally makes retail sales in one of two ways:

- In the fulfillment of time and materials contracts where sales tax is collected from the client on the materials portion of the contract.

- As a retailer who makes “over-the-counter” sales of non-building materials that the retail may or may
not install for the client.

EXAMPLES

1. Tony, the local upholsterer, upholsters chairs. When a customer brings in their chairs to be upholstered, Tony helps them pick out the new fabric that will be used. When Tony is done he bills the customer for the fabric, tacks and the new stuffing that is used. The materials are all subject to sales tax. Tony separately charges his service/labor for the time it took him to upholster the chair.

2. Bob’s Upholstery buys old used dining room furniture at auctions for resale. Bob then repairs or upholsters the furniture before it is put up for sale. The materials such as, fabric, varnish and nails that become part of the furniture, can be purchased tax-free, however, the sand paper and the equipment used to repair the furniture is subject to sales or use tax. Once Bob is done, Bob can sell the furniture in his front show room and the total sale price of the furniture is subject to sales tax.

3. A client contacts ABC Interiors and expresses interest in renovating their business office. ABC Interiors provides samples of different carpet, wallpaper, fabric, and paint colors as well as spending a substantial amount of time developing alternative color schemes, colors, and looks. Tax would not apply to ABC Interiors fees for these services because no merchandise has been sold to the client.

Now, after reviewing the proposals, the client makes his choice and places an order for the merchandise including new office furniture. ABC Interiors bills the client for the merchandise at cost and then adds a Procurement Fee at 15% over cost of the merchandise to cover their services and markup. Both the merchandise and the procurement fee are taxable.

Arvada Sales/Use Tax Code – Chapter 98

Sec. 98-61. - Definitions.

Construction materials means tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a structure or project including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders’ hardware, caulking material, cement, concrete, conduit, electric wiring, and connections, fireplace inserts, electrical heating and cooling equipment, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscaping materials, wall board, wall coping, wallpaper, weather stripping, wire netting and screen, water mains and meters, and wood preserver. The above materials, when used for forms, or other items, which, do not remain as an integral or inseparable part of a completed structure or project are not construction materials.

Contractor means any person who shall build, construct, reconstruct, alter, expand, modify, or improve any building, dwelling, structure, infrastructure, or other improvement to real property for another party pursuant to an agreement. For purposes of this definition, contractor also includes subcontractor.

Retailer-contractor means a contractor who is also a retailer of building supplies, construction materials, or other tangible personal property, and purchases, manufactures, or fabricates such property for sale (which may include installation), repair work, time and materials jobs, and/or lump sum contracts.

Price or purchase price means the aggregate value measured in currency paid or delivered or promised to be
paid or delivered in consummation of a sale, without any discount from the price on account of the cost of
materials used, labor or service cost, and exclusive of any direct tax imposed by the federal government or by
this article, and, in the case of all retail sales involving the exchange of property, also exclusive of the fair market
value of the property exchanged at the same time and place of the exchange, if:

(1) Such exchanged property is to be sold thereafter in the usual course of the retailer’s business, or
(2) Such exchanged property is a vehicle and is exchanged for another vehicle and both vehicles are subject
to licensing, registration, or certification under the laws of this state, including, but not limited to, vehicles
operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft. Any money or other
consideration paid over and above the value of the exchanged property is subject to tax.

"Price" or "purchase price" includes:

(8) The gross purchase price of articles sold after manufacturing or after having been made to order, including
the gross value of all the materials used, labor and service performed and the profit thereon.

**Purchase or sale** means the acquisition for any consideration by any person of tangible personal property,
other taxable products or taxable services that are purchased, leased, rented, or sold. These terms include
capital leases, installment and credit sales, and property and services acquired by:

(1) Transfer, either conditionally or absolutely, of title or possession or both to tangible personal property,
other taxable products, or taxable services;

(2) A lease, lease-purchase agreement, rental or grant of a license, including royalty agreements, to use
tangible personal property, other taxable products, or taxable services. The utilization of coin operated
devices, except coin-operated telephones, which do not vend articles of tangible personal property shall
be considered short term rentals of tangible personal property;

(3) Performance of taxable services; or

**Sec. 98-66. - Property and service taxed.**

There is hereby levied and there shall be collected and paid a tax in the amount stated in section 98-66 as
follows:

(1) On all sales and services taxable, including, but not limited to the following:

a. On the **purchase price paid** or charged upon all sales and purchases of tangible personal property
at retail within the city, except as the purchase price is reduced by an allowance for an exchange of
tangible personal property, at fair market value, and which, is intended to be offered for resale.

s. Nontaxable service sales. The amount equal to the consideration received for installation labor
or services sold with tangible personal property, if such services are separately stated on the invoice
from the tangible personal property sold; except that manufacturing or fabricating or other
processing labor is never exempt.

**Sec. 98-77. - Tax on use, storage, distribution, consumption; intent.**

It is hereby declared to be the legislative intent of the city council that for the purposes of this article
every person who stores, uses, distributes or consumes within the city any article of tangible
personal property purchased at retail, and not stored or distributed in normal function of wholesaling,
is exercising a taxable privilege. It is hereby declared that every resident of the city or any person
doing business within the city who purchases or leases tangible personal property for use, storage
or consumption within the city from sources outside the city and taxable hereunder, and who has not
paid the tax imposed by this article, shall make a return and pay the tax to the finance director. The
use, storage or consumption of tangible personal property includes for the purpose of this article,
materials, commodities and items of tangible personal property affixed to or made a part of facilities
and structures on real property owned or leased situated within the city.
THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN’S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS
SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR
THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH
THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.