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## **USE TAX ON BUILDING MATERIALS FAQ'S**

### **What is Building Materials Use Tax?**

The Building Materials Use Tax applies to the privilege of using or consuming within the city, construction and building materials for use in connection with residential, commercial or industrial building projects.

### **What is the benefit of paying Building Materials Use Tax?**

Construction projects place a burden on maintaining City streets and increases the demand for services in areas such as police protection and park and recreation amenities. By paying the estimated use tax to the City of Fruita, the tax dollars stay in the community where the burden on City facilities and services is being placed.

### **Who must Prepay Use Taxes on Building Materials?**

Generally, all contractors or homeowners performing construction work, building projects, or repairs to real property will pay estimated City of Fruita use tax at the time a City of Fruita Building Permit is issued. The subsequent purchase of building materials for that project is then exempt from City of Fruita sales taxes.

### **How do I use my Building Permit to avoid paying additional municipal sales tax?**

Your Building Permit and Receipt of payment of Use tax on which you pre-paid City of Fruita use tax, allows you to purchase construction materials needed for your project without paying additional municipal sales tax...regardless of where you purchase your materials. You must provide a copy of your approved Building Permit and a copy of the Receipt of Payment, to each vendor from which you will purchase materials in order to avoid paying additional municipal sales tax. You will still be required to pay any state, county and special district sales tax on the materials. By law, if you do not provide a copy of your approved Building Permit and Receipt of Payment, the vendor must collect all applicable sales tax on your purchase. This means you would be paying tax twice. If you are using sub-contractors, and their work is included in the permit valuation for your project, you must provide them a copy of the Building Permit and Receipt of Payment so they too may use the permit to purchase materials for your project without paying additional municipal sales tax.

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Your permit only allows you to purchase building materials that become permanently incorporated into real property and thus, lose their identity. Sales tax will still be due on the cost of all tools, supplies, and any equipment leased or rented. Items such as furnishings, window coverings, appliances etc., are not to be purchased using your Building Permit and Receipt of Payment. You must pay any applicable sales tax at the time of purchase for such items. Remember, the permit issued is for the project listed only, and for building materials that become permanently incorporated into the structure. Improper or fraudulent use of Building Permit and Receipt of Payment is a violation of the Fruita Municipal Code.

### **Can I purchase materials outside the City of Fruita?**

Yes. Keep in mind that the same rules apply. You must provide a copy of your Building Permit and Receipt of Payment to the vendor from which you are purchasing materials in order to avoid paying additional municipal sales tax.

### **What if I am exempt from sales and use taxes?**

Charitable, governmental, or religious organizations are exempt for the City of Fruita's sales and use tax when in the conduct of their regular charitable, governmental or religious capacity.

The City of Fruita does not issue its own exemption certificate. The City recognizes the State of Colorado Contractors Exempt Certificate that is issued to the general contractor for a specific exempt project. Exemption from building use tax is granted only if the specific exempt certificate is presented to the City's Planning Department at the time a Building Permit is issued.

### **What if the Use Tax I pre-paid exceeds 3% of the actual purchase price paid for qualified building materials for my project?**

Since the use tax paid with your permit is an estimate, if you believe that the amount of pre-paid use tax exceeds the 3.00% of the purchase price paid for qualified building materials for your project, you may submit a request for a refund of the excess tax paid. Copies of all material invoices showing the tax paid and a detailed summary of all the material costs for the project are required to be submitted with the Use Tax Return form. Additional information may be required by the City to evaluate your request and determine the refund due, if applicable.