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Mayor

# CITY AND COUNTY OF DENVER

## DEPARTMENT OF FINANCE

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### **INFORMATION SHEET FOR AUTOMOBILE DEALERSHIPS LICENSED TO COLLECT DENVER SALES TAX**

The purpose of this information sheet is to briefly summarize the most common problems found on City and County of Denver sales tax audits of automobile dealerships, and to provide guidance to help dealerships better comply with Denver's Tax Code.

**Discrepancies in Determining Customer's Primary Residence:** The most common problem noted on Denver sales tax audits is the dealership's failure to sometimes obtain the customer's proper address of primary residence – which determines the sales tax to be charged. The City and County of Denver expects the dealership to use due diligence in cases where various documentation provided by the customer contains conflicting addresses of residence. A motor vehicle sold to a non-business customer is generally required under state law to be titled and registered at the customer's primary residence. **Exception:** If the motor vehicle is to be principally operated and maintained at an address other than the primary residence, the vehicle will then be registered at this alternate address. **This same criteria used for determining title and registration is used for determining the sales tax.**

When conflicting addresses are provided by the customer, the City and County of Denver expects the dealership to investigate the reasons for the different addresses, and document in the customer's file the facts surrounding the address discrepancies, including the customer's statements. In addition, a motor vehicle declaration (attached) should be completed by the customer only in cases where there are address discrepancies.

While the City cannot agree to waive the dealership's liability by virtue of using the motor vehicle declaration, it will look favorably upon its use as diligence by the dealership in determining where a motor vehicle should be registered and where sales tax is due.

**State Certified Database:** Although not as common a problem as determining primary residence, sometimes there is confusion as to what taxing jurisdiction a particular address is located in. The City and County of Denver will continue to honor the use of State-certified databases when used in determining the taxing jurisdiction of the customer's address of primary residence. However, a copy of the printout showing the inquiry was made on the date of the sale must be in the customer's file as evidence of the dealership's compliance with the "hold harmless" rules.

**Taxation of Vehicles Bought Under the 2009 Federal Car Allowance Rebate System (Cash for Clunkers Program):** The City and County of Denver will maintain consistency with the State of Colorado's policy as far as taxation under this program. The federal credit allowed under this program does not lower the purchase price of the new vehicle or the amount subject to state and local sales tax. However, the scrap value of the trade-in is allowed as a deduction from the amount subject to Denver sales tax.

For further information regarding Denver taxes, including Denver Tax Guide topic No. 5 – Automotive Vehicles and Tax Guide topic No. 4 – Automotive Service and Repair, please go to [www.denvergov.org/treasury](http://www.denvergov.org/treasury) and click on the "Tax Guide" link.

If you have questions, you may contact our Taxpayer Service section at (720) 865-7075.