

CITY OF SHERIDAN

4101 So. Federal Blvd.
Sheridan, CO 80110
303-762-2200



FAQ Frequently Asked Questions

USE TAX GENERAL INFORMATION

Use tax applies to tangible personal property or taxable services purchased, leased or rented upon which no local sales tax or less than 3.5% local sales tax is paid at the time of purchase. A 3.5% use tax is levied on:

- Tangible personal property purchased, leased or rented for USE (not for resale) in the operation of a business within the city limits of Sheridan;
- Tangible personal property (except inventory for resale) acquired in the purchase of an existing business within the city limits of Sheridan; and
- Tangible personal property withdrawn from inventory for business or personal use.

Special attention should be given to the tax rate charged, especially if the items purchased are delivered to Sheridan from vendors located outside the City, as the proper municipal sales tax may not be charged. The total tax rate should include the 3.5% city tax. Any other local rate indicates the appropriate city tax is incorrectly charged. If the purchaser's mailing address contains the name of a municipality other than Sheridan, the vendor may erroneously collect and remit sales tax to another city.

- An Initial Use Tax Return is required for all new businesses in the City. This return is due on the 20th day of the month following the date an existing business in Sheridan is purchased or the first day that sales are made or services provided in Sheridan.
- After filing the Initial Use Tax Return, subsequent purchases of tangible personal property are reported on Schedule B of the sales and use tax return.
- If local sales tax is paid at a rate less than 3.5%, other than on construction materials for which a city building permit is issued, use tax is reduced by the amount of local tax paid.

NOTE: Check to make sure that the retailer is licensed with the City of Sheridan to collect the appropriate tax.

GUIDELINES FOR REPORTING USE TAX

- Use tax is due on the purchase price of tangible personal property acquired for use by a business in the rendering of a service (manufacturing, medical and office equipment, dry cleaning equipment, supplies, professional books and literature, etc.).
- Use tax is due on tangible personal property acquired with the purchase of an existing or ongoing business, based on the allocated acquisition cost as stated in the purchase agreement but not less than the current fair market value. If the purchase agreement does not itemize the tangible personal property with an allocated or appraised cost, use tax is due on the book value established for depreciation purposed for Federal and State Income Taxes.
- Use tax is due on lease payments of tangible personal property on which sales tax is not collected by the lessor. The use tax is reported on the periodic sales and use tax return.