

General Overview of Colorado Building Permits

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Building Permit Overview

- Building permits are issued for new construction, additions and renovations to real property.
- The main purpose of building permits is to record plans, codes, inspections and fees related to a project inside the jurisdiction.
- Most Colorado building permits, but not all, include use tax on building materials. This ensures that taxes go to the jurisdiction where the project is located.
- Use tax is paid at the city level when the project is inside city limits otherwise it is at the county level.
- Building permit use tax will never exempt State or District tax.

Building Permit Use Tax

- Using the estimated total project cost, the jurisdiction will calculate the use tax due and add this amount to the building permit:

New Addition in Golden	
Estimated Project costs:	80,000
Estimated Bldg Materials:	40,000
Total Use Tax due (3%):	1,200

- When building materials are purchased, the contractor can provide the building permit to the vendor as proof of use tax payment.
- For example, city use tax on a building permit will exempt city sales tax when purchasing materials in another city.

Building Permit Use Tax True Up

- At the end of the project there is a reconciliation of tax paid on building materials. The jurisdiction will review all invoices from the project and either impose additional tax or provide a refund if there is an overage.
- Each project is subject to audit.

Building Permit Challenges

- There is no standard format for building permits. Sometimes it is hard to confirm whether or not use tax has been paid and to where.
- Sometimes use tax collection on a building permit is optional.
- Some jurisdictions do not provide public access to building permits. They will only provide it to the entity that pulled the permit.
- If there is a delay in issuing the permit, the contractor will not have it available for the vendor when purchasing material, which can lead to tax being paid twice.
- Refund requests take time to document and complete.
- Larger companies have tools that can exempt just city or county tax on invoices based on building permits. This partial exemption can be a challenge for smaller companies to invoice correctly.

Suggestions

- Standardize the format of building permits to make proof of use tax payment clear.
- Allow public access to building permit use tax payment information.
- Only Colorado collects use tax on building permits. Eliminating use tax collection would remove all challenges.