
LEASED AND RENTED PROPERTY

The *Arvada Municipal Code* includes in the definition of “purchase or sale” any “lease, lease-purchase agreement, rental, or grant of a license, including royalty agreements, to use tangible personal property or taxable services”. These terms include capital leases, and installment and credit sales. Retailers (“lessors”) leasing or renting tangible personal property for use in the City must obtain an Arvada Sales & Use Tax License and collect Arvada sales tax on the lease payments. A purchaser (“lessee”) who does not pay a sufficient, legally imposed, sales or use tax to a lessor licensed and authorized to collect the same at the time of purchase must remit a use tax directly to the City.

TAXABLE AMOUNT OF LEASE PAYMENT

Arvada sales/use tax is due upon each lease payment throughout the duration of the lease agreement. If the property is delivered to the lessee outside the City for use in the City thereafter, the first rental or lease period (up to 30 days) is not subject to Arvada sales/use tax. Subsequent periods will be subject to Arvada sales/use tax. The taxable purchase price includes, without limitation, rental or lease charges, operator charges that are not separately stated, or charges for delivery/pickup of the equipment, mandatory setup or services charges, environmental fees, property tax charges, certain insurance charges, damage waivers, fuel charges, and all other amounts paid to obtain the uninterrupted use of the property under lease.

PURCHASE OF LEASED EQUIPMENT

Arvada sales/use tax should not be paid by licensed lessors when purchasing the inventory for lease if the property will be held strictly for customer use. Lessor may not avoid the collection of sales tax by paying sales or use tax on the purchase of lease inventory. The lessor must pay Arvada sales/use tax on property the businesses uses which is also held for lease.

USAGE OF EQUIPMENT

If a rental or lease agreement calls for a royalty to be paid based on units produced or for use of the property, such royalties are subject to tax. This can sometime be measured by the amount the equipment is used.

LEASED VEHICLES

Vehicles leased by an Arvada resident or business are required to be registered at the lessee’s address in Arvada. City sales tax is due on each periodic lease payment. If at the inception of the lease, the lessee was not an Arvada resident or business, but subsequently moves into the City, the vehicle must be registered at the lessee’s address in Arvada at the time of the move. Arvada sales tax is due on all subsequent periodic lease payments.

EXAMPLE

1. Resident is building a fence for his yard and rents a nail gun and compressor from ABC Renter, a licensed Arvada retailer. ABC Renter charges \$100 per day for the rental plus a \$10.00 damage waiver. Renter must collect Arvada sales tax on both the \$100 rental charge and the damage waiver.
2. The Arvada Bowl Lanes is a local bowling alley that sells equipment, accessories and supplies. In addition, they rent bowling shoes for \$5.00 which is subject to sales tax. Since the rental of bowling shoes is taxable, the Arvada Bowl Lanes should purchase the shoes without paying sales or use tax at the time of purchase.
3. ABC Linen Services is a retailer that provides (*retailer owned*) linen, diapers, uniforms, floor mats, and other textiles along with the service of laundering soiled linens. "Linen services" or other similar "services" are considered a rental of the retail's linens and therefore, subject to Arvada sales tax. The retailer does not have to pay sales/use tax when purchasing the textiles inventory if property will be held strictly for customer use.
4. Customer A lives in Westminster and leases a vehicle for 36 months. She properly registers the vehicle in Westminster. Six months later, Customer A moves to Arvada. She must change the vehicle location to Arvada and pay Arvada sales tax on the lease payments as long as she resides in Arvada.

ARVADA MUNICIPAL CODE – Chapter 98 - Taxation

Sec. 98-61. Definitions

Purchase or sale shall mean the acquisition for any consideration by any person of tangible personal property or taxable services that are purchased, leased, rented, sold, used, stored, distributed, or consumed, but excludes a bona fide gift of property or services. These terms include capital leases, installment and credit sales, and property and services acquired by:

- a. *Transfer, either conditionally or absolutely, of title or possession or both to tangible personal property;*
- b. *A lease, lease-purchase agreement, rental or grant of a license, including royalty agreements, to use tangible personal property or taxable services, the utilization of coin operated devices, except coin-operated telephones, which do not vent articles of tangible personal property shall be considered short term rentals of tangible personal property.*

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 98-76 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.

RELATED TOPICS

AUTOMOTIVE VEHICLE

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.