



City of
Golden

FINANCE DEPARTMENT
SALES TAX DIVISION

911 10TH ST
GOLDEN, CO 80401
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**CITY OF GOLDEN
FINANCE DIRECTOR
ADMINISTRATIVE DIRECTIVE REGARDING ART/STUDIO BUSINESSES**

With respect to Art/Studios and similar businesses, the following shall be utilized to determine taxability under Chapter 3.03 of the Golden Municipal Code:

Background:

Art/Studio businesses operate by offering customers a selection of art projects or items, including but not limited to; pottery, glass blowing, crafts, and canvas art. Customers select a piece of art and utilize the business' space, supplies and equipment to create the artwork. Supplies may consist of paints, brushes, glazes and similar items. The equipment consists of a kilns or similar items which the business owner uses to finish the product. In most cases, the costs consist of the price for the art project item and a "studio fee."

Code Section:

3.03.040 Exemption from sales tax

(a) The sales tax levied by Section 3.03.010(a) shall not apply to the following:

(17) Labor sold with tangible personal property, if such labor is stated separately on the invoice from the tangible personal property sold...

Directive:

Sales tax should be collected and remitted on the price of the final art project item, including markup, as well as any supplies used to create the item, such as paints, brushes, glazes and similar items. Final touches to the product that are completed by the business owner are deemed a service/labor and thus non-taxable. The business owner should separate taxable and non-taxable items on the invoices or receipts. It is recommended that any supply items be purchased at wholesale since sales tax will be collected on them when used. Sales or use tax should be paid on equipment, such as a kiln, at the time of purchase by the business owner.

Examples:

1. A business owner offers a bowl, including supplies, for \$25 and a studio fee, which includes use of the space and the final "firing" of the product for \$10. These two amounts should be separately stated on the invoice and sales tax must be collected and remitted on the \$25. The \$10 studio fee would be non-taxable.
2. A business owner elects to offer a package of food, wine, paint supplies and a canvas for a flat rate of \$45. No items are separated on the invoice. Sales tax must be collected and remitted on the entire amount of \$45. If separately stated, as instruction/studio fee and consumables and supplies, the instruction/studio fee is not taxable and the consumables and supplies are taxable.



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3. A class is offered by a studio for \$50; \$30 for instruction and \$20 for materials and supplies. If these amounts are separately stated on the invoice, sales tax should only be collected and remitted on the \$20 for materials and supplies. If there is no breakout of the \$50, then sales tax is due on the entire amount.
4. An art studio rents space at their business location to use for an hour, day, week, or month at a time. The fee includes the use of equipment provided by the business owner. If not separately stated, the entire rental fee is taxable. If separately stated as space rental (not taxable) and equipment rental, only the equipment rental is taxable.


Jeffrey A. Hansen
Finance Director

Approved this 18th day of June, 2014