

BUILDING USE TAX HANDOUT

Those performing construction work that requires a City of Golden building permit or other modifications that don't require a permit must pay City building use tax on the cost of construction materials used. A use tax deposit based on estimated project costs is paid upon issuance of the City Building Permit. A reconciliation of estimated construction material costs and actual construction material costs must be performed by the contractor or property owner at the end of a project or within 6 months of issuance of the Certificate of Occupancy. The use tax due on actual construction material costs should then be calculated based on the actual construction material cost and the difference between the Use Tax deposit paid and the actual Use Tax due must be paid to the City or a refund request submitted.. For your convenience and to assist in the reconciliation, there is a *Building Permit Use Tax Self-Audit Worksheet* available electronically at www.cityofgolden.net in the Business Documents - Sales Tax Documents section or in the *Construction Permit Process* handout available at the City of Golden Building and Planning Department.

Contractors or property owners must keep all invoices and statements from all general contractors, subcontractors and suppliers of construction materials, along with a summary sheet showing such purchases for three (3) years from the date of issuance of the certificate of occupancy.

What is the Use Tax charge on a Permit?

- The permit includes charges for estimated City use tax due on construction materials used on the structure for which the permit is issued. Use tax is paid to the City instead of sales tax to a vendor. Use tax applies only to construction materials (property which becomes an inseparable part of the completed structure), where sales tax is due on all other items used in the project. Construction materials do not include such things as furniture, removable fixtures, window coverings, equipment, tools, supplies, or similar items. See Chapter 3 of the City of Golden's Municipal Code for the full definition of Construction Materials.
- In order avoid paying both a City sales tax and use tax, a copy of the active and valid building permit must be presented to the vendor when construction materials are purchased for the project for which the permit applies. After presenting the building permit to the vendor, the vendor should not charge a City sales tax on the construction materials. However, state and other non-municipal taxes may still apply. The permit is only valid for up to 2 years after the issue date, unless an extension has been requested and approved. The permit may also be voided for failure to commence progress in a timely fashion, abandonment, or if the original permit was issued in error.

DID YOU KNOW? You may present a copy of your building permit when purchasing construction materials so that City sales tax should not be charged at the time of purchase! (City of Golden Municipal Code §3.03.040)

How is the Use Tax calculated during the Building Permit Process?

- The permit applicant is responsible for calculating the total valuation of the project. This valuation shall reflect the total cost of the project, including labor, material, and profit. When the exact value of the materials are not known, the value of the materials is assumed to be equal to one-half (1/2) of the total valuation. Conversely, when the material cost is known, the total valuation is assumed to be twice the material cost. While it is the responsibility of the permit applicant to provide the valuation, the Building Official/Plans Examiner is charged with verifying and setting this valuation. He/she may modify the value provided to more accurately reflect the true cost of the project. The applicant may appeal this adjusted valuation by submitting documentation justifying a revision. 3% use tax is due on all construction materials used in the project.

What if I have already purchased the materials prior to obtaining the permit?

- If you do not provide a copy of the building permit to a vendor and are charged Golden sales tax on such construction materials, you may apply to the City Sales Tax Division for a refund of the tax paid twice. Copies of all receipts showing that City sales tax was paid to a Golden business must be submitted to the Sales Tax Division within 3 years of the date of purchase.
- If you purchased your material in a City other than Golden and paid that city's tax, Golden will not issue a refund. You must apply for a refund from the City where the tax was charged.

Can I use this permit for other projects?

- The permit is issued only for the project listed. Improper or fraudulent use of the permit is a violation of the City of Golden sales and use tax ordinance.

What if actual materials cost more or less than the estimated project?

- A reconciliation of estimated construction material costs and actual construction material costs must be performed by the contractor or property owner at the end of a project or within 6 months of issuance of the Certificate of Occupancy. The difference between the Use Tax deposit paid and the actual Use Tax due based on actual project cost is paid to the City or a refund request is submitted by the permit holder. See the Construction Use Tax worksheet in Construction Permit Process information packet.

THE CITY HAS THE RIGHT TO AND MAY AUDIT A CONSTRUCTION PROJECT WITHIN 3 YEARS OF THE DATE OF THE CERTIFICATE OF OCCUPANCY OR FINAL INSPECTION.

YOU ARE STILL RESPONSIBLE FOR ANY STATE, COUNTY, OR SPECIAL DISTRICT SALE AND USE TAXES WHICH ARE ASSESSED AND COLLECTED AT THE TIME OF PURCHASE.