



UPHOLSTERERS

The *Arvada Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services in the City by the ultimate user or consumer. This also includes a use tax upon using, storing, distributing or otherwise consuming in the City any article of tangible personal property purchased, leased or rented from sources outside the City on which a lawfully imposed sales tax has not been paid.

An upholsterer that is in business to repair, recover or upholster property that is provided by the customer is engaged in selling tangible personal property and a service. The labor portion of the service must be separately stated from the tangible personal property; otherwise that entire amount would be subject to sales tax. The tangible personal property or materials portion is subject to sales tax.

If the upholsterer purchases property which he repairs or upholsters and then sells the finished item, then the upholsterer is required to collect sales tax on the full selling price of the item.

Upholstery materials can be purchased tax-free, however, sales or use tax must be paid when the items are used or consumed and do not become a part of the finished item.

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.

ARVADA MUNICIPAL CODE – Chapter 98 – Taxation

Sec. 98-70. - Exempt sales.

There shall be exempt from taxation under the provisions of this article the items of sales and services including, but not limited to the following:

(9) *Additional provisions of exemption from the tax under this article:*

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.*

CODE of COLORADO REGULATION

COLORADO DEPARTMENT OF REVENUE – TAXATION DIVISION

SALES AND USE TAX – SPECIAL RULES FOR SPECIFIC BUSINESSES

1 CCR 201-5

UPHOLSTERERS

An upholsterer who is engaged in the repair, recovering, upholstering or similar work on a customer's property is engaged in the sale of tangible personal property and accordingly, will charge his customers sales tax on the tangible personal property used in this service. The upholsterer must separately state the tangible personal property and the service or labor charges on his billing to his customer.

A sale by the upholsterer of upholstery material, manufactured articles, or other tangible personal property to a retail customer, without service rendered in connection with the sale, is taxable on the full selling price of the property.

An upholsterer who purchases property, which he upholsters and then offers for sale, is required to charge sales tax on the full selling price of such property.

Upholstery material and other items of tangible personal property that become a part of the upholstered item may be purchased tax-free, but he must pay sales or use tax on those items used or consumed that do not become a part of the completed upholstered property.

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.