

VENDOR ASSESSMENTS

As part of its comprehensive tax compliance program, the City routinely conducts audits of businesses examining their sales and purchases. During the course of this examination, the City sometimes identifies purchases where the vendor has collected an incorrect tax or has collected Arvada tax but has not remitted it directly to the City. In some cases, the City will issue a Notice of Assessment directly to the vendor to attempt to recover this tax. If the City cannot recover the tax directly from the vendor, the audited business will be assessed a use tax.

IMPROPERLY IMPOSED TAX

Often vendors rely on a customer's mailing address or zip code in determining the local tax to be charged. This reliance may be misplaced because zip codes do not coincide with City boundaries and are not a reliable source for determining taxability. Further, because the post offices servicing much of the City are located in neighboring cities, a purchaser's mailing address may be misleading. For example, of the twelve zip codes in which Arvada resides, only seven are actually Arvada's mailing addresses. Customers with Broomfield, Golden, Westminster, or Wheat Ridge mailing addresses may actually reside in Arvada. This may result in a vendor collecting and remitting an incorrect local tax. Retailers are responsible for the collection and payment of tax. Failure to collect the proper tax does not relieve a retailer of their liability to the City. If the original local tax has been remitted to another jurisdiction in error, the retailer must pay the vendor assessment and apply to that jurisdiction for a refund. Generally, penalties will be abated if the vendor assessment is paid by the due date. To avoid this issue, retailers making deliveries into the City are encouraged to use the **Sales and Use Tax Simplification (SUTS) Lookup Tool** located at:

<https://colorado.ttr.services/> Colorado Certified Database to verify the address.

TAX DISCOVERY

Occasionally, the City identifies purchases where the vendor properly collected Arvada tax, but failed to remit that tax to the City. This usually results from a vendor failing to license with the City. Arvada is a home-rule city that collects and administers its own tax. Some vendors may not realize that they are required to license with home-rule cities in addition to the Colorado Department of Revenue. Neither the Department of Revenue nor any other jurisdiction may collect Arvada's tax. If the original local tax has been remitted to another jurisdiction in error, the retailer must pay the vendor assessment and apply to that jurisdiction for a refund. Generally, penalties will be abated if the vendor assessment is paid by the due date. There is no statute of limitations on recovery of Arvada taxes collected, but not remitted to Arvada. For a complete listing of home-rule cities, vendors should refer to Colorado Department of Revenue for the **Colorado Sales/Use Tax Rate - form DR1002**, which is available on their website www.taxcolorado.com. This form is updated semi-annually – January and July.

ARVADA MUNICIPAL CODE – Chapter 98 – Taxation

Sec. 98-61. Definitions

Retailer means any person selling, leasing, renting, or granting a license to use tangible personal property or services at retail. Retailer shall include, but is not limited to, any:

- (1) Auctioneer;
- (2) Salesperson, representative, peddler or canvasser, who makes sales as a direct or indirect agent of or obtains such property or services sold from a dealer, distributor, supervisor or employer;
- (3) Charitable organization or governmental entity which makes sales of tangible personal property to the public, notwithstanding the fact that the merchandise sold may have been acquired by gift or donation or that the proceeds are to be used for charitable or governmental purposes;
- (4) Retailer-contractor, when acting in the capacity of a seller of building supplies, construction materials, and other tangible personal property.

Sec. 98-67. - Retailer or vendor liable for tax.

Every retailer, vendor and wholesaler shall be liable for the collection of the tax as provided for in this article for sales at retail to the user or consumer, by adding the tax imposed hereby on the average equivalent to the sale price or charge as a separate and distinct item, and when added such tax shall constitute a part of such total price or charge and shall be a debt from the consumer or user to the vendor until paid and shall be recoverable at law in the same manner as other debts.

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.